CAN PEASANT AGRICULTURE SURVIVE AS A BUSINESS IN AFRICA?

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1. INTRODUCTION

Concern is growing all over the world about the plight of small farmers in view of their vulnerability to poverty and chronic under-nutrition. According to FAO, three-quarters of the approximately 800 million people living with chronic under-nutrition are in the rural sector (i.e. 560 million people). They are extremely poor rural inhabitants, mainly comprising under-equipped, more or less landless small farmers living in difficult regions, underemployed and poorly paid agricultural labourers, and artisans and traders who rely on these two population groups for a living and are therefore scarcely better off themselves. As regards the 25 percent non-rural undernourished population (about 140 million people), most are members of small farming households who have recently had to migrate to urban slums where they have not yet found a proper means of survival. Thus a majority of the undernourished population are small farmers, and the extreme poverty and under-nutrition of most of the others essentially results from the poverty and under-nutrition of the small farming sector. To address these problems analysts often suggest that concerted efforts must be made to achieve rapid growth of the agricultural sector.

Arguably, the emphasis on the development of agriculture as a way of achieving significant poverty reduction and meeting the MDG targets is not misplaced. Infant mortality and maternal mortality records will not improve unless there is improvement in food production and consumption in quantitative and qualitative terms. There will be no end to hunger and malnutrition unless we are able to derive the expected outcomes from the agricultural sector.

Paradoxically, the small farm sector which has been widely known for its significant contribution to African agriculture has suffered the most severe deprivations socially and economically. African agriculture has witnessed considerable changes over the years especially on account of changing technology, level of investment, marketing outlets and policy directions. Nonetheless, the small farm sector where peasant farmers are the main actors continues to predominate. The sector has played significant role and made substantial contribution towards the attainment of food self-sufficiency at different times in various parts of the continent. However, their efforts and support from policy makers and development partners over the years have not yielded the desired outcomes in terms of poverty reduction and food security. Available data indicate that 80 percent of all Africans live on a daily income of less than US$2; nearly half struggle to survive on US$1 a day or less. African population growth rates remain among the highest in the world despite the projected increases in mortality resulting from infectious diseases. Indeed, Africa is the only continent where hunger and poverty are projected to worsen in the next decade (Hazell and Johnson, 2002).

Increased agricultural production is necessary to tackle starvation and malnutrition, and rapid growth in agricultural production and productivity is a precondition for economic take-off and sustained poverty reduction in Africa. Agriculture
remains the foundation of most African economies and African peoples’ livelihoods. Agriculture accounts for 70 percent of full-time employment in Africa, 33 percent of its total gross domestic product (GDP), and 40 percent of its total export earnings, yet productivity has followed a downward trend. Per capita output of staple foods continues to fall, and the continent is steadily losing its world market shares for major export crops like coffee, tea, and cocoa (Hazell and Johnson, 2002). Over the last three decades, growth in agricultural production has been disappointing. Sub-Saharan Africa is the only region where between 1965 and 1998, agricultural growth was lower than the overall population growth. The agricultural indicators demonstrate that during the period, the per capita production index fell below its 1961-64 level, as population growth was higher than growth in output. In 1995, the share of agriculture value-added of GDP was 17% (down from 21% in 1970) and 70% of the labour force was working in agriculture (see Grossmann and Poston, 2003). Moreover, as at 1994, cereal yield in Africa (1230 kg/ha) was less than half of the yield in Asia (2943 kg/ha) and Latin America (2477 kg/ha) (World Bank, 2000). Moreover, there has been a general deterioration in African agriculture since 2000 reflecting the slowdown in global economic activity and inclement weather. Agricultural production in SSA declined by 0.3% in 2000 but grew marginally by 0.8% in 2001. This growth is far below the sector’s average growth of 3.9% in 1992-96 (ECA, 2003). Despite the reliance on the sector for food, revenue and employment, operations continue to be tradition-bound and the capacity to meet business conditions in a rapidly changing world remains grossly limited. Yet the growth of African economy is expected to be agriculture-led and agricultural growth has to be smallholder-led. The fact remains that existing commercial farms, given their use of modern technology and access to finance, are well-placed to increase their profitability and contribution to economic growth. However, a growing body of literature points to the small family farm as the sector with the greatest potential for growth (Ashley and Maxwell, 2001).

