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Executive summary

Food or cash?

Trade-offs between support for food
and non-food agricultural production

MARCH 2025

about ADA and the SSNUP programme

Appui au développement autonome (ADA) is involved in inclusive finance in Africa, Latin America and Asia and focuses on three main topics: youth entrepreneurship, agricultural and forestry value chains and access to basic services. These activities address three transversal themes: climate change, gender and the use of digital technologies. ADA is the coordinator of the Smallholder Safety Net Upscaling Programme (SSNUP), a 10-year programme which aims to strengthen the safety nets of smallholder households through technical assistance and investment in agricultural value chains, resulting in an improved well-being of low-income people. Funded by the Swiss Agency for Development and Cooperation, the Liechtenstein Development Service (LED) and the Luxembourg Directorate for Development Cooperation and Humanitarian Affairs, SSNUP works as a facility to co-finance the technical assistance projects of impact investors active in the field. ADA ensures the coordination as well as the knowledge management component of the whole programme.

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Disclaimer

The findings, interpretations, and conclusions expressed in this report are entirely those of the authors. They do not necessarily represent the views of ADA or its affiliated organisations.

EXECUTIVE SUMMARY

Balancing economic benefits, food security and environmental sustainability is a major challenge for the agricultural sector and its stakeholders.

Whether investing in cash crops or food crops would tip the balance more to one side than the other is a question that fuels debate among public and private players wishing to contribute to the development of sustainable and fair agri-food systems.

As the SSNUP programme aims to enhance its impact on food security, this study was conducted to inform its strategy and approach, assessing whether the programme should prioritize or incentivize investment in local food value chains.



In a nutshell



trade-offs do occur between food and cash crop production in terms of food security, social and environmental impacts



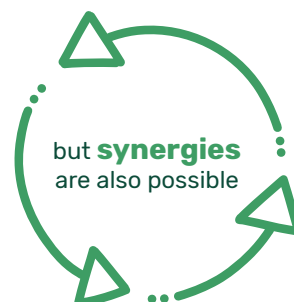
Cash crop production for agricultural income generation can have a positive impact on **food security**, especially when done together with food crop production, because it combines two dimensions of food security: food availability and food accessibility.



Environmental damage that cash crops might sometimes induce **can be reduced** by integrated and sustainable agricultural practices, that can actually also achieve high yields.



Finally, smallholder farmers can also reap **economic benefits** when they are provided with financial, institutional and knowledge support for the implementation of sustainable agricultural practices.



The study **“Food or Cash? Trade-offs between support for food and non-food agricultural production”** validates and weighs the assumptions about possible trade-offs between focusing development support on food or on non-food agricultural value chains through a combination of literature review, data analyses and interviews with funding and development organisations.

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Definition of cash crops



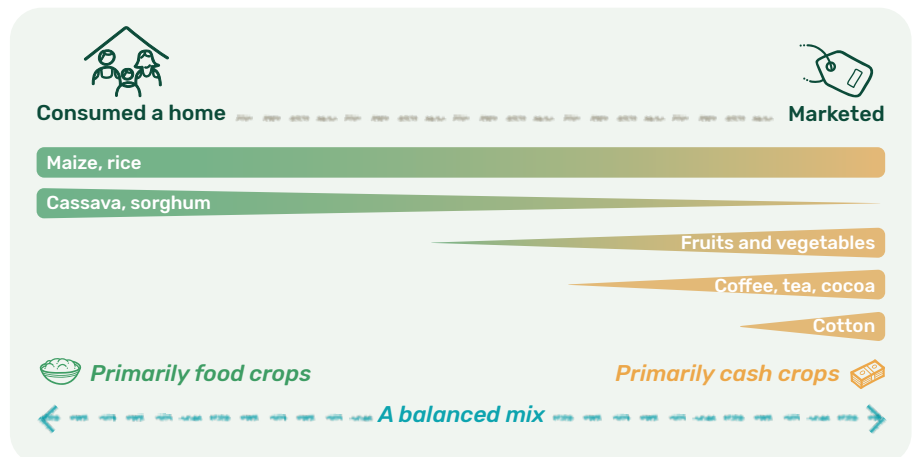
The term *cash crops* is used to differentiate marketed crops from those used for livestock feed or own household consumption. A differentiation of food crops with cash crops suggests that most food crops were considered not to be traded much through markets. In practice this differentiation does not hold; also, in developing countries parts of food crop production have been marketed, depending on the extent (small-scale) farmers produce a surplus for which they find demand.

