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African agriculture in a changing global context: lessons learned

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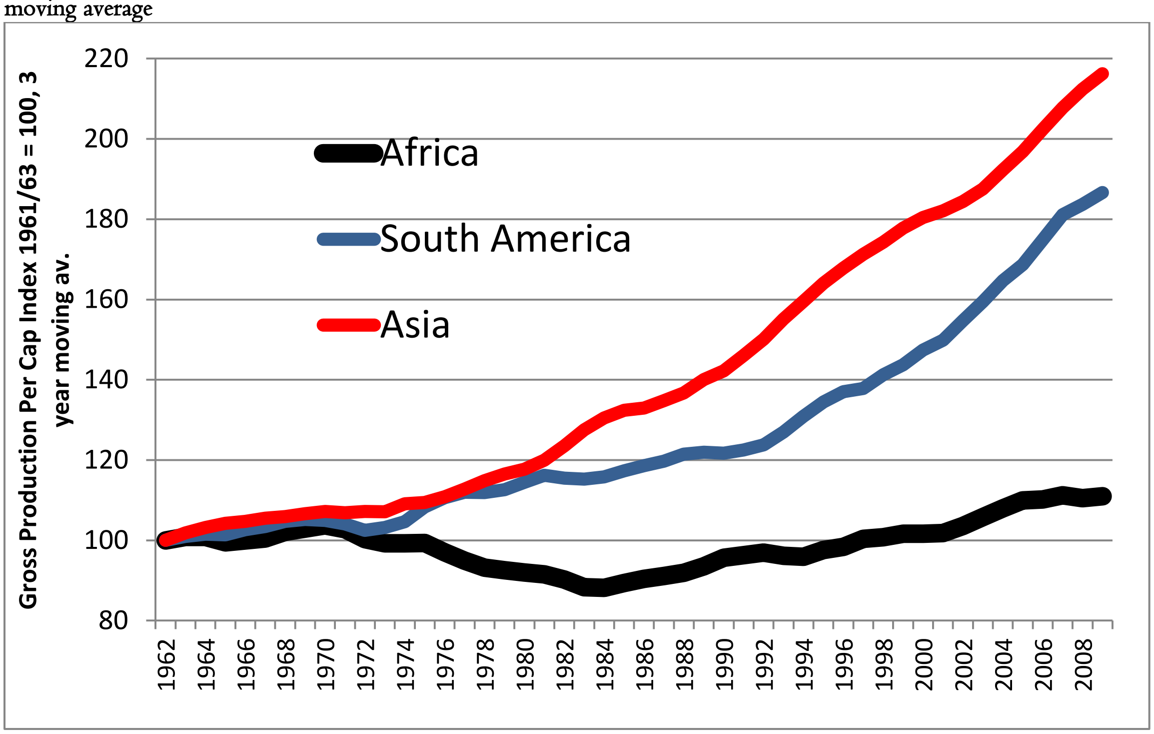
Executive Summary

Questioning the record. How disappointing is Africa's agricultural growth?
It is easy to be overly pessimistic when looking at the apparently disappointing record of agricultural growth in Africa during much of the last fifty years. Often the comparison is made of Africa's output per capita with that of other developing regions. Hence if we look at the record of growth of food production per capita, Africa compares poorly to Asia and South America, see Figure A.