In recent times, analysts have focused attention on the need to transform African agriculture and consultations in different parts of the continent revealed that out of the various issues that should be addressed, the future of smallholder agriculture takes a dominant position. According to a school of thought, the future of smallholder agriculture will be defined by the degree to which smallholders are able to embrace farming as a business. Another school of thought opined that the future of smallholder farming is bleak and its transition should be vigorously pursued rather than emphasizing its promotion (see Omamo, 2005). These views reinforce the desirability to imbibe business orientation in the small farm sector and to have a proper characterization of the sector taking into consideration the legendary and seemingly insurmountable constraints with which African agriculture has been identified over the years.

Judging by the current trend of agricultural performance and the prevailing economic, social, political, technological and environmental circumstances in Africa, the question arises as to whether smallholder agriculture can successfully perform its expected role without concerted efforts by the government, the private sector and aid agencies. Moreover, what are the constraints to peasant agriculture in Africa? Under what conditions will peasant farmers survive in Africa? And what costs have their current mode of survival imposed on the society? These are the issues being addressed in this paper. Specifically, the objectives of the paper are to (i) review the nature and role of African agriculture, (ii) identify the factors circumscribing the survival of peasant
agriculture in Africa, (iii) examine the burden of peasant survival, and (iv) determine the conditions for modernizing peasant agriculture in the continent.

The remaining part of the paper is structured as follows. Section two takes an overview of the nature and role of peasant agriculture especially in terms of promoting non-agricultural growth and poverty reduction. The factors circumscribing the survival of peasant agriculture are examined in section three with emphasis on both internal and external dimensions. In section four, we examine the burden of peasant survival in Africa in terms of the emerging trend of de-capitalization and deterioration of existing resources. Thereafter, an agenda for the modernization of peasant agriculture is presented in section five. Here at least ten conditions are stipulated which must be accorded priority attention in the transformation of African agriculture in order to sustain the viability of business enterprises in the small farm sector and stem the tide of persistently negative indicators of development in the continent. The paper is rounded off in section six.

2. NATURE AND ROLE OF PEASANT AGRICULTURE IN AFRICA

For a meaningful transformation, improved performance and survival of African agriculture, there is need for proper understanding of the importance of the small farm sector in particular and the diversity of the role of agriculture in general. In Africa, agriculture is dominated by small family farms. As shown in Table 1, 86% of the

<table>
<thead>
<tr>
<th>Type of Farm</th>
<th>Main Features</th>
<th>% of Regional Land Area</th>
<th>% of Regional Agricultural Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Family Farm</td>
<td>Root crop</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Cereal-root crop mixed</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Maize mixed</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Agro-pastoral millet sorghum</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Forest-based</td>
<td>11</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Rice tree crop</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Highland temperate mixed</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Highland perennial</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Pastoral</td>
<td>14</td>
<td>&lt;7</td>
</tr>
<tr>
<td></td>
<td>Sparse arid</td>
<td>17</td>
<td>&lt;1</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>91</td>
<td>86</td>
</tr>
<tr>
<td>Commercial Farm</td>
<td>Large and small scale</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Irrigated</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Tree crops</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>All Types</td>
<td>100</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Andrew Lambert, 2004
In the region, the agricultural population are engaged in small-scale farming and they cultivate 91% of the agricultural land. Although the small-scale farms have limited commercial orientation they serve as the main source of income for the operators. They can either be arable, mixed or livestock units whose primary focus is to provide income and food for farmers and household members. The small farmers often referred to as peasant farmers individually cultivate small areas of land and have limited access to modern technology and markets. Crop yields in the small farm sector are usually below agronomic potential due to several factors including edaphic, climatic, cultural, social and economic factors. Specifically, due to lack of equity and debt capital farmers are unable to acquire modern inputs and requisite marketing facilities for profitable operation. Moreover, product prices across the sector tend to be well below national averages due to poor market linkages and lack of access to market information.

