

## Money in the pocket, food on the table: Why Canada should restore agricultural aid to \$450 million/year

### **POLICY BRIEF FROM THE CANADIAN FOODGRAINS BANK**

Canada's most valuable crop - canola - is a made-in-Canada success story and an inspiring example of how public investment in agriculture can stimulate economic growth.

Thailand, Vietnam, Korea and China have dramatically reduced poverty and built vibrant economies by focusing early attention and resources on agriculture. Their experience also shows that investment in agriculture can lead to improvements in nutrition and more opportunities for women.

What successes await in other developing countries with innovative investments in agriculture?

In the developing world, 86% of rural people make their living from agriculture. Farming is central to the economy and will continue to be for the foreseeable future. In Africa, Asia and Latin America, most of the people living with poverty are small-scale farmers. Smallholder agriculture can be highly productive for the local economy and food security. The most effective way to spur economic growth and fight poverty is by working with these farmers.

Economic growth stemming from agriculture is at least twice as effective in reducing poverty as economic growth in other sectors. Growth in agriculture also builds vibrant rural economies and provides a foundation for country-wide economic growth.

For the poorest farmers, improvements on the farm lead to more income and a better life. Overall growth in agriculture creates more jobs on farms, and generates demand for other goods in rural areas.

But agriculture is hindered by significant under-investment, to the tune of \$5 billion/year. Governments in developing countries will make up some of this shortfall, but many are limited by the small domestic revenue base and international debt. Private companies are increasing their investment in farming, but have little interest in small-scale farmers. Such farmers are poor and often remote, and they provide little opportunity for profit.

There is a need for aid donors such as Canada to step up. Canada was a global leader in supporting agricultural development from 2008-2011. Under Canada's Food Security Strategy, aid for agriculture

“Experience repeatedly shows that when smallholders are given the means and the incentives to increase production, they can feed themselves and their communities, lead their nation's agricultural and economic growth, and contribute to food security.”

- Kanayo F. Nwanze,  
president of IFAD

averaged \$450 million/year and Canada led the world in the proportion of aid devoted to food and nutrition security.

By investing at least \$450 million/year in agricultural aid, and with effective allocation, Canada can help to end extreme poverty and promote global peace and prosperity. Here are four proven strategies for getting the most out of agricultural investment:

- 1. Target small-scale farmers, especially women.** Globally, 94% of farms comprise five hectares or less. Women make up nearly half the workforce in agriculture, but only receive five percent of extension services.
- 2. Invest in food crops.** They bring about wide benefits for the national economy and for poor farmers.
- 3. Invest in public goods,** such as rural infrastructure (roads, water, energy), research and extension services and farm organizations. These will result in higher returns for agricultural growth and contribute to local food security.
- 4. Reduce the risks.** Farming is risky and small-scale farming even more so. Helping farmers manage environmental (weather, pests) and financial risks, and securing land tenure, will enable them to improve their productivity.

Canada's economy and Canada's future is linked to the rest of the world. Canada can achieve three of its key development goals at once by investing in smallholder farmers in developing countries: increasing food security, stimulating sustainable economic growth, and improving the lives of mothers and children.



Photo credit: Chris Woodring

**Sukoluhle Moyo** has come a long way since 2007, when she experienced a “hunger season” each year, and relied on food aid. Then, through donor-supported agricultural extension in her part of Zimbabwe, she learned how to make better use of low rainfall through conservation agriculture. Her maize (corn) yield more than doubled, meaning more food for Moyo’s family, and money in her pocket to buy livestock and build a better house.

For more information, including the paper from which this brief was taken, please visit [www.foodgrainsbank.ca/goodsoil](http://www.foodgrainsbank.ca/goodsoil)

There are three main reasons why agriculture is an effective way to reduce poverty, build vibrant rural economies and provide a foundation for country-wide economic growth:

**1 FARM INCOMES**  
For the poorest households, agriculture is a critical income source. Growth in agriculture that leads to higher farm profits has a direct impact on poverty reduction.<sup>1</sup>

**2 EMPLOYMENT**  
Improvements to smallholder agriculture have a direct and positive correlation with more opportunities for farm labourer jobs.<sup>4</sup>

**3 RURAL ECONOMY**  
Increases in agricultural outputs also leads to employment growth in the local non-farm sector as a response to higher domestic demands.<sup>5</sup>



**We need more investments in agriculture, including aid, to reduce poverty, improve food security, and stimulate economic growth.**