

BUILDING ON SUCCESSES IN AFRICAN AGRICULTURE

The Changing Policy Environment Facing African Agriculture

FRANCIS CHIGUNTA, ROSS HERBERT, MICHAEL JOHNSON, AND RICHARD MKANDAWIRE

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Both national and international economic environments have changed substantially in the past decade and a half. As they look to the future, African policymakers will have to apply the lessons of the past in a very different environment.

THE INTERNATIONAL ENVIRONMENT

Global consolidation in food retailing. Since 1990 the relaxation of restrictions on international trade, foreign direct investment, and foreign exchange markets have launched rapid consolidation in food retailing and marketing worldwide. The emergence of majority rule in South Africa led to a suspension of economic sanctions and unleashed a rapid expansion of South African supermarket chains throughout the continent, where they increasingly compete with homegrown and international supermarket chains. In Kenya alone, more than 200 supermarkets now account for up to 30 percent of food retailing in the country. The rapid scaling up of procurement by these large retail outlets radically changes marketing requirements. Large retailers and exporters require high volumes, consistent quality and packaging, and guarantees of food safety and timing of delivery—qualities most smallholders cannot currently meet.

Shifting composition of traded goods. A second striking change in the global environment for agricultural trade is the structural shift in its composition. World trade is no longer dominated by bulk commodities. Processed high-value products (such as meat, beverages, snacks, and bakery products) doubled as a share of world agricultural trade between 1980 and 1998, and trade in fruits and vegetables has also grown rapidly.

Processed products and fruits and vegetables face increasingly stringent scrutiny under international health and food safety regulations. African farmers have had difficulty adjusting to this new environment, and as a consequence Africa has been the only major region to lose market share in world agricultural trade over the past two decades.

Growing regional demand for staples. Often forgotten, yet critical, is the large potential demand for food staples (such as maize, rice, cassava, and legumes) within domestic and regional markets. Currently, the value of staple food consumption exceeds that of export commodities markets by roughly a factor of three. To tap the growing potential of these regional markets will require improvements in regional infrastructure as well as harmonization of trade and marketing institutions.

Advances in science and technology. Yields for Africa's major export crops, coffee and cotton, remain below half those of Asia and Latin America. Clearly the potential exists to rapidly expand yield gains. Conventional breeding will probably continue to improve crop yields, as it has in the past. Biotechnology also has the potential to enhance crop attributes such as insect resistance, herbicide tolerance, drought perseverance, higher yield levels, and improved nutritional qualities. The highly politi-

cized debate on biotechnology poses significant challenges for African policymakers. The key issue is not whether Africa should make use of biotechnology—rather, it is how Africa can take advantage of the benefits derived from biotechnology in a safe, beneficial, and sustainable manner.

Heavy farm subsidies in industrialized countries.

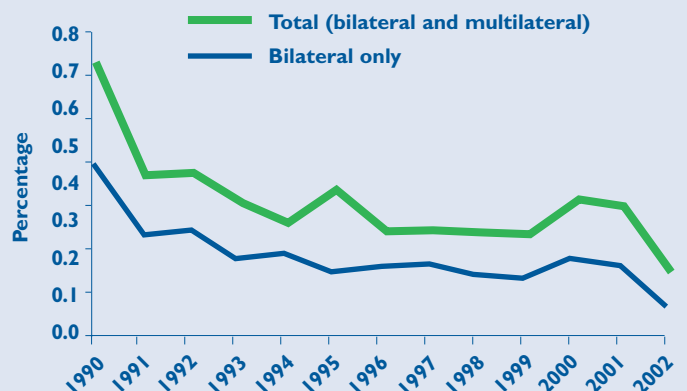
Currently, the rich countries of the Organization for Economic Cooperation and Development (OECD) spend close to US\$1 billion a day on agricultural subsidies, or about US\$300 billion a year. These substantial subsidies artificially boost production and depress world prices. Cotton subsidies, for example, depress world prices by more than 20 percent, thus lowering the income of African farmers. Simulations suggest that overall OECD farm subsidies cost farmers in Sub-Saharan Africa US\$1.8–1.9 billion per year in lost agricultural income.

Falling aid to African agriculture. Aid agencies mandated to assist African farmers deploy only about US\$1 billion per year—roughly half the amount of agricultural income lost because of subsidies. From the late 1980s to the late 1990s, aid flows for African agriculture fell by half, from US\$2 billion to US\$1 billion per year. As a share of OECD farm subsidies, they fell even faster (see figure).

NATIONAL ENVIRONMENTS

Land pressure. Growing population places increasing pressure on Africa's land resources. Across most of Sub-Saharan Africa, the scope for further expansion of cropland has dramatically narrowed. On average, per capita arable land cultivated declined

Total overseas development assistance as a share of OECD spending on agricultural subsidies, 1990-2002



SOURCE: United Nations Millennium Development Goal Database. (<http://millenniumindicators.un.org>); OECD Creditor Reporting Database (www.oecd.org). Note: The total is only for OECD countries that are also development assistance countries.

from 0.5 hectare per person in 1965 to slightly less than 0.3 hectare per person in 1990. In many parts of Sub-Saharan Africa, soil fertility is declining as soils are mined of nutrients that are not replenished. Nearly half of the farmland in Sub-Saharan Africa is affected by soil degradation, and up to 80 percent of its rangeland shows signs of degradation.

