Abstract

We analyze the impact of wages from the off-farm agro industrial employment on investment in farm and particularly on expenditures in off-farm businesses in Senegal’s horticulture sector - a question that is not examined in the literature on farm–nonfarm linkages. We use panel data methods to account for the dynamics of the high-value horticultural sector and a continuous treatment effect method to account for the heterogeneous impact. We find a positive and significant average effect on expenditure for off-farm businesses. We do not find any strong evidence from the average effect on the expenses on hired labor and the expenses on crop inputs. The results suggest that wages earned in the agro-industry serve more to finance small off-farm businesses than agricultural expenditures. Yet the continuous treatment effect results show that potential positive impact on agricultural expenditures is likely but with substantial level of wage earned from the agro-industry employment. At an earlier stage, structural transformation in the form of the modern agri food supply chain, may thus promote positive linkages within the non-farm sector and at a more developed stage it may foster positive linkages between the farm and the non-farm sectors.