

THE CHANGING CONTEXT AND PROSPECTS FOR AGRICULTURAL AND RURAL DEVELOPMENT IN AFRICA

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Hans P. Binswanger-Mkhize

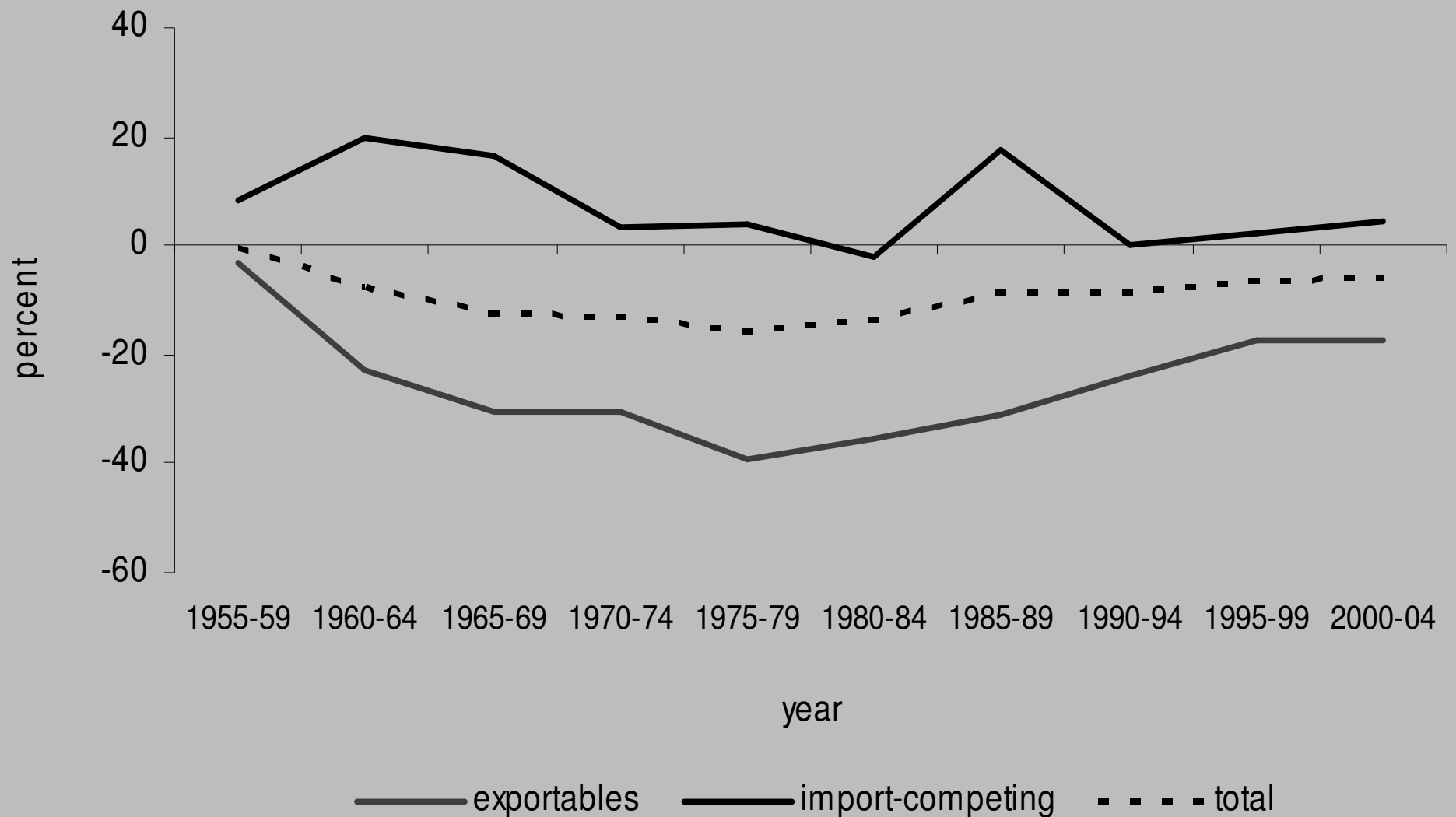
Outline

- The Resumption of agricultural growth in Africa
- Growing Demand and Higher Commodity Prices
- The Growing Technology Divide
- Markets and Smallholder Services
- Regional Cooperation

