Strengthening Africa's Economic Performance

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A Missed Opportunity?

A Three-Country Study of African Agriculture

Dianna Games[1]

Executive Summary

To understand why Africa has not realised its potential in the world economy, one only has to look at the state of its agriculture. As the backbone of almost every African economy, the sector employs about 80% of the population and accounts for a major share of gross domestic product (GDP) in every African country. And yet there is no country on the continent, with the possible exceptions of South Africa and pre-2000 Zimbabwe, where this sector has realised even a fraction of its potential. African heads of state make regular appeals in international forums for increased market access for African agricultural products, but back home they have, on the whole, failed to put in place policies and practices that will ensure the growth of market-oriented agricultural production.

Furthermore, most countries are flooded with donors and international non-governmental organisations (NGOs) who have been pouring aid and expertise into the region for decades. And yet millions continue to starve.

The failure of Africa's agricultural sector might best be shown by the figures. Not only is this fertile continent a net importer of food, but according to the New Partnership for Africa's Development (NEPAD), 30 million people require either emergency assistance or some kind of agricultural aid every year, and 200 million people are chronically hungry at any given time. In 2005, the United Nations (UN) estimated it needed US$2 billion to feed starving Africans, and in 2005/06 alone, 14 million people are expected to receive food aid in sub-Saharan Africa.[2]

Agriculture has been defined as one of the critical factors that will enable Africa to achieve the poverty reduction targets of the Millennium Development Goals — and yet per capita agricultural production has fallen by 5% over the past 20 years compared to developed countries, where it has increased by 40%.[3] At the same time, populations have been growing, increasing demand for food and resources.

Even in the face of these alarming statistics, few African governments prioritise agriculture in their policies, spending or attention. Even where they have, they have failed to effectively tackle the persistent problems in agricultural development. Dialogue with the private sector and the farmers themselves is limited, and is usually ineffective in influencing policy or debate.

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[2] Professor Wiseman Nkhulu address to the Global Forum on Agricultural Research. See their website, *http://www.egfar.org/tools/special2003/art5.html*

[3] Berger R, Coupe S & A Masendeke (Practical Action); Mzinga J, (Pelum Regional Desk); N Omolo (consultant to Practical Action East Africa Regional Office); Makanya S, (consultant to Pelum, Zambia), (2005), 'The crisis in African agriculture'. Pelum Association and Practical Action. The paper was funded by the European Commission.

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An examination of three southern African countries — Malawi, Zambia and Tanzania — has highlighted many of the problems that cause the lack of success of African agriculture. The problems, which are common to most African countries, include:

- a lack of good policies;
- poor implementation of good policies, where they exist;
- a lack of commitment to official spending in this sector;
- an over-reliance on donors and aid;
- a lack of infrastructure, including rural infrastructure, which constrains access to markets;
- an inability to make the required shift in mindset from subsistence agriculture to market-based agriculture, both among farmers and politicians;
- a socialist hangover in the approach to the private sector;
- poor leadership and an attitude that agriculture is something that 'takes care of itself';
- a lack of extension services and technical support;
- a reliance on traditional methods, and little technological innovation;
- no long-term planning and an attendant inability to deal with persistent, but not necessarily regular, crises such as droughts;
- a lack of empowerment of farmers, who are, as a result, not in a strong position to articulate their needs to governments;
- a lack of credit and financing options, particularly small loans and long-term finance;
- land tenure issues, which affect title to land and collateral for loans to farmers;
- a lack of value addition, making raw exports dependent on variable world prices;
- a lack of water management and animal disease control;
- a high incidence of disease in rural areas, particularly HIV/AIDS, which is depleting labour resources and productivity;
- government interference in the growing and pricing of strategic crops such as maize, creating shortages;
- a lack of understanding of markets, both local and international, and poor access to them;
- high entry levels and non-tariff barriers in developed markets; and
- onerous transport and business costs, which make locally produced goods uncompetitive regionally and internationally.

Introduction

I recently asked a representative of a UN agency in Zambia how long he thought it would take before the country could feed itself. Looking at his shocked reaction, I suggested 10 years, as a start. Shaking his head, he said: 'There is a Nobel prize in it for the person who can achieve that.'

Why should Zambia — or any other African country — not be able to feed itself within 10 years, given the massive penetration of agriculture in the economy? African economies rely heavily on agriculture for employment, foreign exchange and tax revenues. The sector is the biggest contributor to GDP and per capita incomes. Many countries have abundant resources in the form of water, fertile soil, available labour and land. An estimated 80% of people in sub-Saharan Africa live in rural areas, and the majority of these are involved in agriculture and food production for their livelihood and, in many cases, their very survival.

And yet people still face massive food shortages and 'boom-bust' seasonal cycles, exports are only a fraction of what they could be, and subsistence farming remains the central activity of millions of Africans. In Malawi, for example, 65% of people live below the poverty line, and about 30% go hungry for at least three months every year.[4] Less than 10% of arable land is cultivated in most agriculturally driven economies, and only a fraction of cultivated land is irrigated. The question is why this is the case and what needs to be done. Africa is not short of reports outlining what its problems are. The amounts of money that consultants have been paid to tell Africans what their problems are and how to deal with them could pay for the running of a whole country, some sceptics say. What is of concern is that the reports on the problems in the agricultural sector do not differ much today from a decade or more ago, nor do the solutions. So what is wrong?

In the first instance, African agriculture is still suffering from two unfortunate legacies. The first is the colonial legacy. Colonial governments moved farming practices away from traditional food production and into cash and export crops. While this created an export base that remains in place in some countries to this day, it changed eating and farming patterns in a way that made people less self-sufficient, and many traditional skills have been lost. It also meant the development of infrastructure to serve these needs only, and did not result in a more broad-based infrastructure network that would serve independent Africa better.

