Toward a Model for Building Socio-Economic Institutions for Agricultural Sustainability in Sub-Saharan Africa

By

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Introduction

Agricultural activities constitute the foundation of Sub-Saharan African (SSA) economies. For several decades, agriculture has accounted for the biggest part of SSA growth domestic product and has represented an important part of total exports that are generally concentrated both in term of product coverage and market destination. Several countries depend on two or three commodities for almost their total export revenues. For example, over 1990-1992 period, many countries depended on three commodities. The highest percentage came from Gabon and Zambia (99%), Nigeria (94.5%). Countries like Cameroon, Angola, Seychelles, Kenya, Ghana, and Cote d'Ivoire among many others, fall in the same situation. If one put aside mining commodities (petroleum in general), these products are mainly composed of primary agricultural commodities. Agricultural commodities constitute therefore a key determinant of the region development. The importance of primary agriculture commodities explains the important role of farmers, producers of these commodities, in SSA economies. However this importance is not explicitly recognized in many cases, farmers facing several problems in addition to the eternal problem of commodities' prices instability. Such a situation that leads to the decline in agricultural productivity deeply hampers agricultural sustainability and so, overall economic development in SSA. To tackle this crucial problem, SSA countries liberalized the commercialisation process of agriculture for exports. The main objective was to increase farmers' revenue and production. After many years, no importance change is observed. In many cases, prices paid to producers are still going down, not only because of the falling in the world market prices, but also for precarious conditions in which lives farmers and that explains why they cannot organize themselves.

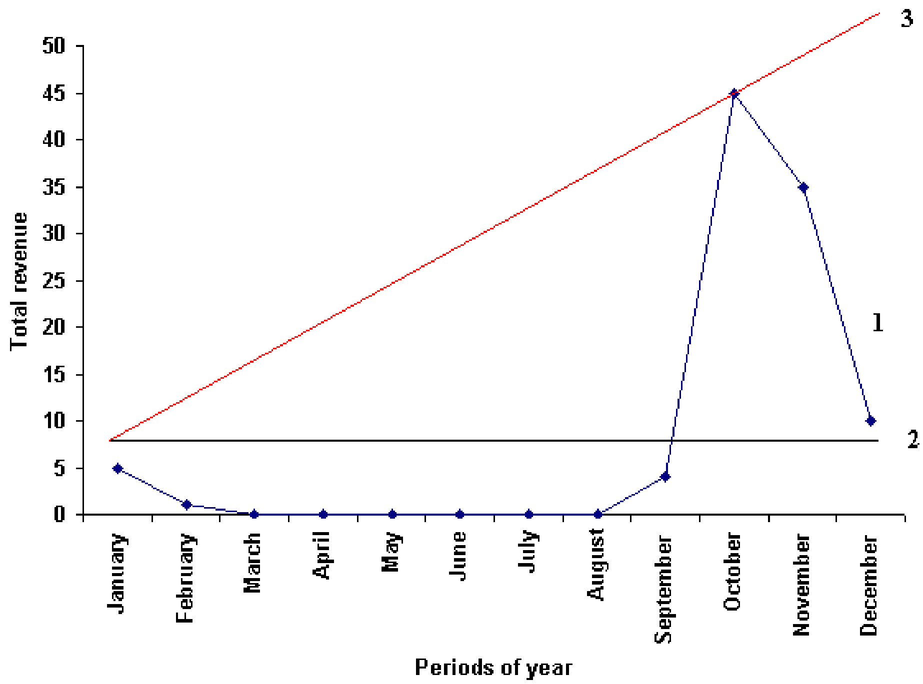
The obvious objective of the paper is to present typical socio-economic institutions that should govern agriculture and boost agricultural sustainability in Sub-Saharan Africa. The analysis is organised as follows. In the first section, I present the instability of SSA farmers' revenues that usually appear during two to three months while they do not perceive anything the rest of the year. Section two is an analysis of commercialisation process before and after liberalisation. This section shows that farmers' situation did not change because of the lack of socio-economic institutions capable of financing their activities in order to increase production and/or stabilise their revenue all year long. Section three proposes what should be done institutionally if we need to boost agricultural sustainability. Section four, the last section, discusses important policy recommendations.