We distinguish two types of cash crops

First, crops that are exclusively grown for sale, which include crops that are non-food, such as cotton, coffee, cocoa or tea.

Second, crops that are produced with a 'marketable surplus', which include food crops that may be consumed by the household or sold on markets, such as rice or maize, but also certain fruits and vegetables.

Thus, cash crops may be placed on a continuum, from pure home consumption to pure cash crop.



Key features of agricultural production, consumption and trade



The African continent produces a wide variety of food and cash crops, depending on biophysical and climatic conditions and market and policy-driven factors. Yet many countries still rely heavily on just a few staple crops for national food security, which largely determines the total caloric intake of rural populations. Although different crops characterise agricultural production in different regions of sub-Saharan Africa, **maize is the dominant crop in many sub-Saharan Africa countries and accounts for the largest share of the total harvested agricultural area**. Patterns of agricultural production are linked to the food eaten in Africa; data on the intake (in calories per capita per day) of various staple foods show that on average, **African citizens are increasingly eating rice, while crops such as millet and sorghum are declining in importance**. **The average African citizen is getting richer, which translates into a steady increase in the amount of protein eaten**, particularly from animal sources, though this is a slow process.



25%

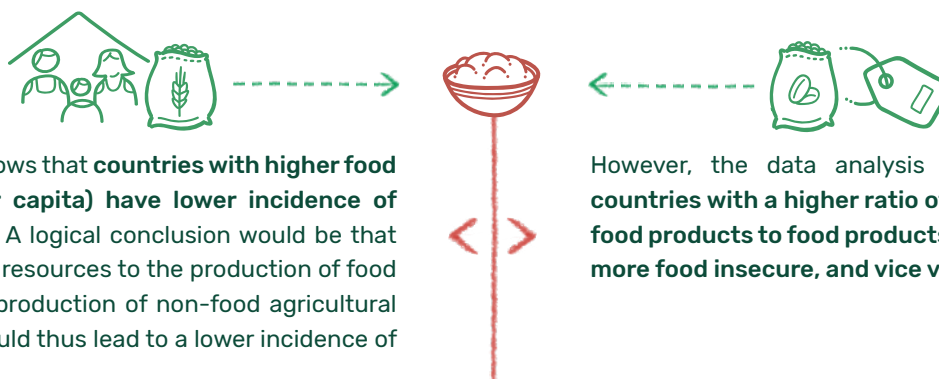
Many African countries depend heavily on imports of wheat, rice and other food staples. **Around 25% of the cereals consumed in the sub-Saharan Africa are imported, and that percentage is rising slowly over time**. The average share of imports in food consumed hides the variety among countries and food products, with some countries – such as Malawi or Tanzania – not importing much at all, and some – such as island nations, Democratic Republic of Congo, Gabon and Somalia – importing well over 50% of their cereals.

Leading causes of food insecurity: too little domestic food production?



Sub-Saharan Africa is the region of the world with the highest per capita rate of food insecurity and undernourishment, and has, on aggregate, a trade deficit in major food items that is expected to deepen. Reasons for domestic production falling short of domestic needs are context specific and multifaceted. **The potential for increasing domestic production, for instance by agricultural intensification (i.e., increasing yields per hectare) is generally low due to small-scale farming structures dominating the region. Some sub-Saharan African countries, however, are also net-exporters of foods,** stressing the need for disaggregation of the region and a more context-specific approach to evaluating whether food security can be best enhanced by focusing on increasing domestic food production or by relying on international trade.

The relationship between food security and domestic food production is complex



Data analysis shows that **countries with higher food production (per capita) have lower incidence of food insecurity**. A logical conclusion would be that dedicating more resources to the production of food and less to the production of non-food agricultural commodities would thus lead to a lower incidence of food insecurity.

However, the data analysis also indicates that **countries with a higher ratio of production of non-food products to food products are not necessarily more food insecure, and vice versa**.

Next, there are many situations where national food security declines and these appear to be correlated with declines in domestic production. The data analysis does not indicate a clear relationship between specialisation in export crops and the incidence of declines in national food security. Nor do the data suggest that food loss is a major cause of food insecurity.