Secondly, in the independence era, all three countries surveyed were, for decades, in the embrace of African socialism and state control of one sort or another, something that has affected not only the practice of agriculture to this day, but more importantly, the mindset of the Africans who practise it.

In Malawi, Kamuzu Banda's aim was to ensure self-sufficiency in food production, but in the process he destroyed his peoples' entrepreneurial drive and market-driven activity. His successor, Bakili Muluzi, liberalised the economy, but his efforts to get Malawi into the global era were undermined by mismanagement of the economy and massive corruption. Maintaining personal power and the trappings of the presidency over-rode the development of agriculture, along with health, education and other key sectors. Many Malawians believe that the starvation many of them face and the country's excessive donor dependency is Muluzi's legacy.

In Zambia, Kenneth Kaunda did much the same, introducing state control of the economy and nationalising land, while skewing economic development in favour of a single commodity — copper. The liberalisation of the economy in the late 1980s kick-started the

[4] United Kingdom Department for International Development website, *http://www.dfid,gov.uk/countries/africa/malawi.asp*

development of agriculture, but the country has yet to significantly improve government capacity, tackle endemic corruption effectively, develop a more market-oriented focus or start freeing itself from its donor dependency, all of which affect the agricultural sector along with the rest of the economy.

Tanzania's historical legacy of socialism, in particular the enforced villagisation in the rural areas, still hangs heavily over the country's agricultural sector. The politicisation and corruption of the co-operative system, which is a potentially successful structure for the development of agriculture, has also undermined this structure.

The failure of post-independence governments to build on the institutions of colonialism and to maintain their own institutions means resources have to go into rebuilding, rather than building, institutions and skills. For example, Zambia has 35 farmer training centres and nine institutes designed to train small farmers in new technologies, crop dynamics and other skills. However, due to neglect, they are hardly in use anymore. Reviving them will eat up scarce resources.

Donor money and expertise have poured into all three countries for decades, but the long-term gains are limited. Donor support to agriculture is now decreasing, partly because of the diversion of funding into HIV/AIDS, but also because of the lack of results. Aid to agriculture dropped from 20% of total aid to southern Africa between 1980 and 1984 to 8% between 1996 and 2000.[5]

One of the key problems has been a lack of local capacity, both in government and in institutions and organisations that could make a difference were they more effective. An article published by the International Food Policy Research Institute says:

> *Building capacity for food security involves enhancing the ability of individuals, groups, organisations and communities to sustainably meet their food and nutrition security challenges. It means developing skilled, creative and motivated individuals and establishing effective institutions, both governmental and nongovernmental, to engage people in problem solving. It means fostering teamwork among farmers, extension agents, and scientists — and often among different government ministries and nations. And it demands donor commitment to bankrolling initiatives that offer few immediate, tangible paybacks.*[6]

The article claims that until recently, foreign donors and governments in developing countries have treated capacity building as an afterthought.

But the private sector has played a significant — and unheralded — role in building capacity at the farming level. One successful method has been the introduction of contract, or outgrower, farming to produce for export. Broadly, outgrowers are contracted to produce crops for large-scale commercial enterprises, and in return the contracting party provides loans for the inputs, taking the risk with the banks; trains the farmers; and oversees the growing of the crop to ensure it meets required standards, effectively replacing governments' extension system across large swathes of the agricultural sector.

In some cases, the company provides the land as well, although more often use is made of farmers already on the land. This is being done successfully in cotton, tobacco, sugar, coffee and various other crops, providing broad-based empowerment and wealth creation among hundreds of thousands of small-scale farmers in these countries.

There are 300,000 outgrowers in Zambia's cotton industry alone. An added bonus is that some companies also offer HIV/AIDS awareness and prevention programmes for the

[5] Ibid.
[6] Bryant, E (2005) 'Building local skills and knowledge for food security'. International Food Policy Research Institute.

contract workers.[7] Within several years, an estimated 30% of contract farmers move into bigger farming activities. The system is not without its problems. There are still issues about prices offered by the contractors, which has led some outgrowers to violate their contracts and sell to higher bidders outside the system. Contractors have complained about this, as well as the failure of many outgrowers to understand supply and value chains and end markets. But it is a good start and, in time, the problems can be ironed out.

The growth of large retail chains in African countries, such as South Africa's Shoprite, has also been a force for empowerment of small farmers. In recent years, these retailers have cultivated local producers to provide goods of quality and scale for their supermarkets. They have expanded local procurement to include processed goods such as cooking oil and sugar. In Zambia, for example, a processed meats industry has grown from nothing into a thriving industry based solely on the demand from supermarkets. However, Franz Kranz, the manager of Shoprite's Zambian operation (which aims to have 18 supermarkets in Zambia by the end of 2006) says price is an issue, as food prices in Zambia are generally 60–70% higher than they are in South Africa because of the high cost of doing business.

So what are the main problems? The research undertaken for this Brenthurst study identified them as the following.

Governments

The literature on African agriculture appears to be rather kind to governments, mentioning them only obliquely, or playing down their role in the poor performance of the sector. And yet, research shows how much of the problem can be laid directly at their door. The picture is often obscured by the focus on lack of funds and other resources, rather than on what a particular government is doing with the resources it has, or how it is blocking the potential to raise more resources through other means, such as private sector development. The picture with regard to agriculture, along with health and education, is also obscured by the work being done by donors that, in many cases, lets governments off the hook.

In Zambia, agricultural growth has gone down. In 2004 it was 4.7%, but only 3.7% the following year. The budget allocation for agriculture was also reduced over this period, and in the 2006 budget, its allocation was less than 5%, falling far short of the 10% minimum budgetary allocation for agriculture mooted by the African Union. This drop in spending is notwithstanding the fact that an emergency feeding programme is under way for 1.4 million people. And it is also notwithstanding the fact that the government of Levy Mwanawasa has made agriculture a priority. President Mwanawasa is said to be committed to this, but has been let down by his ministers and public servants, which he appears to be doing little about. Poor salaries and few work incentives do not help delivery by public servants.