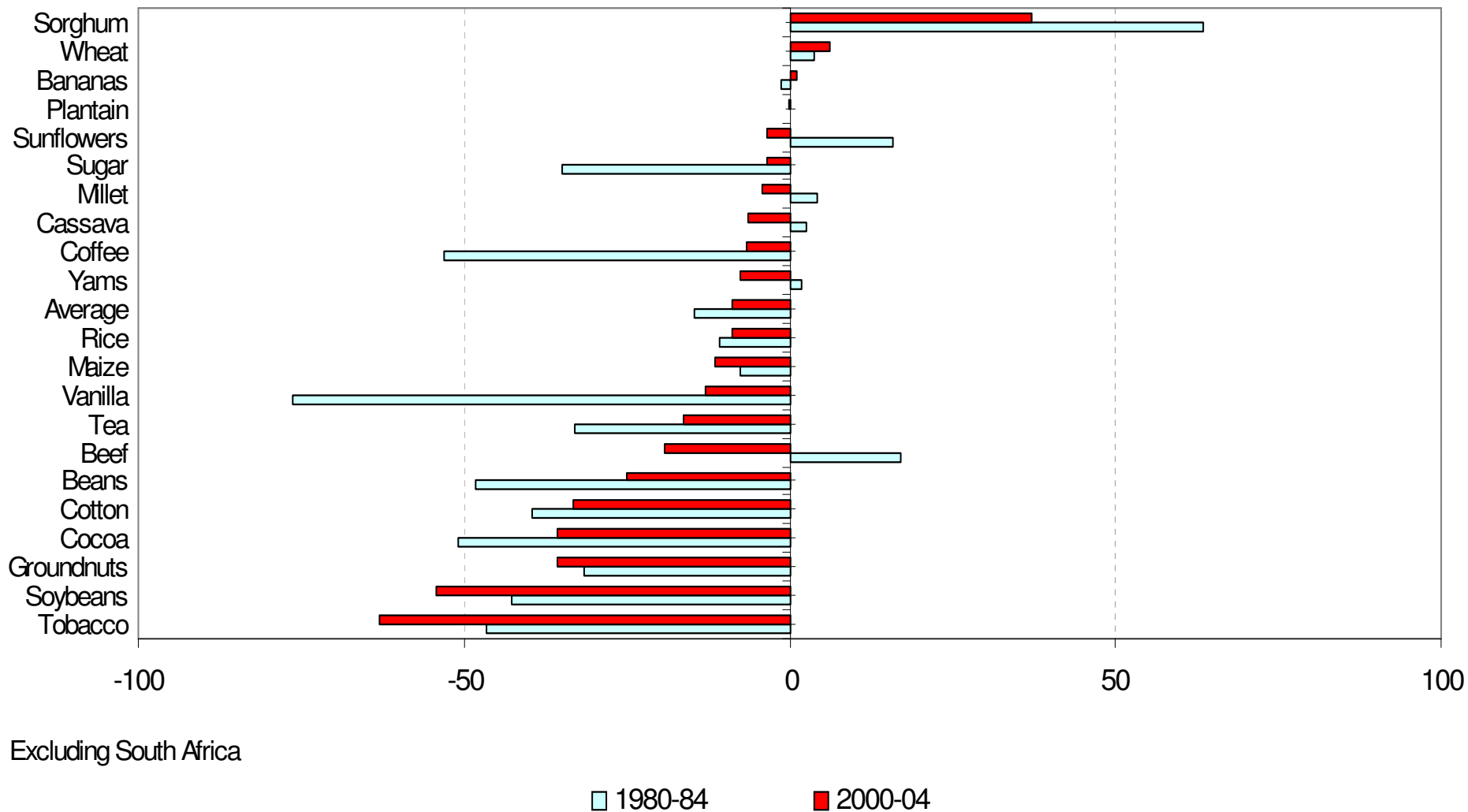
Agricultural Growth

- SSA **per capita** agricultural growth has risen from 0.5 percent to 1.5% per year before the crisis
 - But by area expansion, not via yield growth
- Fuelled by the same factors as economy-wide growth
 - And not by private investment or special agricultural programs
- And fuelled by the reduction of taxation of agriculture
- *But sub-Saharan farmers still face the lowest incentives in the world*

