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| **Abstract / Content summary** | Although the economy of Papua New Guinea is heavily influenced by the oil and natural gas sector, which accounts for 30 percent of GDP and most of the country’s foreign exchange earnings, small-scale agriculture continues to be the major source of livelihoods for most of the population. Much of the food crop production (particularly starchy staples such as sweet potatoes, cassava, yams and sago) is not traded internationally; however, oil palm, coffee and cocoa are major exports. A large share of agricultural production undergoes little value-added through processing and much of it is consumed by farm households themselves. Thus, there would appear to be substantial scope for increases in employment and incomes through further development of the broader agrifood system, including agroprocessing, trade and transport, and food services.

Subsistence farming typically dominates agriculture during the earliest stages of development; as agricultural productivity rises; however, farmers start to supply surplus production to markets, thus creating job opportunities for workers in the nonfarm economy both within and outside of agrifood sectors (Haggblade, Hazell, and Dorosh 2007). Rising rural incomes generate demand for more diverse products, leading to more processing, packaging, transporting, trading, and other nonfarm activities. In the early stages of agricultural transformation, the agriculture sector serves as an engine of rural and national economic growth. Eventually, urbanization, the nonfarm economy, and nonagricultural incomes play more dominant roles in propelling agrifood system development, with urban and rural nonfarm consumers creating most of the demand for agricultural outputs via value chains connecting rural areas to towns and cities (Dorosh and Thurlow 2013). The exact nature of this transformation process varies across countries because of the diverse structure of their economies and the unique growth trajectories of their various agrifood and nonfood subsectors.

This paper describes the current and changing structure of PNG’s agrifood system (AFS) and evaluates the potential contribution of different value chains to accelerate agricultural transformation and inclusiveness. We start by offering a simple conceptual framework of the AFS and then compare PNG’s AFS to that of other countries at different stages of development. We go on to disaggregate PNG’s AFS across agricultural value chains, taking into consideration their different market structures and historical contribution to economic growth and transformation. Finally, we use a forward-looking economywide model to assess the diverse contributions that specific value chains can make to each of a set of broad development outcomes. We conclude by summarizing our main findings.
Keywords: agrifood systems; crop production; households; livelihoods; value chains |
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