On the whole, governments pay only lip service to agricultural development. Where there are good policies, there is usually lack of implementation. Some governments seem to feel that just having a good policy is enough, and once that has been drawn up they can sit back and allow the donors and NGOs to take over. Another problem is the tendency to set up multiple structures and different ministries with a view to implementation and consultation, but which in fact stall the process further by creating more rent-seeking opportunities and a longer value and decision-making chain. 'There are as many good

[7] In 2004, Dunavant Zambia Ltd, a subsidiary of US multinational cotton merchant Dunavant Enterprises, which has African operations in Zambia, Uganda and Mozambique, was a finalist in the US government's awards for corporate excellence for its work in uplifting African farmers and for its HIV/AIDS programmes, which reach more than 15,000 people.

plans out there as you need. What we need to do is implement a few of them. We need determination, commitment and sacrifice — from everyone,' a UN official in Zambia said.

Government officials find it difficult to identify priorities. Lists of priorities are overly long, diminishing the potential for action. There is also little co-ordination between politicians and public servants, and no trickle down of decision making and information. Meetings are generally held at ministerial level, and that is often where the matters raised stay. Politicians are also more worried about their political careers than doing the right thing, and thus often fail to act rather than take a decision that may be unpopular.

This is particularly a problem in agriculture, because it is in this sector that a large number of voters fall. Related to voting patterns is the tendency for governments to interfere in the pricing and distribution of the maize crop. In Malawi in early 2006, maize was being sold through parastatals at 17 kwacha per kg, while the open market was selling it for 50–60 kwacha per kg. The fact that it has become a 'political crop' has weakened its attractiveness as a commercially grown commodity, thus worsening the supply situation. In the case of Malawi's tobacco, the government has threatened international buyers, saying they are exploiting growers (despite the exploitation described above of maize growers), and has tried to set minimum prices at the auction, resulting in buyers going to other markets.

In Tanzania, the government in essence forces manufacturers and buyers to go through its network of middlemen, such as often-inefficient auctions, control boards and local co-operatives. This serves to push up prices, delay exports and generally create problems in the chain.

Commercial farmers complain that most of the budget allocations go towards supporting small-scale farmers with subsidies and social programmes, not necessarily schemes to make them more productive. They say there is little macroeconomic support for exports and value addition, and the private sector is viewed simply as a cash cow rather than a partner in development. 'Government policy is the main obstacle to our success,' said an exporter in Zambia. 'It is something we cannot control, but it is the one thing that can sink us at the stroke of a pen.'

There is tension between governments and the private sector in these countries over a number of issues. For example, governments berate the private sector for high lending rates, but at the same time put strict requirements on banks such as caps on the amount of share capital available for lending and mandatory high capitalisation and security requirements. They also lure capital out of the banks and into Treasury Bills, so that it becomes money that goes mostly into unproductive spending, and borrow heavily in local markets, crowding out the private sector. In general, these trends push up interest rates and put borrowing out of the reach of most agricultural enterprises, bar large, often foreign-owned companies.

Trade

Exporters in Africa, as elsewhere, face some serious barriers to trade, despite the fact that they are party to a range of trade preferences in developed countries. The buyers in developed markets dictate the entire chain of production through a series of protocols and laid-down standards. The Eurepgap Protocol,[8] for example, covers about 300 points on every aspect of farming, while the Hazard Analysis Critical Control Point (HACCP) has seven points relating to the safety of the product right from origin. These are just two of the many requirements exporters have to meet, a process that can be costly and cause

[8] The protocol defines the minimum standards acceptable to the leading retail groups in Europe for the global production of agricultural products.

delays. Producers have to keep detailed production information for annual audits done by a range of players in the end market, for which the producer bears the cost.

Exporters maintain that the bar keeps being raised, making exporting more difficult and expensive, as well as making the entry levels onerous. Food companies in Europe say the changes in their requirements are based on consumer demand for reassurances about the safety of Third World products, which reverberates through the supply chain. Nasfam, a collective organisation of small farmers in Malawi, mentioned the extremely low level of Afrotoxin, a carcinogenic that occurs naturally in products such as ground nuts, allowed into Europe — four parts per billion — while the United States accepts 15 parts per billion and South Africa 10.

Exporters maintain that requirements are steadily becoming more stringent, particularly on foodstuffs, as the demand for developed country subsidies to be dropped gains pace. Many complain that the terms of trade actually discourage adding value. Zambia's coffee producers, for example, say that they cannot roast the coffee in Zambia, as once it is roasted, it needs to get to consumers within three days. To roast the coffee in Zambia, package it and freight it to Europe requires a nine-day turnaround time.

Problems also include the cold chain, quality of packaging and regularity of flights to export markets. There is also a lack of testing facilities in many originating Africa companies, so exporters have to have their goods tested on arrival or in countries that do have testing facilities, such as South Africa. This adds to costs and delays. The increasing use of contract farmers for export produce can also be a constraint in terms of fresh food production, because such workers have to be registered and conform to the strict requirements of the buyers.

There has also been a strong dependence on trade preferences for developing export markets, which means that as these preferences are renegotiated and as benefits are phased out, African countries, particularly least-developed countries, will be in a less competitive position than countries in Latin America and Asia, from where competition for developed markets is fierce. Not enough has been done in African countries to ensure the sustainability of export crops and competitiveness of producers in preparation for changes in the global trading order.