In spite of these characteristics and unstable policy environment, the small-farm sector had witnessed considerable changes over the years and have made significant contribution to the growth of African economy. Evidence from West Africa indicates that producers of both cash crops and staples within the small farm sector have made considerable progress over the past four decades despite climatic fluctuations, discriminatory policies and reduction in public expenditure. According to a recent USAID report, small family farms have shifted their cropping patterns to a more diverse range of commodities, from basic grains to maize, cowpeas, sesame and market gardening. With the lifting of tight controls over choice of crops within state-managed irrigation schemes, farmers have been able to take full advantage of new markets particularly for higher value crops such as fruits and vegetables as well as intensifying the production of staple grains such as rice. Where farmers have received consistent support in the form of technical assistance, access to inputs and credit, they have demonstrated great capacity to increase output and yields (see Lambert, 2004). This implies that given the necessary assistance and opportunity, peasant farmers are able and willing to engage in commercial production of tradable commodities. However, given the larger role of agriculture and the different stages of African agricultural development, a consistent policy of assistance must be developed to ensure the survival of the small-scale sector in view of the fact that its role goes beyond commercial production.

Indeed, the diversity of the role of agriculture has been a subject of vigorous debate over several decades now. The substantiation of the diverse roles in Africa is relevant to the understanding of the existing constraints and the measures to be taken to remedy the situation. In industrialised, market-oriented economies, it is widely believed that agriculture plays important roles in the society beyond primary production. Jointly with various commodities, agriculture produces outputs that have environmental, social and cultural value. But the social value of these outputs is only imperfectly reflected in market prices, if at all, with little or no compensation to the agricultural sector for producing them. With the growing recognition of the diverse roles of agriculture attempts have been made in recent theoretical literature to classify the roles into two broad categories: those that are related to production and market-mediated exchanges and those that are not. The basic argument is that the agricultural sector’s contribution to human well being is not merely production of commodities. Under certain conditions, domestic agriculture of nations also assures food security, conservation of natural resources,
environmental stability, growth of rural incomes and employment, rural-urban population balance, social stability and cohesion, poverty alleviation and preservation of cultural heritage (see FAO, 2002; Olomola 2005, Allali, 2006). The benefits associated with these roles are not limited to the agricultural or rural sector of an economy; their spillovers are relevant to rest of society and they benefit or affect non-farm households. Over the years, in low-income developing countries, where agriculture accounts for a sizable share of the gross domestic product (GDP) and employment, these roles have often been overlooked in the formulation of macro and sectoral policies, though recognition of their importance is growing. It is therefore, instructive to factor in such roles into any agenda aimed at ensuring effective transformation of peasant agriculture and its survival in Africa.

**Perspectives on Agricultural Transformation and Roles of Agriculture**

As indicated earlier, it is now widely agreed that a fast growing agricultural sector is a precondition for generating sustained overall economic growth. However, the shift in the role of agriculture to an engine of growth depends on the particular stage of development achieved by an economic system. According to Timmer (2000) four successive stages of development are identified and each corresponds to a different type of economic linkage with the rest of the economy. The first stage, the Mosher environment, corresponds to the initial efforts that are normally undertaken in order to jumpstart the agricultural sector out of stagnation. At this stage, agriculture represents a major share of the economy’s GDP and overall population. Resources tend to flow towards the agricultural sector in terms of investments in rural infrastructure. The existing social differentiation within the rural sector continues to take place between landless, subsistence farm households and farmers who are able to accumulate due to their control over assets. At the same time, rural-urban labour flows become larger, as part of the rural population moves from low labour productivity employment in agriculture towards high labour productivity employment in industries located in urban areas.

The second stage, referred to as the Johnston-Mellor environment, is characterised by growing linkages between agriculture and industries located in urban areas, through both production and consumption. Factor markets tend to become more dynamic, facilitating inter-sectoral resource mobilisation through financial and labour flows. As agriculture enters the third stage, the Schultz-Ruttan phase, major transformations take place. First, the share of a country’s GDP and population represented by agriculture tends to shrink as a result of rural-urban migratory flows and declining share of household budget devoted to the purchase of food items. Second, national policies begin to heavily influence the transfer of financial resources from agriculture to the rest of the economy through various policies including exchange rate and trade policies. Third, economic inequality in income distribution tends to peak, as agricultural productivity lags behind labour productivity in the rest of the economy. In this respect, the concentration of poverty in rural areas continues the trend that began in phase 1. In the final stage, the Gale Johnson environment, purchase of food items becomes a minor portion of household budgets in the society at large. Second, as governmental financial resources from taxation of non-agricultural incomes increase substantially, income distribution issues tend to acquire a significant political dimension. The relatively small share of rural population that remains after the great rural-urban migration flows reduces the economic and political costs of enacting protectionist measures aimed at increasing farmers’
incomes (or at least to slow down the process of financial resource flows out of agriculture). Third, where urban unemployment becomes a major social concern, pressure to reduce rural-urban migration mounts. Finally, agriculture is increasingly seen as a "way of life" that needs to be protected from extinction.