Net Rates of Assistance for agricultural exports are still negative



NRAs still need improvement in many commodities



Progress in institutional environment for ARD

- 1980s: Little room for initiatives by a young woman or man in rural areas
 - In private sector, in local government, in NGOs, or in communities
- Only options to help her community via central agencies
- In 2009 she or he can operate in all four spheres

The secular downward trend in real food prices has ended since about 20 years

- Reasons
 - Economic growth in Asia and in Africa
 - Bio-fuels
 - Gradual decoupling of agricultural support in Europe, perhaps in US
 - Not yet global warming
- *After the price spike of 2008, world food prices on average have settled at higher levels*
- *They may rise at a moderate level for the next 20-40 years*

Agriculture may become more profitable

- Higher international prices will transmit themselves to domestic economies in Africa
 - Combined with better policies, they will lead to higher farm gate prices
- Higher profits, higher farm investments, higher farm growth
- Higher nonfarm incomes and rural wages
- *African agriculture may be at a turning point*
 - *If improvements in policies continue*

Where are market opportunities for Africa

- Food staples and livestock products for domestic and regional markets
 - Farmers can compete at import parity prices rather than lower export prices
 - Lower quality and phyto-sanitary standards
 - Farmers can re-conquer markets lost to the rest of the World
- Much larger opportunities than for niche developed country export markets
- Longer term opportunities
 - mainly in South-South Trade
 - Bio-fuels in sugar-ethanol, cassava, jathropa and cellulostics
- *Requires Regional Infrastructure & Integration*

Rising Land Scarcity, but enormous land reserves

- Rising land scarcity where populations are concentrated
 - Ethiopia, Niberia, Malawi, Kenya, Rwanda, Burundu
- In some countries land appears to be locked up and not easily available
 - Ghana
- But many countries are super-land-abundant
 - Guinea Savannas, Humid tropical Center



The Sleeping Giant

African Guinea Savannah

- 800 - 1,100 mm rainfall
- 150 – 220 days season
- 7 million km² total area
- 0.5 million km² cropped
- 3 cropping systems:
 - Cereal - root crop
 - Root crop
 - Maize mixed
- 400 million ha



Awakening the Sleeping Giant

- Large reserves of rain-fed land comparable in quality to the Cerrado of Brazil or NE Thailand
 - Both of these regions were landlocked
 - Both have had stellar performance in agriculture and export growth, and in poverty reduction
 - The Guinea Savannas cover three times the Cerrado, which has so far only utilized half of its agricultural land
- *Mobilizing these potentials requires investment in infrastructure, irrigation and technology*



- 1. Farm-level production costs in Africa are often low compared to other regions**
- 2. Africa's producers are generally competitive in domestic markets**
- 3. Africa's producers are generally not competitive in global markets**



- 4. Regional markets offer most promising opportunities for expansion over the short to medium term**
- 5. Competitiveness of African countries is undermined by inefficiencies in domestic logistics**
- 6. Smallholders have a critical role to play as source of competitiveness in Africa**

The way forward for Agriculture

- The most pressing challenges are
 - Removing agricultural dis-protection in lagging countries and lagging commodities
 - Closing the widening technology gap
 - Development of Markets and Smallholder Services
 - Development of Regional Cooperation for Agriculture