Governments seem to be largely unaware of the scale and sophistication of what their exports are up against in world trade, focusing on small steps in their home markets instead of broad, bold steps, where these are possible. Of course, the thorny issue of major developed country farm subsidies is also a major problem where efficient African exporters do exist. But this has been well documented.

Intra-African trade, with the exception of trade from South Africa to the region and, to a lesser degree, the other way around, has not realised its potential for a number of reasons. One is that many countries are producing the same crops for export, limiting regional trade opportunities. Another is the differing strength of countries' manufacturing bases and provision of raw materials for conversion. Many of the goods traded in the region are from the bigger economies such as Kenya and South Africa, which have strong manufacturing bases and achieve economies of scale. Smaller countries such as Malawi, Zambia and Tanzania, which have small domestic markets, find it hard to compete. Logistical problems are significant, and the widespread use of non-tariff barriers is a major problem even between countries that are members of the Common Market for Eastern and Southern Africa (COMESA) free trade area.

Much trade across borders is also informal and thus unrecorded either in trade statistics or in the fiscus.

Production and Logistics

The methods of farming are a key problem in Africa, and directly affect the competitiveness and success of African agriculture, compared to other regions.

The issues include the following.

- *Irrigation:* This requires large amounts of funding and good water resources, and is yet to become a feature of African agriculture outside large commercial farming enterprises. Only 2% of Malawian agriculture is under irrigation, while in Tanzania, only 4% of the total 8% of the country's land that is under cultivation is irrigated. A number of governments have ministries specifically tasked with dealing with water affairs and irrigation, and yet the latter remains rare, particularly among smallholders. Commercial agriculture that does use irrigation suffers from problems of power shortages and high energy costs.
- *Crop diversification:* An over-reliance on maize, which is not a drought-resistant crop, as a staple food and political tool presents a problem for diversification efforts and food security. Efforts are under way to encourage the widespread production of crops such as rice and cassava, which are having some success, despite the fact these are not popular food crops, and donors and NGOs are driving the development of a number of non-traditional cash crops such as chillies, spices, organic foods, fresh flowers and varieties of nuts. Honey production is growing, and in Zambia there are 200,000 honey farmers. Soya is a growing crop because of the local demand for cooking oil, much of which is produced domestically in these countries, and because of the demand by the UN, which buys stocks of soya for its refugee programmes. The main export crops remain tobacco, sugar, coffee, tea, cotton and other such commodities that have ready buyers in developed markets.
- *Farming methods to improve yields and sustainability:* Conservation farming is growing in popularity, as is the exploration of new hybrids; new varieties of traditional crops; and more productive, low-cost farming methods to increase yields. Maize yields in Zambia, for example, are less than a tonne per hectare, compared to about seven tonnes per hectare in South Africa. US NGO Technoserve says in East Africa, coffee trees have a yield of 2.5 kg per tree, against India's 20 kg.
- *Degradation and deforestation:* Decades of traditional farming methods have left the soil in poor condition, which will have to be reversed by new farming methods. Fertilisers are also in short supply — in Africa, fertiliser use averages 8 kg per hectare, 10% of the world average.[9] Deforestation is a major problem because of the expansion of commercial crops and unregulated timber exports. This, along with global warming, is contributing to increased droughts in Africa.
- *Disease control:* This remains a problem despite the existence of veterinary and other services in governments. Proper checks are not done and resources not made available to pre-empt the resurgence of diseases that are often endemic to regions. Donors are currently encouraging African governments to put in place measures to combat bird flu.
- *Research:* Once a relatively strong feature of southern African countries, this has been neglected over the years. There is an attempt to improve standards and attendance at universities, agricultural colleges and research institutes. There is also a move to build up regional capacity through sharing resources and programmes.
- *Training and technology transfer:* The implementation of these has been largely non-existent in government programmes, although both are taking place in private sector-driven programmes. Extension services in all three countries have suffered from funding, training and incentive problems, and are barely functioning.

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[9] *Nepad Dialogue* (online newspaper), No 141, 23 June 2006.

- *Food reserves:* This has become an issue in both Zambia and Malawi, where the respective governments decided to export their surplus just ahead of a serious drought.
- *Land tenure:* Land is owned mostly by traditional leaders in their capacity as leaders of tribal groupings, and what is left is owned by the government. This is a problem for many small farmers who cannot get title to their land, and thus have no collateral to borrow money against, and for larger farmers and foreign investors, because of the implied insecurity of tenure. There can also be a cost to government, as in the case of Malawi, for example, where government must pay to use traditional land.
- *Cost and availability of inputs:* Few inputs are produced in the three countries, and most are imported from South Africa, which adds to the cost. However, seed production is becoming a big industry in Zambia, mostly as a result of skills brought across the border by ex-Zimbabwe farmers, and Zambia is now an exporter of seeds to other African countries — including Zimbabwe.
- *Provision of finance:* Lending to agriculture is considered to be high risk, particularly to small farmers who may have insufficient collateral. This is exacerbated by the lack of credit records and a repayment culture, as is the case, for example, in Tanzania. There are few institutions backed by the government offering microfinance and agricultural credit, although this is something governments are working on.
- *High incidence of HIV/AIDS:* The increasing prevalence of the virus is hitting at the heart of productivity. In Malawi, for example, where 16% of adults are HIV-positive, there is an average 50% absenteeism rate at any one time, as workers are too ill to work.
- *Markets:* Much production takes place without regard to whether there is a market for the produce and, in the case of many small farmers, without knowledge of prices and distribution, which are generally taken care of by traders who buy at source. This hampers returns on commodities in local markets.

There are multiple reasons for the situation regarding agriculture, and many constraints to resolving the problems. It is an area in which donors and NGOs are heavily involved in terms of their agricultural input into African countries, but also one in which governments are not doing enough.