Data analyses and literature suggest that food (in)security is most likely driven by other additional factors than availability of food products only

Some of these factors affect the **demand and access to food**

- ⚡ high population growth →
- ⚡ weak economic growth →
- ⚡ gender inequality →



Other factors affect **production and availability of food**

- ⚡ low productivity ←
- ⚡ low investment in agriculture and research ←
- ⚡ climate change ←



- ⚡ poor policy frameworks
- ⚡ weak infrastructural development

Finally, there are factors that **affect both supply and demand**

Cash crops and food security



Empirical evidence suggests a positive link between cash crop production and food security of the farmers involved but only if certain conditions are met. Examples from case studies in, among others, Ghana, Ethiopia and India indicate that growing cash crops for agricultural income generation can have a positive impact on food security especially **when it is done alongside food crop production as it combines two dimensions of food security – food availability and food accessibility.** Farmers are very aware of market risks and need buffers or collateral (e.g., guaranteed market sales and prices) to take up or expand cash crop production. It appears, for instance, that farmers with assets (e.g., land and/or livestock) and alternative income sources are more likely to invest in cash crops. Spreading market and income risks is a major reason for smallholder farmers to remain in mixed farming systems, combining crops and livestock for subsistence and markets.



Cases from the literature show that **impacts of cash crop production on farmers' livelihoods depend on the characteristics of the farming households, their communities and the way in which cash crop production and marketing is supported, either by governments or by buyers (chain parties).** Cash crop production can contribute positively to livelihoods and food security, but that requires the **provision of technical training in addition to (institutional) support to smallholders for improving their access to markets and improved seeds, credit and other inputs.**

Cash crops and socioeconomic impacts



Cases show evidence of **unequal distribution of gains in both export-oriented and domestic value chains.** This is especially the case if these chains are dominated by one or a few traders/exporters and processors. Moreover, if exporters are dominating the market, farmers will not or hardly benefit from rising/higher international prices. Seen through a regional lens, **cash crop booms can have significant landscape and social impacts, leading to skewed income developments (concentration of wealth) and, if cash crop prices fall short, to debts for socially vulnerable farmers.**

Cash crops and environmental impacts



The production of cash/export crops like soy, palm oil or cocoa are generally associated with negative impacts on the environment. Empirical evidence on the application of integrated crop-livestock systems indicates there are also major environmental benefits to be gained with such a mixed system through, e.g., the circular use of crop residues and manure on the farm. Other studies (some theoretically, others empirically underpinned) show that **applying sustainable management practices do not have to result in low yields.** Such win-win outcomes of maintaining yields while reducing environmental damage are based on the application of best management practices, including minimising chemical input use and maintaining soil organic matter through the application of crop residues. These results highlight the importance of designing effective training modalities and policies that enable knowledge to be put into practice, which includes creating marketing opportunities, providing targeted and regular advisory services and region-wide measures to sustainably build and maintain soil fertility.



Spillover effects between cash and food production



Studies emphasise the complementarities of **mixed farming systems**, in which food crops are grown alongside cash crops:

- ✓ growing food crops directly contributes to food availability to the farmers' households and the marketing of cash crops generates income that improves access to food that is not or insufficiently produced at the own farm;
- ✓ cash crop cultivation can go hand in hand with increased production and marketing of food crops, because the latter also make use of infrastructural and institutional (i.e., market and chain organisation) developments that cash crop cultivation triggers;
- ✓ by becoming part of structured marketing chains, farmers gain access to better seeds, inputs, more technical (farm management) knowledge, and perhaps also access to markets for the sale of food crops.

How to address food security and nutrition issues



Urbanisation with associated changes in lifestyle, in combination with increasing welfare, change food consumption patterns towards **more demand for animal protein and processed products**. At the same time there is an urgent need to increase the supply of nutritious food and to reduce its costs and prices to consumers to address micronutrient deficiencies, undernutrition and obesity in sub-Saharan Africa:

- ✓ nutritious food investments – both on the supply and consumer demand side – should target sectors such as animal-source foods, pulses, nuts and seeds, vegetables, fruits, and fats and oils, in addition to the more dominant cereals;
- ✓ support programmes to increase food production at the farm level will have to go hand in hand with investments in the food supply chain (midstream) to make nutrition-rich products more available and accessible in both rural and urban areas.



Are private investors most focused on cash products and public sector investment in food production?