The development trajectory in Africa is at variance with traditional economic development theories and a far cry from the trend in many developed nations. For instance, in the USA the development of agriculture led to the release of surplus labour from the land to industrial development with impressive structural consequences. Greater complexity of farming processes, use of machinery and farm inputs together with off-farm processing and other value adding activities, led to greater diversification of the agribusiness sector. With improvements in infrastructure, the production of pre-farmgate factors and the processing of farm produce were undertaken away from the farm implying greater decentralization of agriculture-based activities (see Grossmann and Poston, 2003). As at 1990, only 2.7% of US employment was in production agriculture, compared with 12.2% in 1950 and 24% in 1935 (Hoppe, 1994). In East Asia the structure of the agricultural sector has changed with increasing commercialization. As incomes rise initially, and as a market is established for non-staple, higher value foods, greater diversification is found on the farm without specialization. After some time on-farm diversification ceases as individual agribusinesses are established around a market advantage, although at the national level greater product diversification is the norm (Pingali and Rosegrant, 1995). The move towards more commercial systems results in greater use of machinery, chemical fertilizer and purchased fodder and thus a reduction in draft or human power, farmyard manure and the use of crop residues as livestock feed.

As far as Africa is concerned, the importance of this dynamic framework in linking agricultural transformation with the roles of agriculture is not only in terms of the realization of the fact that different countries are at different stages of agricultural transformation but also in terms of the fact that the diverse roles of agriculture will exhibit varying degrees of relevance in terms of their social, environment and cultural connections. With the diverse roles, agricultural transformation will not just be a question of changes in technology, farming systems and productive potential. The changes in social and private demands for agriculture’s non-commodity outputs at local, national and global levels become very crucial and these will require different set of policy challenges to ensure the survival of peasant agriculture. Unfortunately, there are policies (expenditure reduction, trade liberalization etc) in some developed economies whose agriculture is in much advanced stage of development that are being canvassed in developing economies whose agriculture is just in the second stage of development despite the fact that such policies are inconsistent with the role of agriculture and its current level of development. At best agriculture is at the second stage of development in many countries in SSA; but contrary to theoretical expectation it lacks the necessary support for effective performance of its diverse roles. Survival of the sector and advancement to a higher stage of development require massive investment, policy support and dismantling of the numerous constraints which have locked up its potentials over the years.
3. FACTORS CIRCUMSCRIBING SURVIVAL OF PEASANT AGRICULTURE IN AFRICA

3.1 INTERNAL FACTORS

(a) Low Level of Agricultural Investment
The neglect of peasant agriculture is evidenced by the low level of investment in the sector over the years. Both public and private agricultural investment failed to attract the desired priority. For years, public investment in agriculture has been falling. For instance, in Nigeria, government commitment to agricultural funding has been very weak over the years and the situation became more precarious after SAP. The share of agriculture in government spending was 1.9 percent during the boom period (1972-1980), 3.0 percent during the crisis period (1981-1987) and 1.1 percent after structural adjustment (1988-1992) (Olomola, 1998). In Africa, World Bank lending for agriculture declined dramatically between 1980 and 2000, from about 31 percent of its total lending portfolio in 1979–81 to less than 10 percent in 1999–2000 (Hazell and Johnson, 2002). And over the past 20 years, overall public spending on agriculture has fallen from 7.5 percent to 6 percent of agricultural GDP (Haggblade et al, 2004). The low level and dwindling investment in agriculture is not unconnected with the lack of political influence by the smallholders. The small farmers are largely unorganized and are therefore, unable to garner the necessary political support to attract public investment into the sector. Thus, in spite of the rising consciousness among policy makers to balance the food equation, the political variables are not within the control of the farmers. And without the political backing, the small farmers are easily squeezed out of the priority list for public investment.

