

Commercial Agriculture in Africa: Lessons from Success and Failure

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Background

- Background studies for “Sleeping Giant” report
- All reports can be downloaded from:
<http://go.worldbank.org/XSRUM2ZXM0>
- “Critical review of successes and failures in any form of commercial agriculture in Africa”
- Commercial = production primarily for the market
- Three farm systems:
 - “family” and “large-scale commercial” farms dominate in different cases
 - “emerging commercial farmers” more difficult to identify ...
 - ... and where they were observed, they did not “emerge” from the ranks of smallholders

Case Studies

Post-WW2 UK	CDC	Geoff Tyler
Livestock		Peter Hazell
Cotton		Colin Poulton
Staple Foods	Maize, cassava, rice	Hazell and Poulton
Tea	S/E Africa	Geoff Tyler
Sugar	S/E Africa	Geoff Tyler
Horticulture	S/E Africa	Geoff Tyler
Oil Crops	Senegal groundnuts, Kenya sunflower	Poulton and Tyler
Cashew	Mozambique, Tanzania	Colin Poulton
Tobacco	Malawi	Poulton, Kydd, Kabambe

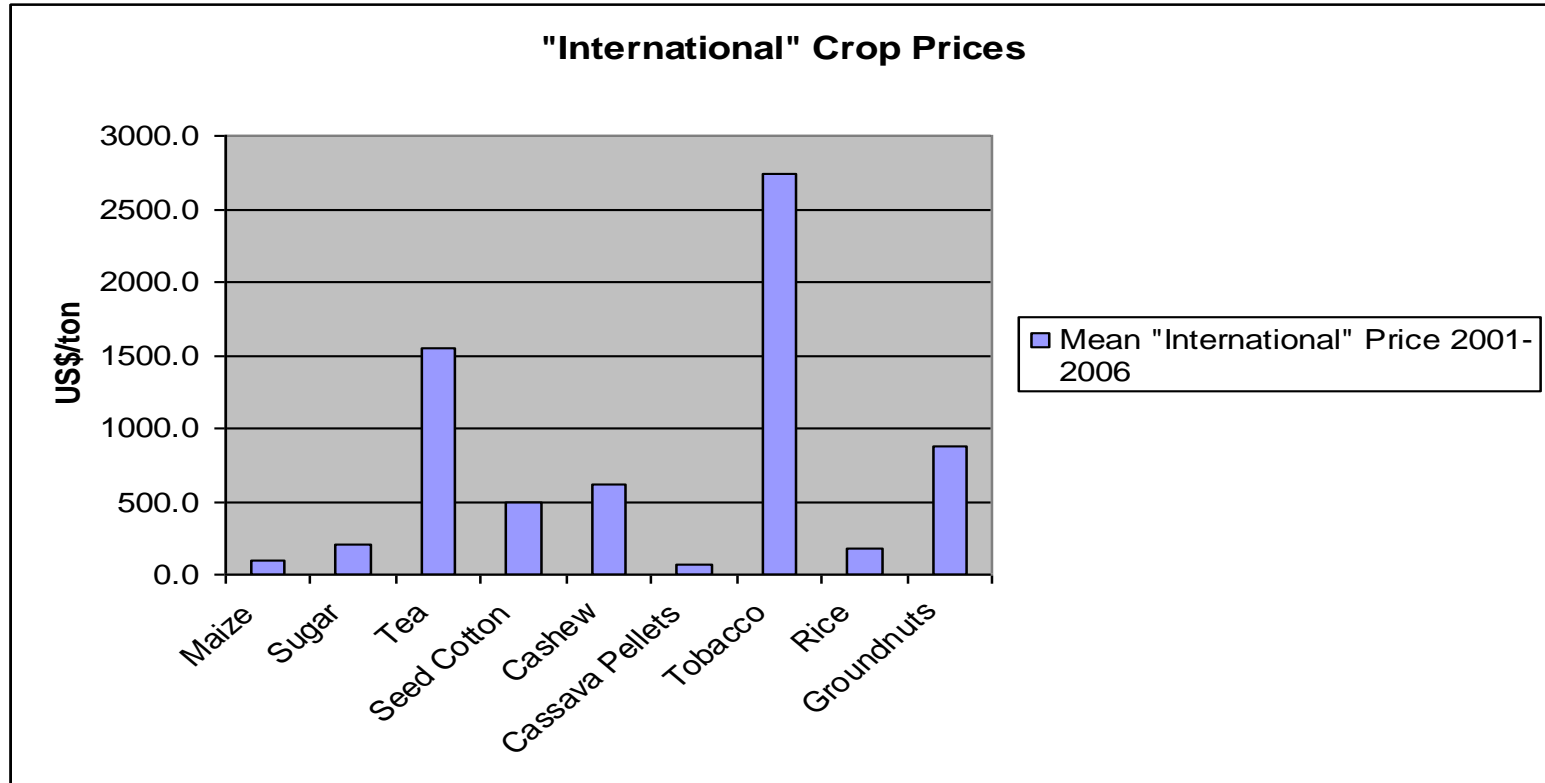
Defining Success

- Sustained competitiveness
 - Expect this to be associated with production increase
 - However, production increase need not be associated with poverty reduction
 - Mali cotton in 1990s: production expansion (no alternatives) as world prices fell
- Range of environmental impacts possible
 - but unlikely to maintain starting stock of all forms of natural capital
 - Cases where commercial agriculture should not proceed at all are rare, but need to identify and manage impacts common

Africa's Comparative Advantage

- Crops where agro-ecological conditions are “ideal”