Labor constraints. Agricultural productivity per worker in Africa has declined by about 12 percent over the past 20 years. The HIV/AIDS pandemic and low educational levels are adversely affecting the quality of the African labor force. The Food and Agriculture Organization of the United Nations (FAO) predicts that HIV/AIDS could kill an additional 16 million people in the next two decades and reduce the agricultural labor force by as much as 26 percent in 10 of the most affected African countries by 2020. The impact on Africa will be severe, given the dominance of labor-intensive farming systems with low mechanization and low use of modern inputs. AIDS is also killing agricultural specialists and professionals, such as agricultural extension workers.

Changing market structure. Over the past two decades, agricultural markets have witnessed significant transformations throughout most of Sub-Saharan Africa. Governments have withdrawn support for parastatal marketing companies, dramatically reduced input and output marketing subsidies, and relaxed regulatory restrictions on private trade. Yet individual reform efforts have varied widely, with significant slippage in many cases. Though the formerly heavy role of state-subsidized marketing companies has diminished overall, uncertainties remain, making private traders nervous and compromising the development of efficient new postreform marketing systems.

Government capacity and commitment to agriculture. Africa's ministries of finance must routinely cope with enormous debt loads, narrow tax bases, and donor-imposed pressures for social spending—conditions that leave little room for maneuver or debate over the relative role of productive investments in agriculture. As a result, overall funding for agriculture has fallen from 7.5 to 6 percent of agricultural gross domestic product (GDP) over the past 20 years.

Why is it that French, American, and Japanese politicians bend over backward to cater to the needs of their farmers, yet in Africa, where rural votes represent more than two-thirds of the total, governments routinely neglect agriculture? In part, donor dependency in much of Africa has broken the link of responsibility between government and citizen, making it too easy simply to excuse government nonperformance by blaming the weather or lack of donor support. Moreover, African political systems have come to be dominated over time by the concerns of urban dwellers and elites.

Because improving agriculture depends on successful management of so many facets of the economic environment—roads, rails, ports, grain storage, response to drought, education, extension, macroeconomic stability, credit provision and collection, trade facilitation, and agricultural research and development—Africa will not turn the situation around without a major recommitment to effective overall management.

THE CHALLENGE AND THE OPPORTUNITY

Fortunately, African and donor governments have come to realize that they have marginalized agriculture for too long. Through the consultative process of the New Partnership for Africa's Development (NEPAD), the African heads of state have identified agriculture as a priority sector for stimulating economic growth and poverty reduction in Africa. At the African Union Summit in Maputo, Mozambique, in July 2003, the African heads of state and government agreed that African governments should commit themselves to allocate at least 10 percent of their national budgets to agriculture within five years. This goal represents a near doubling from the current average level of 6 percent.

Domestically, NEPAD aims to facilitate policies, strategies, and partnerships that will enhance the performance of agriculture in Africa. Internationally, it will continue to lobby for a more level playing field for African smallholders in international markets while promoting subregional cooperation and market development. Only sustained high-level political support will result in the policy incentives and long-term financial support to agricultural institutions that will, together, prove necessary for accelerating Africa's agricultural growth. ■

For further reading see F. Chigunta, R. Herbert, and R. Mkandawire, "National Environments for Agricultural Policy," Background Paper No. 15 presented at the conference "Successes in African Agriculture: Building for the Future," Pretoria, South Africa, December 1–3, 2003; C. Eicher, "Flashback: Fifty Years of Donor Aid to African Agriculture," Background Paper No. 16 presented at the conference "Successes in African Agriculture: Building for the Future"; P. Hazell, M. Johnson, and A. Temu, "Global Environment for African Agriculture," Background Paper No. 17 presented at the conference "Successes in African Agriculture: Building for the Future."

Francis Chigunta (chigunta@hotmail.com) is a professor of development studies at the University of Zambia, Lusaka. Ross Herbert (herbertr@saiia.ed.za) is Africa research fellow at the South African Institute of International Affairs, University of the Witwatersrand, Johannesburg. Michael Johnson (m.johnson@cgiar.org) is a postdoctoral fellow in the Development Strategy and Governance Division of the International Food Policy Research Institute (IFPRI). Richard Mkandawire (richardm@nedpad.org) is the Agricultural Advisor at the NEPAD Secretariat in Midrand, South Africa.



International Food Policy Research Institute

2033 K Street, N.W. • Washington, D.C. 20006-1002 • U.S.A.

Phone: +1-202-862-5600 • Fax: +1-202-467-4439 • Email: ifpri@cgiar.org

www.ifpri.org