However, it is also an area in which NEPAD is trying to make some difference, under the umbrella of its Comprehensive Africa Agriculture Development Programme (CAADP). In June 2006, for example, it held a fertiliser summit attended by heads of state, heads of regional economic communities, African and international development organisations, fertiliser importers and distributors, representatives of the industry and African farmers. An action plan was agreed on which included:

- developing agro dealers in rural areas across Africa;
- establishing national agricultural input credit guarantee facilities;
- setting up ‘smart’ subsidies for the poor and vulnerable;
- organising regional fertiliser procurement and distribution centres;
- removing trade barriers and promoting local manufacture; and
- setting up an African fertiliser development financing mechanism.

The aim is to improve the current average use of fertilisers from 8 kg/ha to at least 50 kg/ha by 2015 through a range of targeted measures, which, if implemented correctly, will improve the trading of agricultural commodities generally across the region. However, despite NEPAD’s inevitable claims of huge political will in support of the programme, it is predictably ambitious and wide-ranging, both of which militate against its successful implementation.

There are a number of links from these logistical and technical problems to other problem areas outlined in this report.

Donors and Aid

The over-reliance on donors and aid, rather than being a force for good in African agriculture, has led to a dependency relationship on the one hand and has perpetuated a lack of government leadership and initiative on the other. African governments have generally been happy to push many of their responsibilities onto the shoulders of donors. Although this has partly come about because donors have tied funding to policy prescriptions, it has led governments to neglect agriculture even more than they might otherwise have done. Governments are still hiding behind the notion that implementation and delivery are poor in agriculture because of a lack of ownership of projects by Africans. However, there seems to be little effort made to devise and push forward their own home-grown policies.

In Malawi, there seems to be a changing attitude, however, with officials of the new government becoming impatient with the donor stranglehold on policy. Bucking the trend, the government, determined to push through its plans for a fertiliser subsidy in the face of blanket resistance from donors who believe it is financially unsustainable, raised money in its own budget funds for the project because of its faith that it would make a difference. The government is generally starting to take the lead in the design of donor projects, with a view to making them sustainable, in the long-term interests of the country.

'It is a question of self-respect,' a Malawian official said. 'We need to get that back.' Malawi relies on donors for 40% of its recurrent budget and 80% of its development budget, which removes the incentive to become more self-sufficient in revenue-raising priorities. The country is due to reach the highly indebted poor countries (HIPC) completion point by late 2006, which will significantly reduce its debt burden and free up funds for development.

Donor-funded projects may be successful in themselves, but their sustainability is in question. Many projects run out of steam or come to their natural end without changing the mindset of the people they are supposed to help. Project managers return home, and new ones arrive with fresh ideas about how to help Africa, and so the wheel turns. One of the reasons given by Africans interviewed for the ineffectiveness of aid to the sector was the fact that it was primarily designed to improve subsistence agriculture and food security rather than to change the whole framework to accommodate more market-oriented production.

For Africans themselves, working for donors seems to hover somewhere between being a status symbol, because of all the visible perks such as four-wheel drive vehicles, overseas trips and nice offices, and a job where people feel they can make a difference by helping their own people, even within the constraints of donor processes.

The donor approach has been faulted for being uncoordinated, with each donor fighting for visibility and thus dividing the pie, but the new approach of basket funding implies a greater co-ordination of effort. Some donors believe that NEPAD's CAADP plan will provide a rallying point for donors and governments, and build a bridge between them.

Aid has had the more serious consequence of affecting market prices and the growing patterns of crops. For instance, the export of cheap wheat to Zambia several years ago made it unviable for farmers to produce it, and food aid in the form of cheap or even free maize products during crisis times has the same effect. In the case of maize, it is more serious because of government intervention in the crop. The situation is exacerbated by the fact that the donors, whose focus is generally on non-productive spending, have more influence over governments than the private sector.

Macroeconomic Climate

Many of the problems associated with the development of agriculture and food security relate to the macroeconomic climate, which often stifles such development and undermines wealth creation and revenue generation for governments.

In Zambia, for example, the high costs of doing business — probably the highest in the region — are severely undermining the growth of the manufacturing sector and the competitiveness of Zambian goods both regionally and globally. The main problems include: shortage of domestic financing; high interest rates — 35.8% in June 2005 — which prohibit borrowing from local institutions and hamper local investment; a shortage of long-term lending; relatively high inflation of 16%, which is higher than many other COMESA trading countries; high duties and levies on fuel; and taxes of 35% on profits from the manufacturing sector — the highest in the region. York Farm, an exporter of horticulture and floriculture to Europe, says it is cheaper for the company to fly its produce via South Africa to Europe than freight it directly from Zambia, because of the fuel costs in Zambia, where duties and levies amount to more than 100% on landed fuel.

In addition to these problems, Zambia's currency appreciated by more than 30% in late 2005, driven mostly by the country reaching the completion point of the HIPC initiative. As a result, exporters' profits were slashed by 30% in just a few weeks, while their costs remained the same. A number of major producers in key export crops such as cotton and tobacco said their severely reduced margins would force them to support fewer contract farmers. The agricultural union said that more than US$51 million in the value of agricultural exports had been lost in just a few months.

The Zambia Manufacturers Association maintains that Zambia is at risk of becoming a trading nation with serious underachievement in value-added goods, giving rise to lost investment, employment and export opportunities.

The government, business says, has not been sympathetic to its problems. There are complaints that although the government engages in dialogue with the private sector, it mostly ignores its recommendations. The government appears to be trying to raise its revenue base through ad hoc, short-term measures that may do long-term damage.

For example, earlier this year, the finance minister imposed the 17.5% value-added tax on agricultural products and inputs, except maize, despite the fact that his representatives had sat on a public–private sector committee that had specifically proposed that this tax should not be imposed because of the negative effect on the chain of production for everyone from smallholders to commercial farmers.