 - E.g. tea, coffee, sugar
- Crops where aspects of production are very labour intensive and difficult to mechanise
 - E.g. cotton, horticulture, tea
- One or both necessary to offset cost disadvantages:
 - infrastructure, capital, fertiliser, land (LSC)
- Counter case: Senegal groundnuts
- Examples of “created” competitive advantage: Kenya horticulture, Malawi tobacco

Comparative Advantage II



No examples of export success in low value crops (Nigerian cassava?)

Trade Volumes (Diao et.al. 2003)

	Exports US\$b p.a.	Intra-SSA Share (%)	Imports US\$b p.a.	Intra-SSA Share (%)
Cereals	0.49	25%	2.84	11%
Meat/Livestock	0.46	63%	1.14	10%
Total Staples	1.01	44%	4.09	11%
Fish	2.40	9%	0.79	27%
F+V	2.45	6%	0.44	31%
Oilseeds/oils/fats	0.68	25%	1.30	15%
Total Non-trad.	6.80	11%	3.86	21%
Traditional Exports	9.02	5%	1.35	33%
Other	1.57	12%	0.83	23%
TOTAL	18.40	10%	10.13	19%

Domestic and Regional Markets

- African demand for basic food products > US\$50b p.a.
 - Growing rapidly with population and incomes
 - Diao et.al. (2003) forecasted doubling in consumption by 2015
- Quality and safety requirements modest
 - Southern African meat case study
- Import substitution, especially in landlocked countries
 - Challenge of supplying large coastal cities
- Regional markets as “dead end” or springboard?

(Transaction) Cost Advantages of Small vs Large Farms

	Small Farms	Large Farms
Unskilled labour supervision, motivation, etc	√	
Local knowledge	√	
Skilled labour		√
Market knowledge		√
Technical knowledge		√
Inputs purchase		√
Finance / capital		√
Output market access		√
Product traceability and quality assurance		√
Risk management		√