1. The Common Problem of Sub-Saharan African Farmers

Suppose we have been asked to comment graph 1. The first observation one might make is that the graph has three curves named 1, 2 and 3. The second observation might be that curve 1 is irregular over time. Curve 2 is a horizontal line and curve 3 is straight line that increases at a constant rate.

Suppose we are told that each curve represents a particular economic agent's revenue curve. Our comments would continue as follows. Agent 1 faces a great instability of its revenue from January to December. Agent 2's revenue is stable over the year while agent 3's revenue is increasing with minimum revenue guaranteed. If we had to choice between agent 1, 2 and 3, everything been equal elsewhere, surely no one would accept becoming agent 1 while everybody would accept being agent 3.

Graph 1: Curves to comment



Suppose we are told that curve 1 represents a real situation while curves 2 and three are respectively second and first best of a particular agent. The problem of choosing 1, 2 or 3 shifts therefore to how to move from curve 1 to curve 3. This is exactly the situation in which African farmers fall every year. In fact, curve 1 represents a typical Cameroonian cocoa farmer's revenue in the region of the Centre Province. In this region, cocoa farmers perceive up to 80 percent of their total revenue between October and November when cocoa production and sells riche the peak and 20 percent of the revenue in September, December and January. The rest of time, no revenue is perceived while farmers continue to face everyday wants. Curve 2 is the average revenue this farmer would receive each month if he were not subject to revenue instability. Curve 3 is a situation where this farmer's revenue would increase over time, an ideal situation. Revenue instability is a problem faced by farmers in sub-Saharan Africa even if the boom period changes with country, region and crops.

2. What Did Liberalisation Bring to Farmers?

Before the periods of liberalisation, many sub-Saharan African countries were fixing commodities' prices through commercialisation or marketing boards. Marketing boards aimed at stabilising price paid to the farmers because of the instability of commodities' prices at international markets. Some co-operatives set up by the boards existed with the main objective to distribute seeds and other inputs, to train farmers and give very small bonus. Bonus that represented a small percentage of the value of commodity sold could not meet farmers' expenditure during hard periods (periods during which no production is sold). When came liberalisation, marketing boards were criticised because of poor governance. That was true. The problem therefore consisted in eliminating these boards in order to increase farmers' revenue. Intermediaries that acted with commercialisation boards were also pointed out because they were getting revenue out from the farmers. They were also eliminated and disappeared with some of their social advantages, notably in the context of seeds and other inputs they were directly giving to farmers.

After eliminating commercialisation boards as well as their intermediaries, farmers still face at list two main problems. The first one is very low revenue. The second deals with unstable revenue.

This situation affects negatively agricultural sustainability in Sub-Saharan Africa: very low productivity, diminishing production, poor quality of products and so on. It therefore becomes important to tackle the two problems if we want to boost agricultural sustainability.

In Sub-Saharan Africa, commodities were exported trough marketing boards which principal objective was to protect farmers from commodities' price instability. Marketing boards were directly buying commodities to farmers at a price lower than the price that would have been paid at international market. The margin was supposed to be used in order to avoid commodities' prices fail during the period of excess of supply. Apart from the role of price stabilisation, marketing boards also helped farmers in many ways: training, supply of seeds, bonus distribution…

Broadly speaking, marketing boards had been hijacked from their objective. So they started financing political events and unproductive spending. When the international market for commodities started facing difficulties that led to a sharp decline in prices, marketing boards failed in supporting price paid to farmers. The latter suffered a deep decline in their revenue. The process going on, farmers' incentives to produce disappeared gradually, leading to diminishing tonnage and low productivity. Such a situation hampers agricultural for export sustainability as the main actors, farmers, encounter important difficulties. The widespread model of marketing boards failed in several cases and was abandoned in the profit of liberalisation.

Liberalisation aimed to increase farmers' revenue by eliminating intermediaries, notably marketing boards. Since the liberalisation period, farmers have the possibility to bargain the price of their commodities and, if well organised, perceive a high price.