(b) Poorly Developed Agricultural Research System
Due to inadequate funding, the agricultural research system in Africa has not been able to meet the expectations of the small farm sector in terms of increased productivity. Although agricultural research expenditure in the past has witnessed considerable decline all over the world, the trend in Africa is far worse than in any other region. Between 1976 and 1996 public agricultural research expenditure grew at only 1.5 percent per year compared to 4.5 percent for the whole of developing countries and actually declined during the first half of the 1990s (growing by –0.2 percent between 1991 and 1996) (see (Beintema and Stads 2004). Moreover, as a percentage of agricultural GDP, both developed and developing countries had an increasing share of public agricultural research expenditure from 1976 to 1995 except Sub-Saharan Africa which showed a declining trend (Rosegrant et al, 2005). Unfortunately, the private sector in Africa is not increasing its research efforts as government spending declines. For instance, in 1995, private sector investment amounted to 50 percent of total agricultural R & D in developed countries compared with only 5.5 percent in developing countries. In Africa the private sector’s contribution to agricultural research funding is infinitesimal, accounting for not more than 2 percent of total agricultural research spending (Beintema and Stads, 2004).
A more recent analysis of public spending on agricultural research shows that African countries spend on average only 0.85 percent of their agricultural GDP on research, a much lower figure than the 2.6 percent averaged by industrialized countries (Hazell and Johnson, 2002). The dwindling research expenditure is not as a result of lack of awareness of the impact of research. Indeed, research on crop genetics to improve drought tolerance, utilization of plant nutrients, food nutrient content, and pest and disease resistance has produced favourable returns to investment in the past. Returns to public agricultural research investments in Africa have averaged more than 40 percent, which match levels elsewhere in the world (Hazell and Johnson, 2002). The declining support for research is due in part to donor-imposed pressures for increased social spending which discountenanced the relative role of productive investments in agriculture. During the structural adjustment period, development partners imposed pressures on African countries to increase spending on health and education while pressing for public expenditure reductions in other sectors including agriculture; pretending to be unmindful of the important linkage between agricultural and social development. Under-investment in agricultural research in Africa has had serious long-term consequences for agricultural growth. With improved efficiency in production and marketing in other parts of the world international agricultural commodity prices have declined. Commensurate declines in production and marketing costs have generally not occurred for most important crops in Africa.

(c) Under-developed Property Rights
The lack of understanding of the operations of the land tenure system in Africa and the required modifications has to be addressed in order to increase the level of agricultural investment. The solution does not lie in simply creating or imposing legal provisions marking out the land and selling them off to interested investors. There is need to examine the inherent rights such as the right to commit the land to various uses, the right to transfer the land to others in the family and in the community, the right to ensure that the right of a citizen is not violated by others and the right to have the state enforce these rights on behalf of citizens. The system can be modernized and security of tenure guaranteed if these rights are safeguarded by legal and administrative procedures.

(d) Infrastructural Inadequacies
Agricultural performance in Africa is greatly impaired by the low level of development of infrastructure. In the rural areas where majority of the smallholders operate, inadequate infrastructure constitutes a major constraint to agricultural investment, production and trade. In many parts of Africa, physical and marketing infrastructure are poorly developed, storage facilities are rudimentary and access to information and markets is highly restricted. According to Torero and Chowdhury (2005), Sub-Saharan Africa continues to lag significantly behind other regions in infrastructure investments, including paved roads, telephone lines and electricity production. The situation is a reflection of the urban bias in the pattern of development in many countries.

(e) Limited Irrigation
Despite huge endowment of water resources, smallholder agriculture in Africa has been largely rain-fed. The sector has therefore, been characterized by high output variability
and low productivity. The potential exists to increase both smallholder and large-scale irrigation, although this naturally differs from one country to another. FAO estimates show “that there is sufficient water to develop about 42.5 million hectares of land under full irrigation. In 2000, less than one third of this physical potential, 12.7 million hectares, had been brought under water control (excluding the non-equipped cultivated wetlands, water harvesting, flood recession areas). It is estimated that these 12.7 million hectares use 4.4 percent of Africa’s total water resource base. This represents between 10-15 percent of the total exploitable volume of renewable freshwater in watercourses, lakes and aquifers”. However, an analysis of irrigated agriculture in 41 African countries for the period 1990-2002 reveals that the proportion of irrigated agriculture is as low as 2.8 percent. Irrigation development in Africa is hindered by several constraints including weak institutional set-up very high costs. The estimated average investment per hectare in Africa ranges from US$2,000 to US$4,000 for small-scale and from US$9,000 to US$15,000 for large-scale irrigation. In India, the comparable cost ranges from US$1,500 to US$2,000 (Africa Union, 2005).