Smallholder vs Commercial: Case Study Experience

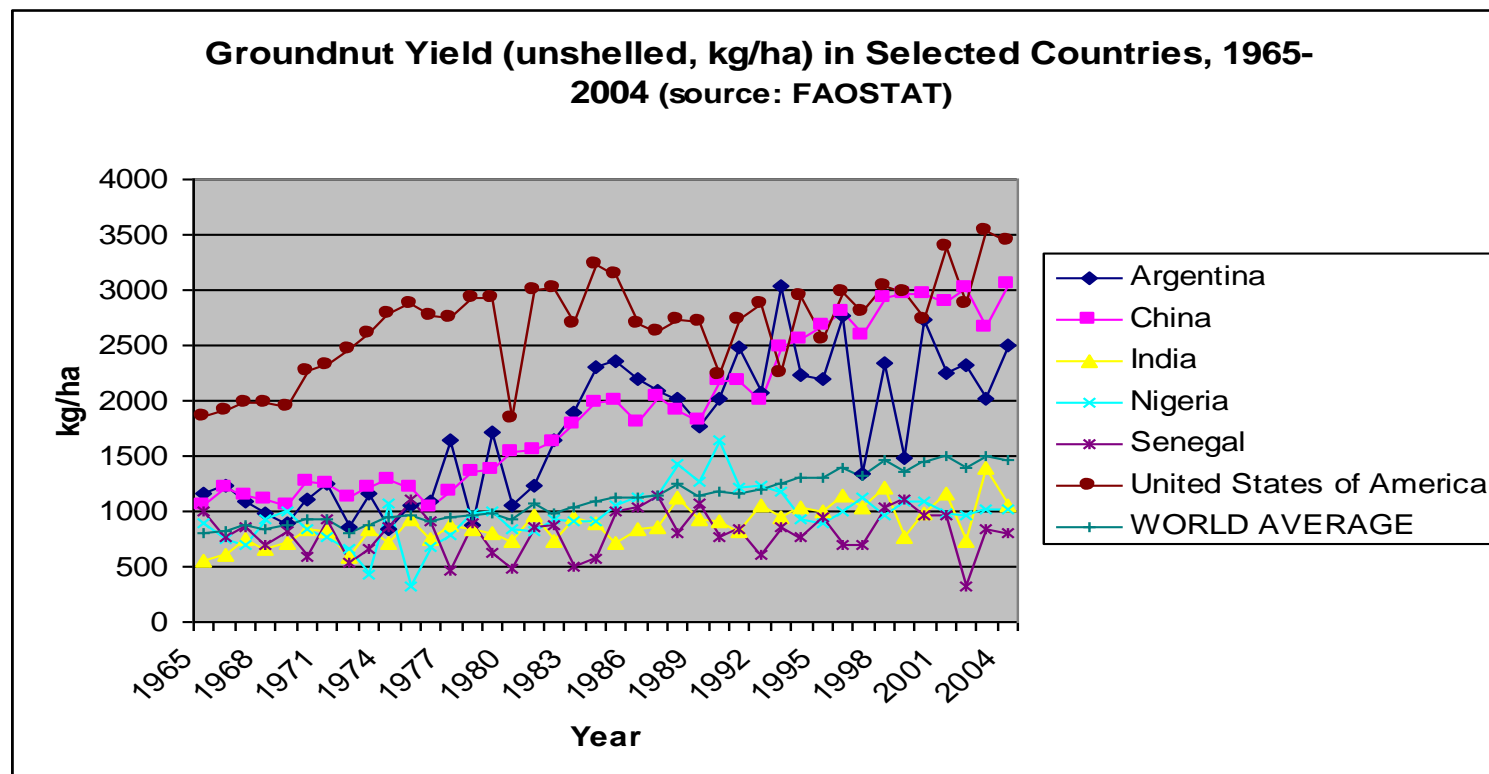
- Large-scale commercial advantage:
 - Export horticulture: safety standards
 - Sugar: irrigation infrastructure
 - Tobacco (flue cured): barns + perishability
- Smallholder advantage:
 - Maize (and other staples), cotton, cashew, burley tobacco
- No clear winner (and/or insufficient evidence):
 - Tea, livestock, oilseeds

Desirable State Roles

	No Sector-Specific Investment	Sector-Wide Club Goods (e.g. bulk handling)
LSC “farm system”	Enabling environment	Enabling environment + ensure club good provision
Smallholder “farm system”	Enabling environment + ensure service provision (competition vs coordination)	Enabling environment + ensure club good provision + ensure service provision

Institutional arrangements are critical for smallholder competitiveness

Importance of Agricultural R&D



No case of NARO-driven productivity increases creating international competitiveness ...

Staple Food Crops

- Relationship between subsistence and cash crop production:
 - Cash crop production rarely jeopardises food security (von Braun and Kennedy 1994)
 - Risk or cost of food purchase often discourages cash crop production (Fafchamps 1992, Jayne 1994)
- Policies to promote smallholder commercialisation require either:
 - Policies to improve efficiency of staple food markets
 - Policies to promote staples intensification