The minister also introduced a 45% withholding tax on any goods traded without a tax-clearance certificate. This seriously affects small farmers living in rural areas, who, in many cases, have no idea how the tax works, let alone how to register for and administer it. As a result, they stand to lose nearly half the income of their businesses, and may also lose the business from formal sector retailers, who are being pushed to deal only with tax-compliant suppliers. The move is likely to drive large numbers of poorer consumers into the informal market, thereby reducing the tax base the government is trying to expand.

In Malawi, businesses face similar problems of high costs of doing business, small domestic markets, insufficient agricultural production and government interference in the economy, particularly with regard to agriculture. Malawi is particularly susceptible to world prices because of its dependence on tobacco (which accounted for nearly 58% of total export revenue in 1999) and tea exports. Businesses complain that the government controls many of the processes related to the agricultural sector, including procurement, licensing, prices on some crops, and inputs and distribution of subsidised crops, which has

a negative impact on the private sector because of the suppression of market forces and unpredictability.

Tanzania is still getting over the damage done by the centrally planned economic policies introduced in 1967, although the reforms undertaken by the last government, that of President Mkapa, which focused on private sector development and investment, have been effective. Nevertheless, there are still major problems of worker productivity, government interference in agricultural pricing through state marketing boards, low technology, poor credit facilities, high transport costs, multiple taxes and levies, and poor marketing and distribution systems. High taxes hit everyone, but particularly small farmers, for whom the tax rate at the farm gate is 22%, compared to 19% in Kenya and 1–2% in Costa Rica.[10] There is also insufficient support for companies attempting to add value to commodities.

Case Study: Malawi

Tobacco

Malawi is the world's biggest exporter of the high-value crop, burley tobacco, which is also the country's biggest export crop by far. For the past 20 years, tobacco has accounted for 75% of Malawi's export earnings. Millions of Malawians depend on the crop, which also provides about 15% of GDP and more than 20% of the tax base, for their livelihood. However, it is hostage to international prices, which have dropped by more than 50% over the past 10 years and by about 20% in the 2005 season alone. This is attributed mostly to the decrease in tobacco consumption because of increased publicity about the negative effects on health of smoking. Only 2% of the crop is consumed domestically, with the rest exported to the developed world. The crop is facing increasing competition in the region, notably from Mozambique and Zambia, where former Zimbabwe farmers have taken their expertise, and large amounts of the product have been smuggled across borders in pursuit of higher prices. This has slashed official receipts in 2005 alone by US$59 million.[11]

Malawi is increasingly relying on smallholder operations, which became possible after the liberalisation of burley tobacco production after 1990 — previously they were not allowed to grow the crop. There are now more than 300,000 smallholder farmers. In 2002 they produced 64% of the total crop. There are two main buyers — Limbe Leaf (Universal Leaf Tobacco Corporation), which also has operations in other southern African countries, including Mozambique, where it has set up a high-quality factory and will be relying on 85,000 smallholder farmers; and Alliance Tobacco (a merger of tobacco giants Starcom and Dimon). The companies have experienced problems with some contract farmers, who are given loans upfront, but sell their crop outside the partnership agreement to independent buyers or across the border for higher prices. Limbe Leaf lost US$428,432 in one year due to this practice.[12]

Despite attempts by donors and the government to diversify crops, tobacco will remain the dominant industry in the next decade. There are no other crops coming up of equivalent value or volume.

National Smallholder Farmers' Association of Malawi[13]

[10] Interview with Technoserve official, Dar es Salaam, 16 March 2006.
[11] Banda, M (2005) *Business Report* (Malawi), 3 August.
[12] Interview, Limbe Leaf official, Lilongwe, March 2006.
[13] Interview, NASFAM official, Lilongwe, March 2006.

The National Smallholder Farmers' Association of Malawi (NASFAM) is slowly becoming a success story in terms of promoting small-scale farming as a business. A member-owned, democratically governed and non-political organisation, it provides business services to its 100,000-odd smallholder farmer members across Malawi. The members mostly belong to local commercial agribusiness associations that support the grassroots farmers in their areas. NASFAM, which has been operating since 1993 with funding from the US Agency for International Development (USAID) (whose funding ends in September 2006), buys the crops from members and finds markets for them. The project started with smallholders growing burley tobacco, and 60% of growers are still producing the crop.

Results have been slow in coming, but in 2004, smallholders linked to NASFAM marketed more than US$16 million worth of high-value cash crops, including chillies (now exported to Europe), paprika, soya, rice, groundnuts and pulses, for local and international markets. Profits go to farmers and are also ploughed back into infrastructure and equipment. A subsidiary markets farm inputs through group contracts, which have halved costs and delivery times and eliminated bribes, according to association officials. There are 53 shops around the country selling inputs. This subsidiary also helps farmers to improve yields; provides crop-specific training, seed multiplication and post-harvest management; and promotes small-scale irrigation and land conservation.

Case Study: Zambia

Horticulture and floriculture

York Farm, situated outside Lusaka and employing about 3,800 workers, grows roses and quality vegetables for export, supplying international supermarkets such as Tesco in the United Kingdom (UK) and Woolworths in South Africa. It was established in the 1960s, and began exporting vegetables in the 1960s and roses — 14 million stems are exported annually — in the late 1980s. Its main crops are mange tout, sugar snap peas, beans, baby corn, courgettes, patty pan squash, baby carrots and leeks, and different varieties of chillies. It concentrates on baby varieties because they are popular forms of convenience food, of high value and high demand, and are able to survive the problems of airfreight. It is diversifying into organically grown vegetables, with 190 hectares set aside for this.