On top of the current technology lag, a high risk of a growing divide

- Heterogeneity implies fewer opportunities to borrow from outside and within
- Private sector entry and intellectual property rights increases complexity
- There has been severe and persistent under-funding of public research
- Research is fragmented into
 - 400 public and private entities and universities
 - 3600 poorly funded agricultural scientists
 - 12 CGIAR institutions active in Africa
- The CGIAR has been growing slowly and pursued too many priorities

Impacts of Research in African Agriculture

- Median rates of return in Africa are 34 % compared to Global median of 46 %
- Adoption has been significant in maize, irrigated rice, root crops, pulses, some oilseeds...
- But adoption of new technology in SSA has resulted in lower yield gains than elsewhere
 - Because of low input use, limited irrigation
 - These are associated with poor delivery systems for inputs, high costs of irrigation, and high marketing margins of output
 - In turn these problems are caused by limited scale and competition in these markets

Focus on stressors that are hindering productivity is inadequate

- There are more crops, more environments more pests and diseases than in any other continent
- Ability to borrow internationally and within the Region is much more limited than elsewhere
- More research is needed, including more basic research than elsewhere - but trends are otherwise
 - Domestic and donor commitments have been declining
 - CRIAR priorities are no longer on genetic improvement to deal with the stressors
 - The Africa Challenge Program is not focused on these stressors
- Transgenic research and varieties are lagging badly
- Gates has started to fill the gap in some areas

Transgenic crops and Privatization of Agricultural Research

- Transgenic crops presents great opportunities to deal with the stressors
- Access to Transgenic Crops is complex and expensive, and requires access to intellectual property frequently held by private sector
- Critical mass in research and regulation requires Regional and sub-Regional collaboration

Technology problem is neither an issue of the why nor of the how

- NEPAD, FARA, and Sub-Regional Research Organizations have taken the lead in changing the situation
- But their proposals remain under-funded
- Funding problems of national institutions even more severe
- Excessive reliance on donors has been a break or progress in the past
- Unless African countries start paying themselves, they will not be in the lead
- They should use some of the greater fiscal space they now have

Family farms or commercial farms?

- Neither theory nor empirical evidence supports superiority of commercial farms
- Over 50 years of history are of fostering commercial farms show poor results except for plantation crops
- Where commercial farms have succeeded in Africa they have been subsidy-dependent
- Disadvantages of family farm can be overcome by contract farming, farm machinery rental, and farmers association

Possible exceptions

- Plantation crops where contract farming is difficult (e.g. sugarcane under irrigation)
- Horticulture for exports
- Low population density areas where immigration and/or farm machinery rental is infeasible or difficult

The Challenge of Improving Input, Output, and Financial Markets

- Their poor development are caused by unfavorable material factors
 - low population density
 - land-lockedness and poor infrastructure
 - covariance of risk
 - Small markets as a consequence of low input use
- Limited competition, and illegal extractions along the road are partly a consequence of the underlying conditions
 - *but also of poor policy choices and implementation*
- There are a number of promising approaches in the making but they are still at the pilot stage
 - *Support to input dealers, seed companies, processors....*
- *But policy measures to improve competition and reduce illegal extractions remain very important*

The imperative of strengthen regional and sub-regional capacities

- Too many small countries
- Regional trade is good for growth, farmer's income, regional foods security and the private sector;
- Requires harmonization of standards and sanitary measures, and sub-regional and regional capacities to implement them;
- Regional infrastructure is critical for access to regional and external markets;
- Reversing land degradation and desertification and preserving biodiversity require trans- boundary collective action;
- Defense against plant and animal disease epidemics require collective responses at sub-regional and regional levels;
- Agricultural research is far better done on a regional or sub regional basis –FARA and the SRO's are on the right track;
- Bio technology is complicated and expensive requiring a critical mass;
- Scientific capacity is better fostered by regional institutions which have critical mass and necessary financial support.

The problem of shirking on Regional Public Goods

*All countries have an incentive to shirk in
contributions to Regional Public Goods
Can only be overcome **by better Regional or
International Funding arrangements***

*These should be co-financed by multilateral donors
such as the AfDB*

*Probably in association with ECA, the African
Union, FAO for technical inputs*