Chart 1: Cocoa: World price and price paid to Cameroonian producers

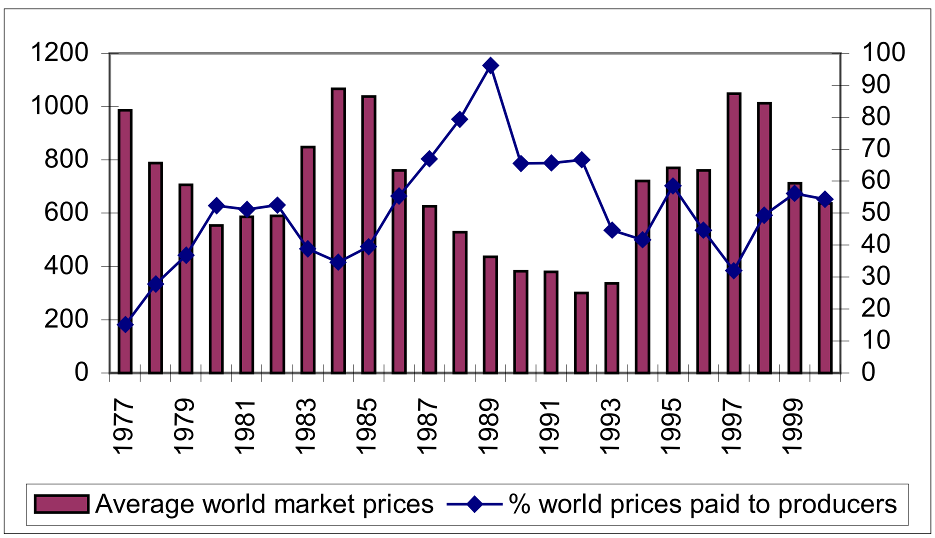


Chart 1 shows the percentage of cocoa world market prices perceived by Cameroonian producers. Note that this percentage is a negative function of the world market prices. That is the percentage decreases when the world prices increase and increases when the world prices decrease. If we suppose that transactions cots are constant (predictable) and this is likely the situation, that means farmers are being extorted the more during the period of good conjuncture in the world market, the period they are supposed to benefit from their efforts. Data from 1997 to

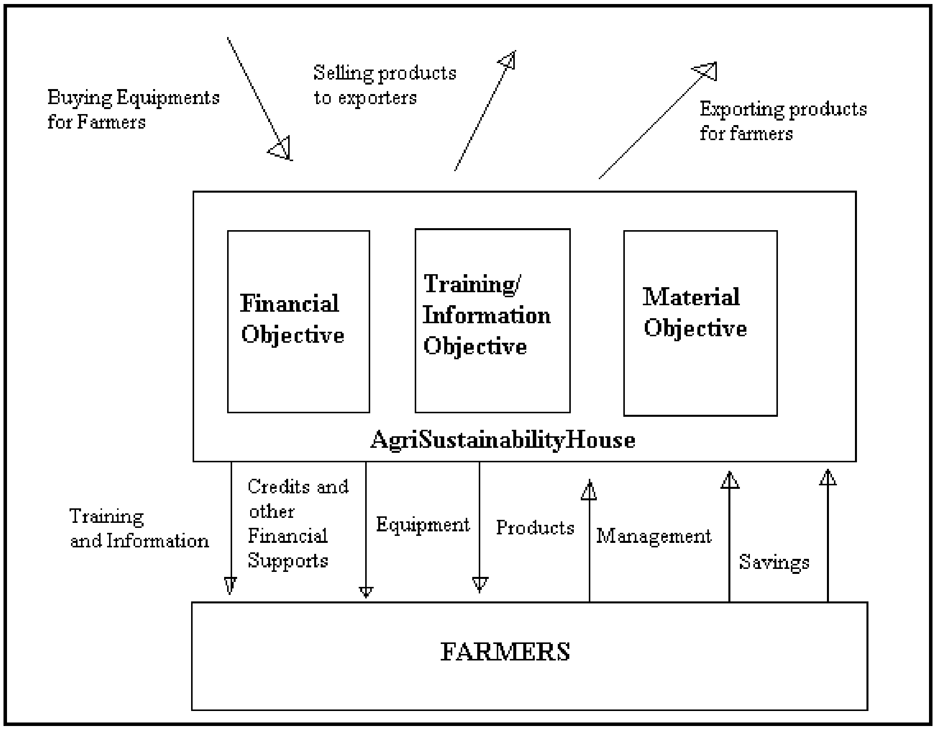
1993 correspond to authorised prices period while the liberalised prices period starts in 1994. Note that the percentage of the world price perceived follow the same trend as before the liberalisation period. Also the average percentage of the world market price paid to producers is higher in the pre-liberalisation period than in the liberalisation period. For example, during the last seven years preceding liberalisation, cocoa farmers perceived about 69 per cent of the world price against 48 percent after the liberalisation. The corresponding percentage for robusta coffee, arabica coffee are 59% and 45%, 53% and 34% respectively.