Moreover, recent analysis of irrigation development costs indicate that due to high indirect costs of infrastructure including roads, houses, electric grids and public service utilities, the average irrigation cost in SSA has risen to US$18,300 per ha (Rosegrant, Cai and Cline, 2002). The high costs are generally blamed on extensive use of foreign expertise to establish new irrigation schemes because of limited local capacity. These costs, coupled with poor credit services, make expansion of smallholder irrigation difficult in Africa. Irrigation expansion has also been limited on account of poor operation and maintenance of irrigation systems, insecure land tenure and water rights and poor agro-climatic conditions. Thus, Africa remains a predominantly rain-fed agricultural region. Evidently, only 1.15 percent (12.68 million ha) of the 1.01 billion ha of agricultural area in the region was irrigated in 2000 (InterAcademy Council, 2004).

(f) Natural and Environmental Constraints
Agricultural performance especially in the small farm sector has been impaired by widespread incidence of drought, flood, erosion and other means of soil degradation. For instance, during the 2002 production season, inclement weather created severe problems in many parts of Africa. In Kenya flooding due to heavy rains affected about 30,000 people. In Senegal flooding in February killed 500,000 livestock, destroyed 20,000 homes and damaged 2,500 hectares of crops. In Algeria agricultural output fell 3.2% in 2002, partly because of flooding in the east in July and August. In Botswana, Ethiopia, Lesotho, Malawi, Mauritania, Namibia, Niger, Swaziland, Zambia and Zimbabwe, drought and generally dry conditions reduced agricultural production. And in Tunisia, agricultural output declined 14% in 2002 (ECA, 2003).

Besides, growing population places increasing pressure on Africa’s land resources. Across most of Sub-Saharan Africa, the scope for further expansion of cropland has dramatically narrowed. On average, per capita arable land cultivated declined from 0.5 hectare per person in 1965 to slightly less than 0.3 hectare per person in 1990. In many parts of Sub-Saharan Africa, soil fertility is declining as soils are mined of nutrients that are not replenished. Nearly half of the farmland in Sub-Saharan Africa is affected by soil degradation, and up to 80 percent of its rangeland shows signs of degradation (Chigunta et al, 2004).
3.2 External Factors

(i) Agricultural Subsidies in Developed Countries

The agricultural subsidies provided to farmers in developed countries constitute an impediment for African farmers’ exports because consumers tend to favour the artificially cheaper products from developed countries. Subsidized imported products also often displace the locally produced products in African countries. While the Uruguay Round Agreement did encourage countries to shift from trade-distorting subsidies to non-trade-distorting subsidies, more than 60% of the support provided to farmers in wealthy countries still distorts trade. The US spent $1.3 billion on income support for rice farmers in 1999–2000 when its total rice production was worth $1.2 billion. Japan’s subsidies to its farmers, on the other hand, are greater than the entire contribution made by agriculture to the nation’s economy. The total transfers to agriculture amounted to 1.4% of GDP in 2000, compared to the sector’s 1.1% share of GDP (Sharma, 2003). Despite the decoupling of subsidies by the rich countries and the reform of the common agricultural policy undertaken in the EU since 2003, the existing subsidies still cause considerable distortions in the global market and constitute barriers to developing countries’ exports. The EU spends about 40% of its budget (some $60 billion) in subsidies for farmers (Godoy, 2005).

Agricultural export subsidies are particularly debilitating for developing countries because they artificially lower world market prices for their exports. In the short term, low-income countries benefit from lower food import prices. But in the longer-term, farmers in low-income countries cannot compete against subsidized imports and are forced out of business. Developing countries cannot afford to subsidize their farmers, and their farmers cannot compete against highly subsidized farmers in developed countries. Effects of subsidization seem to be particularly severe in Africa. Indeed, studies have shown that EU agricultural policies have reduced African exports of milk products by more than 90%, livestock by nearly 70%, meat by about 60%, non-grain crops by 50% and grains by more than 40% (see Hassett and Shapiro, 2003). The maintenance of agricultural subsidies by developed countries is a flagrant betrayal of their exploitative propaganda of market liberalization. It is a predatory mechanism used by them to exclude farmers from developing countries from both international and domestic markets. They goaded governments in developing countries to withdraw subsidies and liberalize their economies while they keep subsidies in their own economies at the highest level. The rich countries of the Organization for Economic Cooperation and Development (OECD) spend close to US$1 billion a day on agricultural subsidies, or about US$300 billion a year. These substantial subsidies artificially boost production and depress world prices. Cotton subsidies, for example, depress world prices by more than 20 percent, thus lowering the income of African farmers. Simulations suggest that overall OECD farm subsidies cost farmers in Sub-Saharan Africa US$1.8–1.9 billion per year in lost agricultural income (Chigunta et al, 2004).