Table 1: ZEGA Export Statistics

	Flowers	**Veg.**	**Total**	**Flowers**	**Veg.**	**Total**
Year	Tonnes	Tonnes	Tonnes	US$ millions	US$ millions	US$ millions
1998	3.385	4.538	7.923	32.8	17.4	50.3
1999	3.424	5.005	8.428	42.6	20.1	62.6
2000	3.468	4.874	8.342	33.8	17.5	51.4
2001	3.764	7.884	11.648	28.9	23.2	52.2
2002	4.379	8.485	12.864	30.8	26.7	57.6
2003	3.762	8.330	12.092	26.6	25.9	52.5
2004	3.995	6.238	10.233	29.8	18.1	47.9
2005	4.275	5.785	10.060	34.3	16.7	51.1

The company grows according to the Zambian Export Growers' Association (ZEGA) code of conduct and is committed to the UK–European Union (EU) guidelines for agrochemical safe use; environmental standards; and welfare, health and safety. It is a member of the Liaison Committee for Europe and African, Caribbean and Pacific (ACP) Producers, which assists the export of produce from ACP countries to Europe. Its managers have experience of the demands of European-style management, as well as of working within the African system.

York Farm is suffering currently from a combination of high power and fuel costs, expensive inputs, a rapid strengthening of the currency in 2005 on the back of Zambia reaching the HIPC completion point, the lack of a regional market outside South Africa as a back-up, high taxes, a lack of regular freight flights to Europe, a general lack of support for exporters from the government and the constantly changing demands of European consumers/buyers. Officials say if nothing changes, they may have to shed jobs and cut production.

Livestock

Zambeef, established 11 years ago, is probably Zambia's most successful local company and a regional success story involved in the production, processing, distribution and retailing of beef, chickens, milk, eggs and dairy products throughout the country. It has created a retailing network from its vertical integration, selling its products in 82 retail shops across the country, and it has opened seven fast-food outlets using its products. It also has an operation that tans hides for export to the Far East and Europe, and produces finished leather, shoes and industrial footwear for the domestic and regional markets, as well as running a stock feed plant producing 120 tonnes of product a day. The company is listed on the Lusaka Stock Exchange, and has a market capitalisation of US$54 million. Over the past six years, revenue has gone up in US dollar terms by 165% and profit after tax by 350%.

The company believes that it is an example of what can be achieved by hard work; good business sense, skills and marketing; and without (or in spite of) donor aid.

Case Study: Tanzania

Cashew nuts

The cashew nut industry in Tanzania is one of the crops targeted for value-added export growth. Mozambique and Tanzania were both prominent producers of nuts in the 1970s, but have lost significant market share, and world trade is now dominated by India, Brazil and Vietnam. However, the crop is still a major export crop in Tanzania, with mostly raw nuts being exported to India. Efforts are under way to promote the value addition of the nuts.

Premier Cashew Industries is one of the major value-added producers, buying nuts, including organic nuts, from smallholder farmers and processing them for export. In 2002, it exported to the United States, Canada, the UK, the Netherlands, Japan, Korea, Kenya, Pakistan, India, South Africa and Dubai. The company operates a processing plant where 1,500 workers shell the nuts, producing 22 tons of raw nuts a day. Its export efforts are supported by a programme called the Export Promotion of Organic Products from Africa, funded by the Swedish International Development Agency, which runs until 2008. However, the company says the difficulties of operating in Tanzania, including issues such as unnecessary red tape, a long value chain and poor infrastructure, do not help to make it competitive in world markets.

Most of the farmers it buys from are more than 500 km from its Dar es Salaam factory, and there are no rail links and no infrastructure in growing areas to allow processing on site. By contrast, Indian producers work on a system of satellite processing plants that allow them to bring prices down. Breakage of nuts is high in transporting them (broken nuts mean 30% less value), and as cashew nuts are a seasonal crop, large storage facilities are necessary to allow processing throughout the year. Transport costs are high, as are indirect taxes (including 1.5% for the cashew marketing board and 5% for the co-operatives through which buyers are forced to work), although the government has made some concessions in the past year. However, India's processing costs are lower, as are its

minimum wage and costs of finance (25% of total cost in Tanzania, as opposed to only 5% in India). It also has a large domestic market for its nuts. Overall, it is cheaper to process raw nuts, as this carries only an 8.5% export tax. However, the situation may improve as a result of agreements between the cashew nut producers and the government regarding larger incentives to increase processing by 10,000 tonnes a year over five years. The initiative is supported by funding from USAID to optimise the growing, processing and marketing of cashew nuts in order to expand local processing, develop more local jobs and increase export earnings.

Coffee

Although coffee is Tanzania's largest export crop, production has been hit by low prices, small yields, poor quality and an inefficient marketing system that has channelled most coffee produced to the low-value blended market. Ninety-five per cent of Tanzania's coffee is grown by 400,000 small-scale farmers, each owning less than 10 acres of land. These farmers have not reaped the benefits of farming the top export crop, because of policies that undermine their efforts, such as high taxes, and their restricted access to the international coffee market. Farmers have been required to sell their export coffee through the government-run Moshi Coffee Auction, which has proved to be impractical, because its 22,000 lb export minimum has effectively barred small farmers from participating as individuals. Thus small farmers have had to rely on middlemen to access the export market, and the auction has been criticised for being inefficient, causing unnecessary delays and preventing farmers from benefiting from the full potential of product sales.

In 2005, efforts by USAID and the US NGO Technoserve resulted in the Association of Kilimanjaro Specialty Coffee Growers becoming the first organisation to be licensed by the Tanzania Coffee Board (TCB) to export specialty coffee directly to buyers, without having to use middlemen. The move is likely to create more than US$15 million in additional income over the next 10 years. Farmers are now requesting assistance in building their business skills and continuing to improve their coffee quality in order to attract the optimal buyers.

