

Giving Priority for Agriculture

The agriculture sector has long remained the poor brother, or merely taken for granted by government, much of the formal private sector and donors, yet it remains the backbone of PNG's economy, providing a substantial portion of the country's GDP and the livelihood for the majority of the country's population. Addressing the wider needs of PNG's forgotten rural areas would resolve many of the agriculture sector's requirements, but agriculture also requires some specific attention.

We are now experiencing high prices for many of our agriculture products, including both export crops and staple foods, after many years of relatively low or declining prices. As stated in previous INA Focus columns, this will leave some losers within the community, particularly those without land or with fixed/low incomes, who must purchase staple foods. For those with access to productive land improved prices provide opportunity for increased agricultural income, making up years of lost ground. Price, however, is only one of many preconditions (albeit important) to improved agricultural income and rural welfare.

A 2005 study undertaken by NZIER for the INA showed clearly how prices had declined in real terms for PNG's agricultural export crops over recent decades, owing to global factors (notably world production growth exceeding demand growth, e.g. with the extraordinary increased coffee supply from Vietnam since the 1990s) but also with the strength of the kina, at least until the mid-1990s. The major collapse of agricultural commodity prices in the late 1980s, and their instability (and failure of an early cocoa hybrid) provided further disincentive to longer term agricultural investment, despite concerted effort by government to shore up local prices in the early 1990s, partly using Stabex funds.

It is often stated, with apparent surprise, that the agriculture sector in PNG has failed to perform over recent decades. Commodity exports (apart from oil palm) have certainly been relatively stagnant over recent decades, some even declining, with rural economic opportunities (per capita) dropping. It's also true that, compared with economies, like Vietnam - freed from years of restrictions upon its market economy, PNG farmers appear dormant. In reality, this is a simplification, as production has kept pace with basic needs of the growing rural population, including in peri-urban areas, including Port Moresby's hitherto un-gardened hills. This has been achieved both through expanded plantings and some intensification. Rural producers have also partly met growing demand for food in urban areas, including increased shipments from the Highlands. PNG farmers certainly respond to opportunities when they appear, as demonstrated by the vanilla boom, but the right conditions must prevail, and authorities must be aware and responsive to farmers' needs and farmers to the needs and nature of markets.

Why any surprise over the sector's poor performance? Over recent decades funding for infrastructure and basic rural services has declined progressively, with NEFC's 2005 Provincial Expenditure Review finding only West and East New Britain allocating 60% or more of the minimum cost for maintaining their infrastructure, with all other provinces spending less than 40%, and most spending 20% of the minimum needed or many significantly less. Produce cannot reach markets if basic transport infrastructure doesn't exist or is unusable for much of the year, apart from inadequate

provision of other basic services, including law and order - critical to investment and trade. Without access to stores, education and health services the incentive to produce cash crops diminishes, leaving the community either withdrawing into subsistence agriculture, or migrating to towns, regardless of whether they have appropriate urban skills.

Our political leaders dislike the term 'poverty alleviation', preferring 'wealth creation', but the fact is that, whilst not starving (except during floods or drought) much of PNG's population, particularly in remote locations, suffers unacceptably high mortality rates (particularly infant/maternal), low literacy and access to other basic services, as well as negligible cash incomes (which secure supplementary food, clothing, medicine and other opportunities). These failures are recognised worldwide as poverty.

Lack of reliable infrastructure and access to markets has effectively reduced the area where it is practical to produce marketed crops (including perishable fruit and vegetables) to the immediate hinterland of towns and main highways, also reducing competition (between roadside buyers) and hence also prices paid for crops like coffee. Without access to markets the community focuses upon subsistence crops, with PNG's tenure system providing customary landowners equitable access for food gardening and has enabled steady production growth to meet basic needs, Extensive areas of cash crops however, are abandoned. There are continual reports of cash crop un-harvested or picked but left to rot when roads become un-passable.

Some peri-urban areas, where one would expect more intensive agriculture, are, by contrast, handicapped by current customary land tenure systems from being available to those with skills and capital to develop it (whether commercially or smallholders). Where land lease arrangements occur they are largely informal, undermining prospects for long term investment in sustainable farming practices.

Since the early 1990s there has also been a severe lack of institutional support for the agriculture sector. Relatively well-funded in the late 1970s (the boom years for coffee), with an extensive network of provincial extension staff, the sector institutions were already subject to undue cronyism in the 1980s and increasingly starved of operational funds. New institutions (for research, extension and development) were established from the late 1980s with initial success, to provide greater industry control, supplement public funds with industry contributions and enable less bureaucrat management. These institutions initially received strong donor support, until about 1992 when (apart from Stabex) all donors apparently abandoned interest in agriculture. The World Bank discontinued agriculture sector reviews; ADB concluded its programme loan and research and extension programme, retreated to its (useful) SSSPP extension pilot project and aborted its potentially valuable Agro-Nucleus Enterprise project; whilst Australia withdrew, except for ACIAR programmes. Their argument was that the sector was becoming too hard, with no Sector Plan, the institutions increasingly mismanaged, with other apparently easier sectors to work. The development partners tentuously returned to the sector, with AusAID supporting NARI from the mid-1990s, latterly with increased awareness of the sector's critical role, and renewed commitment to the sector coinciding with the launch of the National Agricultural Development Plan and the current global food crisis

highlighting inadequate international sector investment, as well as ill-considered sector/and trade policies worldwide .

The task of restoring essential opportunities to the sector is immense, but made easier by high agricultural prices and prospective private capital (even credit) for sector investment (including in marketing and service provision), having a sector plan (however weak), substantial funds for restoring infrastructure and core services, potential donor support (including for capacity building and institutional support), potential competitive telecommunication services and land tenure arrangements for partnerships on customary land (including agro-nucleus arrangements). Prospects are handicapped by years of under-investment in the sector, including human capacity, lack of awareness of farmer needs, constraints and motivation (with lack of socio-economic field research or ongoing extension interaction), inadequate capacity and a culture of corruption and cronyism in sector institutions, a reluctance to free up constraints on investment and competition (including in needed telecommunications), plus potential undermining by other more vibrant sectors with the “resource curse” imposing wide negative repercussions on the whole economy, including further growth or corruption and undermining of governance

Necessary steps for agricultural restoration will be the subject of the next INA Focus.