(ii) Unfavourable International Agricultural Commodity Prices

Low international agricultural prices constitute a major constraint to the survival of peasant farmers in Africa. The low prices are only advantageous to the minority of farmers who can continue to invest, progress and gain market share. They are insufficient and disadvantageous for the majority of farmers especially the less equipped, land-
deprived and poorly situated half of the small farming sector. As argued by Mazoyer (2001), the current strategy to combat under-nutrition and nutritional deficiencies which consists in lowering agricultural prices to facilitate access to food by poor consumers and purchasers appears to be misguided. Firstly, because the majority of those suffering under-nutrition are not purchasers and consumers of food, but rather producers and sellers of agricultural goods who have been reduced to extreme poverty through falling agricultural prices. Secondly, because the poverty and under-nutrition of non-farmers are indirectly but largely due to the impoverishment of under-equipped small farming communities.

The downward trend in real prices of exportable surpluses of wheat, maize, rice, soybean and animal products, resulting from the agricultural revolution and from facilitated transportation and the liberalization of international trade, has had an impact in virtually all countries. However, the fall in agricultural prices has affected not only these surplus products but also tropical export commodities faced with competition from the mechanized crops of developed countries (beet against sugar cane, soybean against groundnut and other tropical oilcrops, cotton from the south of the United States), or from substitute industrial products (synthetic rubber and textiles). For example, the real price of sugar has fallen by more than two-thirds in a century, while the price of rubber has plummeted almost tenfold. The agricultural revolution has also been applied to other tropical crops (banana, pineapple, etc.) so the downward trend in real prices has gradually extended to virtually all agricultural commodities. The downward trend in real agricultural prices in the past 50 years has impacted primarily on the purchasing power of the mass of small farmers in developing countries engaged in manual cultivation. Most of these have eventually found themselves in a position where they are unable to invest in more effective farm implements and sometimes even to purchase selected seeds, inorganic fertilizers and protection products. In other words, the first impact of falling agricultural prices was to block the development of the mass of the most poorly equipped and located small farmers.

Indeed, current agricultural commodity prices have increased less rapidly than prices of other products and real agricultural prices (allowing for inflation) have sharply fallen. Thus, in less than 50 years, the real price of wheat in the United States is down almost two-thirds, while the real price of maize and sugar has more than halved. This fall in prices led firstly to a disproportionate fall in revenue for small farms, which exacerbated their impoverishment and accelerated their elimination; it also resulted in lower incomes for medium-size holdings that had not developed sufficiently to make up for their impact. And, as productivity gains in industry and the services had been sufficiently high to raise the real minimum wage and therefore the socially acceptable agricultural income, many medium-size farms also found themselves below the renewal threshold, and therefore in crisis and on the road to elimination (Mazoyer, 2001). The main causes of the unfavourable and volatile price trend include imbalances between supply and demand, slow consumption growth, over-protection by developed countries and political instability (see Box 1).
Box 1: Recent Trend in Price of Key African Agricultural Export Commodities

**Cocoa:** The price of cocoa which witnessed a slight drop between 2002 and 2003 (from $1.78/kg to $1.75/kg) has become extremely volatile over the past two years owing mainly to the political instability in Cote d’Ivoire, the world’s largest cocoa producer. Prospects for a stable price depends on early resolution of the country’s political crisis.

**Coffee:** Due to gross imbalance between supply and demand, the price of coffee remains unimpressive. Although there was an increase in coffee prices in 2003, they remained at near-historical lows with an average of $0.82/kg and $1.42/kg for coffee robusta and arabica respectively, on account of high supply and weak demand. In 2004, the price of coffee arabica increased by 25% to $1.77/kg while the price of coffee robusta declined by 3% to $0.79/kg.