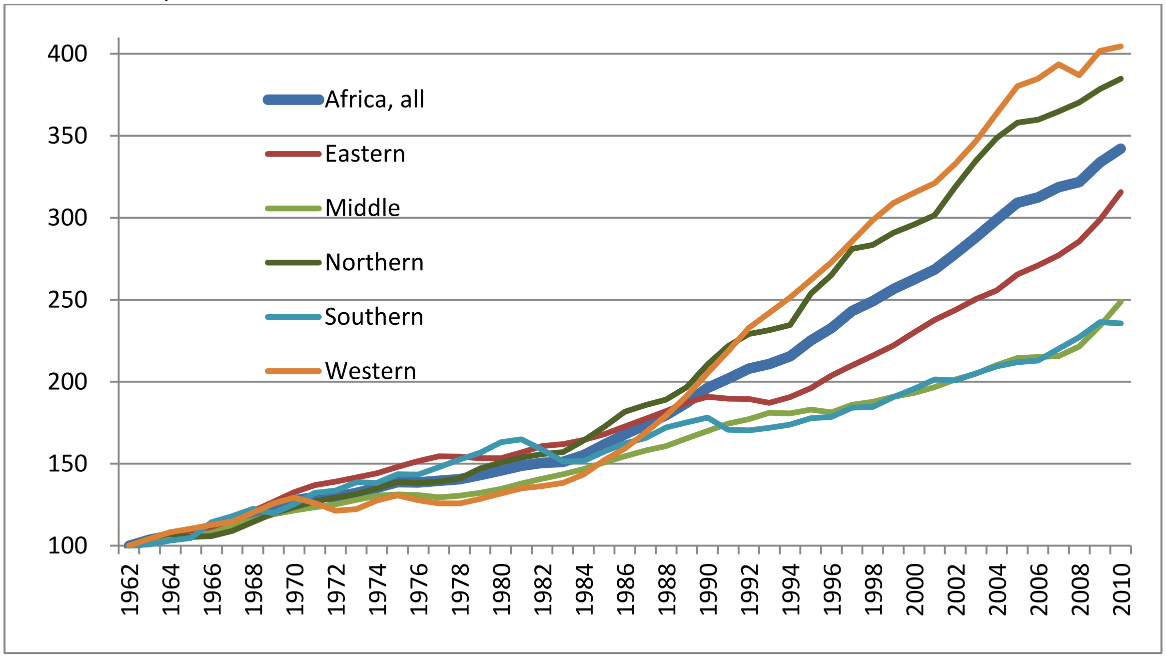
Figure A Food production per capita in Africa, Asia and South America, 1961/63 to 2008/10, indexed to 1961/63, three-year moving average



Source: compiled from FAOSTAT data

But this does not mean that African agriculture at times, in some regions, and in some countries has not grown strongly. Taking data for gross agricultural production and setting aside population growth, a much stronger performance appears, especially since the early 1980s, see Figure B.

Figure B Agricultural production in Africa, gross, 1961/63 to 2009/11, by value at constant prices, three-year moving averages, indexed to 1961/63



Source: compiled from FAOSTAT data. UN regions

Two things are clear from this graph. One, the performances of the main regions of Africa differ considerably: growth has been quite rapid, especially since the early 1980s, in West and North Africa, modest in East Africa, and rather weak in Middle and Southern Africa. Two, growth almost everywhere in Africa has accelerated since the early 1980s.

Growth rates in some regions and periods have been anything but disappointing, see Figure C. Growth in North and West Africa has been more than 3% a year over the last fifty years, with higher rates since the early 1980s. For almost thirty years now, West Africa has seen growth that averages more than 4% a year — that is doubling production around every 18 years.[1]

It is often thought that growth of agriculture in Africa has not been the right kind of growth, the argument being that increased production has come largely from expanding the land area, rather than by raising yields. But this is not apparently so. The great majority of the production increases come from increased production per unit area, not from expanding the arable area.[2] Over the last fifty years arable land in Africa has increased by an annual average of just 0.75%; while production increased at 2.56%. This pattern applies across all regions and for the two different periods selected.

