

Poverty Reduction Through Processing in Agriculture-Based Economies: The Case of Benin

Project Team



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For decades, most African countries have been exporting agricultural raw materials with low value added in processing, while importing a large share of final consumption products from higher income economies, resulting in decreasing terms of trade and large trade deficits.

Literature shows that technical progress in the agricultural sector without value chain development may end up harming farmers. In this PhD project, the economy-wide effects of food-industry development in agriculture-based economies are simulated using computable general equilibrium (CGE) modelling. Financial support to the food processing sector and productivity gains in the processing after phasing out the support are analyzed for cashew and pineapple processing.

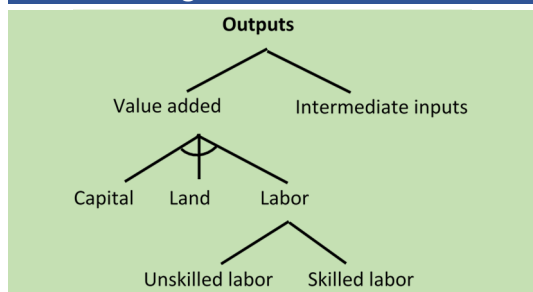
We find that **supporting the food processing sector** increases domestic demand for agricultural commodities and thereby **sustains agriculture development**. Accordingly, household income increases with a pro-poor distribution. **Supporting only cashew and pineapple processing allows almost 6,000 persons to move out of poverty.**

Further research is ongoing depicting an energy-based development of the food-processing sector (based on conventional energy and bio-electricity from cashew shell), as energy is one of the most important bottlenecks for processing development.

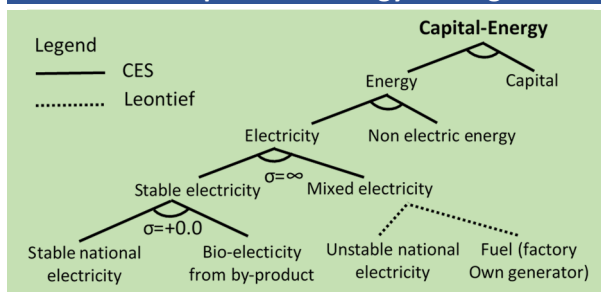
As shown in the figure below, the standard production structure (left) will be expanded (right), and energy-use will be nested with capital to reflect the investment needs for enhancing energy use.

STAGE-Euse model

Nesting in the STAGE model



Development of energy nesting



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