The association markets speciality coffee on behalf of 62 smallholder farmer groups (representing approximately 4,500 small-scale Tanzanian farmers). Technoserve helped to establish the association and trains members in coffee production, processing, business management and marketing, enabling its members to earn more than double that earned by other coffee producers in the country. It is also providing market linkages with potential buyers in Japan, the United States and Europe.

The TCB's new licensing procedure removes a significant barrier between Tanzanian specialty coffee producers and international buyers willing to pay premium prices at source for good coffee, but who have been reluctant to deal with middlemen.

Conclusions

It is clear that the development of African agriculture is more of a stated than an actual priority for the governments of the countries concerned. Many of the problems of the sector start with a problem of mindset and move on to problems of poor commitment to action, grand plans that are never implemented, lip service to delivery, a poor work ethic, too much politics, a failure to make agriculture a market-driven entrepreneurial activity rather than a subsistence activity, and so on. The solutions to many of the problems are well documented, and are contained in the myriad reports that have been produced by experts over decades.

There are many precedents and templates in other parts of the world that can easily be assimilated in Africa. Forty years ago, food experts predicted serious food famines in Asia and Africa. In Africa's case the predictions were correct, but Asia has defied such negative forecasts, and countries such as China, Vietnam, Bangladesh and Indonesia have made huge progress in agriculture. India has gone from its previous 'begging bowl' scenario to being a bread basket through strong leadership that prioritised and then implemented land reform, expansion of irrigation facilities, and greater support for research and the production of inputs, particularly seeds and fertilisers.[14] In the rest of Asia, the same serious political commitment and leadership pushed agriculture forward, aided by a range of good practices that dramatically increased productivity, and over time created jobs in the production and value-added processes, creating broad economic growth and strong linkages to the rest of the economy.

In other southern African countries, there are examples of what can be done. Zimbabwe was one of the continent's few agricultural success stories for many years as a result partly of self-sufficiency induced during the sanctions years from 1965 to 1980, but also because of good management, significant investment in extension and research activities as well as irrigation, the use of best-practice farming methods and the development of a strong manufacturing sector directly linked to agricultural production. The farming methods used in Zimbabwe have been exported to countries such as Zambia and Mozambique, where they have already made an impact on production in those countries in just a few years.

South Africa is another example. Despite regular droughts, strong government control of agriculture until the early 1990s and limited arable land, South Africa is a net food exporter in most years and a successful exporter of a diverse range of crops and non-traditional exports. Commercial production is highly mechanised, and benefits from good farming techniques, which allow cultivation and livestock breeding in diverse parts of the country and throughout the seasons. Of the 12% of total land that is under cultivation, about 10% is under intensive irrigation. Unlike the rest of the region, South Africa has a healthy maize surplus, and in 2005 the country sold 337,000 tonnes to the World Food Programme out of the latter's total requirement for southern Africa. South Africa's advantages include contra-seasonality to Europe, good infrastructure, easy access to ports, competitive input costs, a strong manufacturing base, beneficial trade agreements with both African and developed countries, and a deregulated market.

There are many diverse reasons for the failure of African agriculture to realise its potential, and many detailed solutions. But it is clear that the main actors in southern African agriculture — farmers, governments, donors and NGOs — need to co-ordinate their efforts and make a real commitment to the end result of improving agriculture, rather than being diverted by politics, self-interest, grand and unsustainable schemes, and other pitfalls along the way.

For all the detailed technical solutions to work, there needs to be much greater acknowledgement of the importance of agriculture to overall economic development and a strong political commitment to making a change. Governments need to have more realistic priority lists, pre-set targets, clear timeframes and strict monitoring systems for implementation of their plans. Most important are proper accounting methods to stop the leakage of scarce funding. They also need to work more closely with the private sector in strengthening the economic base generally, rather than focusing only on short-term revenue targets, to the detriment of private sector growth. They need to put in place investment incentives to promote agricultural activity on a broader scale, focusing on those areas where demand is highest, and encourage better farming practices and higher yields. They also need to be more consistent in their policies, and not make sweeping changes from one year to the next.

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[14] Swaminathan, MS (2003) 'Sustainable food security in Africa: Lessons from India's green revolution'. *SA Journal of International Affairs*, Vol. 10, No. 1.

Governments also need to actively promote commercial and small-scale farming by helping to change the subsistence mindset of so many of their people, encouraging them to think of farming as a business, however small the crop, and to support co-operative schemes that act in the interests of farmers and not for the governments' own financial gain. Strong leadership would go a long way to helping this process. Politicians need to be discouraged from focusing on politics by the introduction of laid-down delivery targets that are strictly monitored so that their careers are tied to performance in the field rather than personal political gain.

Large-scale farmers may need to think about producing some food crops alongside commercial export crops such as cotton and tobacco, in countries where poverty is endemic. Donors should co-ordinate their efforts to obviate duplication and be more effective, and consider ways to work with the developed private sector in projects, such as providing funding up to pre-investment stage. They also need to devise programmes that incorporate some sort of exit strategy from southern Africa, and at least have that as an eventual aim. Programmes need to focus on marketing issues, as well as catering for the most vulnerable.

The one area where NEPAD, generally considered to be ineffective in delivering African development, could play an important role is in the area of agriculture, by bridging the gap between donors and governments, but also by pushing governments to do the right thing. NEPAD's CAADP plan is sound and has the same objectives for all stakeholders. It has the potential to provide a rallying point.

Undoubtedly resources will be a problem for a long time to come. But many of the required solutions to the problem are either those that will get financial support if there are guarantees that they will be implemented effectively or that require political will and good leadership, possibly the most important resources of all.

A Malawian woman working for the EU summed up what really needs to be done: 'We used to know how to fish, but we have lost those skills. Until we learn how to fish again, we will continue to depend on other people.'

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