The Migration Consequences of Input Subsidies

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Abstract

Input subsidy programs (ISPs) aim to increase agricultural productivity, for many farmers however, outmigration may be preferred and more profitable. This paper exploits the variations in the roll-out of the ISP in Zambia to understand the determinants of internal migration for credit constrained farmers. First, I use a difference-in-differences strategy and show that the ISP increases fertilizer adoption but also doubles the rates of individual outmigration. Consistent with farmers being liquidity constrained, I find that 30% of the variance in total outmigration can be explained with farmers monetizing the subsidy in resale markets. Second, I use a structural model to compare ISPs in the presence of resale markets, to a lump sum cash transfer and an in-kind transfer. With resale markets, the ISP is a convex combination of a cash-transfer to resellers and an in-kind transfers to net-buyers. When the model accounts for the externality in adoption, I find that the ISP with resale markets is superior to a cash transfer, and fosters highest levels of specialization and income.

Keywords: Input Subsidies, Migration, Agricultural Productivity, Sorting

JEL Codes: R23, O33, Q12

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