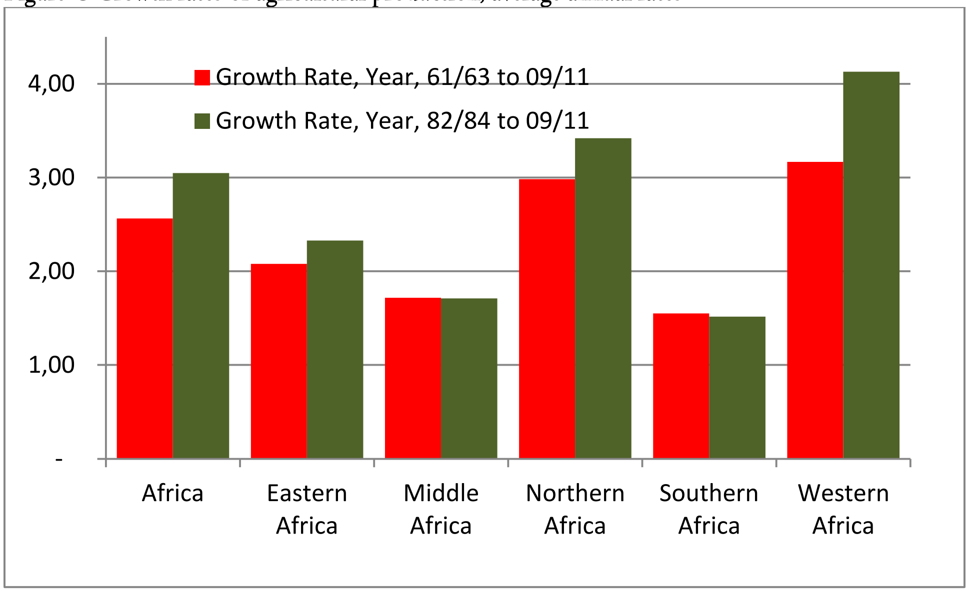
The point of this re-examination of the statistical record is not to deny that Africa has had its agricultural disappointments; nor to deny that when population is growing rapidly, then agriculture has to grow quickly merely to keep up levels of output to match. No, the point is

[1] This is faster than Asia or any of its component regions, faster than South America.

[2] This may surprise some readers, since we often see reports of yields of crops of maize increasing slowly. I believe the issue here is the focus on selected crops, rather than looking at all farm production.

simply this: Africa's record of agricultural growth is chequered, but there are clear and evident successes within the continent at particular times. This means that if we want lessons on agricultural growth, then it is not necessary to look outside of the continent. There are lessons within Africa itself. And since in much of Africa the most similar conditions are found in other parts of Africa, then it is more likely that African experience is replicable in Africa.

Figure C Growth rates of agricultural production, average annual rates



Source: compiled from FAOSTAT data. UN regions. Average annual growth rates computed for three-year moving averages of value of production in constant terms, using simple regression

At country level, ***Ghana*** is not the only example of success, but it is so striking as to be worth picking out. Its agricultural growth from the early 1960s was modest in the 1960s, then turned negative in the late 1970s and early 1980s. Yet after the economic reforms that began in 1983 agriculture was to grow for the next 25 years at rates of more than 5% a year (Leturque & Wiggins 2011) — making Ghana for this period one of the six fastest growing agricultures anywhere in the world, ahead of other countries that are often cited as exemplars for Africa, such as Brazil and China.

Not only did agriculture prosper, but poverty in Ghana came down notably in the 1990s and 2000s, not least in rural areas and especially in cocoa-growing areas. Food supply per capita has increased by leaps and bounds, while the prevalence of underweight children aged under five has been falling.

What prompted this? The reforms of the early 1980s that began with currency devaluation, control of rampant inflation and reform of the cocoa marketing board, seem to have led to the turn-round in Ghana's agriculture and indeed the economy as a whole.

Lessons

Explaining differing rates of agricultural growth is an inexact science. But most would agree that two things need to be done to stimulate agriculture: create an enabling environment for investment and innovation; and invest in rural public goods. The combination of these encourages investment and innovation by private firms, not least by small-scale farmers.

What makes for an ***enabling rural investment climate?*** It is combination of peace and order; macro-economic stability with inflation contained and a competitive exchange rate; predictable and modest taxation, with tax reinvested in public goods; and the recognition of basic institutions, above all property rights that are respected (Poulton et al. 2008).

It is easy to see the importance of the investment climate. The issue in practice, however, is how good does the climate have to be to allow investment; or, put otherwise, how bad can it be before investors are deterred? This matters: developing countries rarely have the administrative capacity, and perhaps also the political ability, to get an ideal investment climate. Hence there is debate about 'good enough governance' (Grindle 2004, 2007) and the minimal conditions for progress (Moore & Schmitz 2008); largely inspired by Asian examples where heavy investment and rapid economic growth have been achieved despite imperfect investment climate and governance.

China provides a lesson. The reforms that China made in 1978 in allowing farmers to work their own fields and to deliver part of their produce to markets rather than state traders, were far from comprehensive. The investment climate changed from very poor to merely poor. [Subsequent reforms have gradually improved the investment climate, but it still remains less than ideal.] But these changes helped accelerate agricultural growth that not only led to reduced rural poverty, but also allowed the rapid industrialisation and urbanisation of China. (Bromley & Yang 2006, China-DAC Study Group 2010, Rodrik 2003, 2004) This suggests that it is not necessary to create a perfect investment climate, but merely to remove the worst failings.

