Awakening Africa’s Sleeping Giant

Prospects for Commercial Agriculture in the Guinea Savannah Zone and Beyond
Study objective

To promote the growth of commercial agriculture in Africa in ways that contribute to broad-based poverty reduction

Analytical approach

The study explored the feasibility of restoring international agricultural competitiveness and growth in Africa through the identification of key products, production and marketing systems that could stimulate development of competitive commercial agriculture
Brazilian Cerrado

**Pre-1970:** Remote region, poor soils, low population, stagnant agriculture

**1970s, 80s:** Transformation led by public investments in R&D, infrastructure, credit; emphasis on large-scale systems

**Post-1990:** Private sector-led boom built on exports (soybeans, maize, cotton, cattle); reduced poverty
Northeast Thailand

**Pre-1960:** Remote region, poor soils, subsistence agriculture, high poverty levels

**1970s, 80s:** Transformation led by pursuit of cassava export opportunity; public support for private sector; emphasis on small-scale systems

**Post-1990:** Further intensification and diversification; falling poverty
Study focus

Agro-climatic zone
Guinea Savannah

Case study countries
Mozambique, Nigeria, Zambia

Target commodities
Cassava, cotton, maize, rice, soybeans, sugar
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
Key issues for analysis

Role played by

• Research and extension
• Infrastructure
• Business climate
• Human capital
• Government policies
Key issues for analysis

Critical questions surrounding

• Scale considerations
• Access to land
• Employment effects
• Gender dimensions
• Poverty impacts
• Environmental impacts
Macro policies improving in Africa
But agricultural exports still taxed
Value chain analysis: Production
Value chain analysis: Processing
Value chain analysis: Transport and storage
Value chain analysis: Exports / Import substitution
Farm-level productivity lower in Africa

Example of cassava yield (t/ha)
But shipment values similar

Example of cassava

Shipments value (US$/t)
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
Scale of production

Farm size and commercial agriculture: Is bigger necessarily better?

Literature: Small farms more productive

Why have large farms survived?

Privileged treatment:

- Land access
- Tax treatment
- Input and output subsidies
- Infrastructure
Alternatives to large farms

Realization of scale economies

- Contract farming with smallholders
- Machine hire services by the private sector
- Effective producer organizations
Three exceptions

1. **Plantation crops:**
   - Economies of scale in processing or shipping of fresh produce are transmitted to the farm as coordination requirements: sugarcane, bananas and other horticulture crops for exports, oil palm
   - Alternative to plantations
     - Contract farming – the main alternative in Asia;
     - Nucleus estates with out-growers
   - Plantations in the Philippines, Indonesia have lost competitiveness to smallholders in Thailand
Crops with stringent quality requirements

- Need for backward traceability favors larger farm units
- Alternative is contract farming:
  - China has conquered major export markets for high valued crops based on contract farming with tiny farms
  - But contract farming in India usually with larger family farms.
Low population density areas (mechanization)

• Prime example is Brazil Cerrado with only large scale commercial farms
  — Enterpreneurs were family farmers who sold out in the South and bought huge farms in the Cerrado, and then developed into corporate farms
How to develop low population density areas

• By supporting resident farmers to grow
  — Via infrastructure, technology, and mechanization

• By enabling migrants from land scarce or marginal areas
  — Southern Mali, Southwest Burkina Faso, Tanzania (from Burundi, and land scarce areas)

• By private sector investment
  — Into upstream and downstream activities
  — Into large scale farming
  — Into large scale farming plus contract farming
Bottom Line on Scale of Farming

• Little evidence that large-scale farming models are necessary or even particularly promising for Africa

• Smallholder-led commercialization likely to lead to more inclusive growth

• But mixed models with private sector, some large scale farms, plus immigration may be most promising

• All require careful attention to land rights
Bright prospects

Five principal factors

1. Rapid growth and strong demand prospects
2. Better domestic policy environments
3. Improved business climate
4. Increased incentives to invest in agriculture
5. New technologies for production and processing
Constraints to be overcome

Compared to Brazil and Thailand

1. Tougher international competition
2. Exogenous shocks (HIV/AIDS, climate change, global markets)
3. Weak national commitment
4. Weak donor commitment
5. Lack of social cohesion, political stability, and bureaucratic capacity
Needed interventions

1. Policy reforms
   • No backsliding on macro policies
   • Eliminate remaining taxation of agriculture
   • Land policies

2. Investments
   • Research
   • Education
   • Infrastructure

3. Institutional changes
   • Make markets work better for smallholders
   • Access to finance
Social and environmental issues

Social impacts management
- Land management
- Farm size
- Technology choice

Environmental impacts management
- Soil fertility
- Water quality and quantity
- Tradeoffs: intensification vs. extensification
The road ahead

Grounds for optimism, but many constraints remain...

• Start with bulk commodities
• Target domestic and regional markets
• Reduce logistics costs
• Pay attention to land management
• Pay attention to environmental issues
• Make the necessary public investments
• Engage the private sector
Links to background studies

Study on Competitive Commercial Agriculture in Africa (CCAA)

Poverty in Africa is predominantly rural. Of all Africans who are poor, nearly two-thirds live in rural areas. For the foreseeable future therefore, reducing poverty in Africa will depend largely on stimulating rural growth. The most powerful engine of rural growth is agricultural growth, because agriculture has important forward and backward linkages to the local economy on both the production and the consumption sides.

A powerful driver of agricultural growth is the development of commercial agriculture. The global experience suggests that there are a number of pathways along which commercial agriculture can develop. Successful models range from highly diversified systems made up of smallholders who are deeply involved in commercial production to more specialized systems made up of large-scale mechanized farmers who produce exclusively for the market.

During the past 30 years, the international competitiveness of many traditional African export crops has eroded significantly. Yet over the same period, two landlocked agricultural regions in the developing world have developed at a rapid pace and conquered important world markets: (1) the Northeast Region of Thailand, and (2) the Camero region of Brazil. The challenges faced by these two regions were somewhat different. The Northeast of Thailand is characterized by relatively abundant but highly unreliable rainfall, combined with poor soils and a high population density. The Camero in contrast is characterized by its remoteness, problematic soils prone to acidification and toxicities, as well as low population density.
Thank you