International support and especially impact investments often go to cash and export crops, such as coffee, cocoa and palm oil, or to structured domestic value chains.

Interviewees from the public sector, development investors and NGOs advocate for a more balanced attention to food crops, domestic markets, and rural households' food and nutrition security. This may require partnerships with more domestic actors who feel comfortable in these markets.

Main recommendations for actors aiming at contributing to the development of sustainable agrifood systems, food security and nutrition



A complex of variables

Rather than choosing between food and cash crops, consider a complex of variables that affect both the supply and demand of food in order to achieve effective food and nutrition security strategies in a certain country or local context.

Diversification of crops and diets

Focus investments in diversifying crops and diets, beyond the currently dominant cereals through integrated interventions in these value chains.

Local value addition

Contribute to food and nutrition security by making investments in food processing and local value addition.

Environmental and social risks

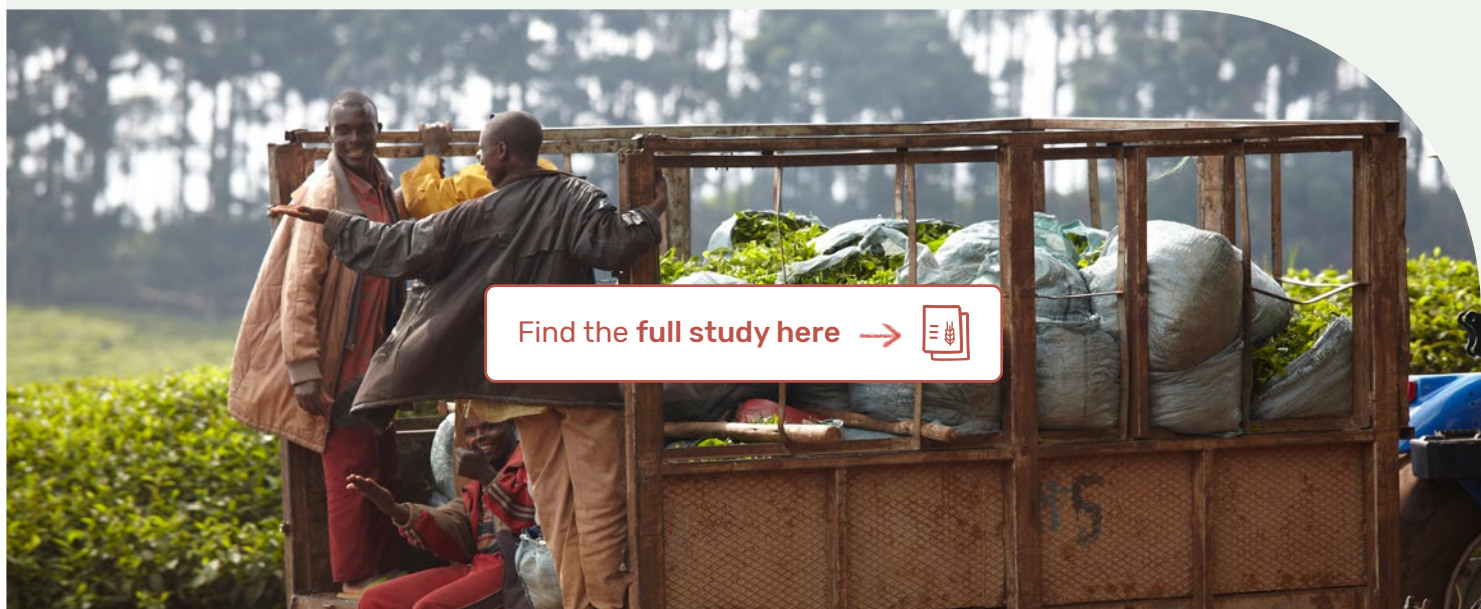
Check programme interventions for risks of negative spillovers on food and nutrition security (environmental, social).

Incentives

Stimulate food crops and domestic markets with concessional capital funds or guarantees, for example with certain portfolio quota and corresponding bonuses.

More partnerships

Engage more in partnerships with domestic actors to develop domestic markets and strengthen resilience of local and national food systems.



Find the **full study here** → 

about the SSNUP programme

The aim of the 10-year programme is **to strengthen sustainably the safety nets of smallholder households** resulting in an improved well-being of low-income and highly vulnerable people through a systemic agricultural value chain development approach.