The analysis outlines that farmers still face problems of low and unstable revenue. They also face poor organisational problems. Even if farmers' production were increasing or stabilised, sometimes they are forced at a given period of the year (usually when appear the first harvesting) to accept low prices because they have to satisfy their basic needs and no institution is ready to help them in this way by allowing them credits and, when the first exporter comes, they just accept the price he proposes them, regardless the international price. This usually occurs because at a given time, farmers are in a great financial need. At production level, an individual farmer that used to receive seeds and other different inputs from marketing boards during the hard season, cannot afford these inputs necessary to ensure a minimum production in both quality and quantity sense because no one is ready to help him materially or financially. Another point is that those who can afford these products do not have enough information about where to get them, what is their quality, how to use them conveniently etc. Again, this situation is not to support agricultural sustainability. A solution to the problems lays on the setting up of socio-economic institutions representing farmers and managed by farmers.

3. Stabilising farmers revenues trough AgriSustainabilityHouses

These institutions would have financial, material and information/training objectives. The financial objective would help farmers to stabilise their revenue all year long. The material objective would help them acquire equipment, seeds and other inputs while the training and information objective would educate farmers in their production activities and why not in export activities so that they can produce and export directly their products and therefore increase their revenue. All these objectives, when satisfied, would help farmers move from curve 1 to curve 2 and if well managed to curve 3. The shift from curve 1 to curve 3 can be accelerated if researchers succeed in elaborating new techniques permitting to diversify farmers' production and reduce loses.

Figure 1: A Model of AgriSustainabilityHouse Managed by Farmers for Farmers



A model of how an AgriSustainabilityHouse should work is presented in figure 1. Note that for a given country, it is possible to have many AgriSustainabilityHouses. All depends on the level of organisation of farmers. Also a hierarchy of AgriSustainabilityHouses can be encouraged (local, regional and national AgriSustainabilityHouses) for optimal efficiency.

4. Conclusion and recommendations

Sub-Saharan African farmers face a common problem of low and unstable revenue because not only of international prices instability but also of lack of institutional organisation capable of financing, training and informing, and supplying them with material needed. Such institution should help in improving communication of research results from producers (researchers) to users (farmers) by organising training sessions in rural areas as regular as possible. It would also be interesting to grant small prices, say the price of the best quality product, or the price of the best user of research results. The setting up of community radios that would inform farmers in their mother tong, so they would be more concerned and more likely to be involved can support that. It would also be attractive for researchers to engage on new research areas. An obvious example is to develop technology needed for the production of by-products and non-traditional use of farmers' products. When for example cocoa beans have been extracted, the rest of the pod that represents about 70 per cent of the weight of the fresh fruit is destroyed. It is possible to concentrate on 100 percent of the fruit instead of just 30 percent. This outlines the concept of "diversification from one" meaning that from one fruit, the farmer should diversify its revenue, leading to risk reduction. For example, researchers, by identifying and developing cocoa by-products and non-traditional uses of cocoa, will increase cocoa farmers' revenue and reduce their revenue instability. This is an important point of research that should be supported by CODESRIA and IFS in their joint project. Once again the development of by-products would be a success if and only if farmers are integrated in the project through "AgriSustainabilityHouses" that would boost such development.

References

Ministry of Economy and Finance, DSNA (2001): *Cameroon in Figure 2000*

National Cocoa and Coffee Board: Different Conjuncture Notes