Fortunately the reforms undertaken — often painfully — in many African countries in the 1980s and 1990s have reduced some obstacles from what they were. While in the 1970s agriculture in Africa was on balance taxed by 15% or more — and for particular commodities in some countries by a great deal more than this, by 2005 the explicit and implicit taxation of agriculture had been reduced to less than 5%.[3]

Turning to the other basic requirement from the state, government needs to invest in ***rural public goods:*** those that private firms will not provide since they cannot recover the costs of their investment. These include physical infrastructure — rural roads, electricity, perhaps large-scale irrigation and drainage where applicable; investment in people through education, clean water and sanitation, and health; and supply of public knowledge through agricultural research and extension.

Spending on rural public goods pays off, as the evidence from agricultural development in Asia shows (Fan et al. 2000, Fan et al. 2007). While spending on public goods usually pays off, public spending on goods that would be provided by firms in the market (private goods) generally does not (Fan & Rao 2003).[4]

Perspectives from Southeast Asia

Southeast Asia is a good region to look for lessons from outside of Africa, since it shares a history of colonial rule when economies were created around subsistence farming and export of cash crops. Many SE Asian countries have not seen the best governance since independence either, with dictatorial rule and much corruption.

Yet overall economic growth has been strong, one of the best in the world. Agricultural progress in all cases preceded industrialisation and facilitated it. In reviewing the success of growth and agriculture in Southeast Asia in comparison to Africa, Henley & van Donge (2012) make three points.

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[3] Based on statistics on net rate of assistance to agriculture by Kym Anderson's team, see: http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/0,,contentMDK:21960058~pagePK:64214825~piPK:64214943~theSitePK:469382,00.html

[4] For comparable analysis from Latin America, see de Ferranti et al. 2005

‘1. ***Sound macroeconomic management***. Macroeconomic stability is essential, requiring policies that embody a strong commitment to combat inflation. Given such commitment, inflation may exceed 10% without jeopardizing sustained growth; but it must not exceed 20% for any length of time.

2. ***Economic freedom for peasants and small entrepreneurs***. In most cases, there has been little or no growth in the countries with development strategies based on accumulation by the state or economies that are state-dominated. Smallholders need to be able to select their own crops and reap the profits.

3. ***Pro-poor, pro-rural public spending.*** Sustained growth and poverty alleviation depend on the adoption of pro-poor policies directed at agriculture and rural development, particularly to raise the productivity and profitability of smallholder food crop farming through public investment in irrigation, transport infrastructure, and state-subsidized technological improvement.10 This involves allocating 20% or more of the development budget to the agricultural sector, and ensuring that most of this benefits peasants rather than large landowners.’

Equally striking are the factors have not proved necessary for growth in the region: authoritarian rule; foreign aid; elimination of corruption; liberalised financial systems; privatised utilities; the emergence of an indigenous bourgeoisie; and industrial policy. It’s quite a list.

So what allowed much of Southeast Asia[5] to make progress? In all cases of success, there were ***growth coalitions*** that saw agricultural and rural development, based on smallholder development, as preconditions for growth.

‘The governments that made the right policy choices believed in ‘shared growth’ and were based on ‘growth coalitions’ that included peasant farmers. They prioritized the redistribution of income and assets to the poor and to rural areas.

Their motives varied, from ideology (social justice, nationalism) through political pragmatism (fear of radical or socialist opposition), to a correct interpretation of the historical relationship between agricultural and industrial development.’

One might add to this persistence and patience. Southeast was never transformed in the short run: success has come from adopting strategies and sticking to them for decades on end. After 30 or more years the results have been striking. But they never came from dramatic changes in the short run.

How different has Ghana been since the early 1980s compared to parts of Southeast Asia? There are many similarities between the measures taken in the 1960s and 1970s in Southeast Asia and those adopted a decade later in Ghana.

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[5] Not all of the region: Burma, for example, has lagged well behind other countries in SE Asia.

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