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“Agricultural Production amidst Conflict: The Effects of Shocks, Uncertainty and Governance of Non-State Armed Actors”

Abstract

This paper examines the effect of conflict on agricultural production of small-farmers. First, we develop an intertemporal model of agricultural production in which the impact of conflict is transmitted through two channels: violent shocks and uncertainty brought by conflict. The model shows how conflict induces sub-optimal agricultural decisions in terms of land use and investment. We test the model using a unique household survey applied to 4.800 households in four micro-regions of Colombia. The survey collects detailed information on households' economic conditions, incidence of violent shocks, and presence of non-state armed actors. The results show conflict affects agricultural production through different channels. In regions with an intense conflict, households reduce land allocated to perennial crops, increase production of seasonal crops and pasture, and cut back investments. Households seem to learn to live amidst conflict. Recent presence of non-state armed actors induces farmers to cut-back strongly land use on perennial crops, pasture and investments. As presence is more prolonged, farmer increase land use on perennial crops and pasture, and investments rebound. However, total agricultural production might be lower because shocks and presence result in more land being idle land. Households habituate to conflict, yet in a lower equilibrium.