**Tea:** The problems of oversupply and slow consumption growth are expected to continue to keep the price of tea at a low level. The price of tea averaged $1.52/kg in 2002 and remained virtually the same in 2003. Thereafter, the price rose by 11.1% to $1.69/kg in 2004 due to low stock carried over from the previous year.

**Cotton:** Cotton prices witnessed considerable decline to 30-year lows between 2000 and 2002 but trended upwards by 37% in 2003 when the price stood at $1.40/kg. The upturn was due mainly to a reduction in supply from China from the previous marketing season. The price increase is unlikely to be sustained given the large subsidies provided by the US to its cotton farmers.


(iii) Imposition of High Tariffs By Developed Countries

The high tariffs imposed by developed countries on agricultural products from developing nations reduce the ability of the latter to export their products and compete in the world market. Indeed, tariff escalation - application of higher tariffs on more highly processed products – has been a major tool of exclusion in the hands of developed countries. Developing countries often face low tariffs for raw materials but higher tariffs for processed foods, thereby limiting their ability to move up the value chain. For example, imports of live animals into North America face an average tariff of 21%, whereas imports of fresh and frozen meat face average tariffs of 65%; and fresh fruit imports into the European Union face an average tariff of 21%, but fruit juice faces an average import tariff of 37% (ERS, 2001). Latin American exporters to the EU face tariffs that are five times higher for tomato sauces than those levied on fresh tomatoes. Such practices discourage investments in local processing and deny producers in developing countries opportunities to enter higher-value-added markets where new jobs could be created.

Moreover, tariffs on some agricultural products, especially those of interest to developing countries, have been extremely high. As at 2001, tariffs on dairy products were as high as 325%; on chocolate, 275%; on oilseeds, 170%; on sugar, 350% (Pinstrup-Andersen, 2001). Intending beef exporters to Europe face tariffs of up to 150% while fruit and nut exporters to the US face tariffs of 200% or more (Watkins and von Braun, 2003). Besides, tariffs on agricultural goods in the EU and US are four to five
times those applied to manufactured goods and peaks in excess of 100% for groundnuts in the US and dairy produce in Europe, for example, are common. Invariably, many developing country agricultural exporters have been restricted to the least dynamic part of the global economy and they are systematically excluded from a larger stake in higher-value-added trade. Paradoxically, these tariffs harm poor people in developed countries, raise food prices for consumers and provide little protection to farmers. Tariffs and quotas are also very inefficient ways to protect farm income: the OECD estimates that farmers receive less than 25 cents of every dollar of border protection. Thus, working against desubsidization and tariff reduction or delaying the process is tantamount to cutting the finger to spite the nose.

(iv) Focus of Research by Multinationals on Big Commercial Farms
The large corporations have the resources to research and develop products that are patentable, together with the legal means to protect them. The products have been spreading widely to developing countries and mainly to big commercial farms. According to Madeley (2000), some 80 per cent of patents for technology and products in developing countries are held by trans-national corporations (TNCs). The spread has been accentuated by the WTO (TRIPS) rules which are firmly on the side of the TNCs. Available empirical evidence on the economic impact of intellectual property rights (IPR) in general and TRIPs in particular suggests that the recent dramatic changes in IPR regimes have not had a positive developmental impact. Instead, they have only led to a transfer of royalty payments from the developing economies (see Perrin, 1999). In particular, case-study evidence abound which clearly points to likely negative implications of TRIPs for agriculture, poverty and food security in the developing word (see Madeley, 2000).

Moreover, the concentration of new bio-technology research by multinational corporations on problems facing large numbers of commercial farmers means that potential opportunities to develop new varieties more quickly and cheaply to better address poor farmers’ problems may not be realised. The enforcement of Intellectual Property Rights (IPR) have increased the cost of technology transfers to developing countries, which, in an increasingly knowledge-intensive global economy, reduces their ability to take advantage of opportunities that globalization offers. At the same time, the provisions on special and differential treatment in favor of developing countries have not yet been fully implemented and operationalized.

(v) Export Dumping
Export dumping is a persistent trade distorting practice which has contributed to the low performance of African agriculture over the years. Despite WTO efforts and agreement to end market distorting practices in agriculture, agricultural export dumping has been on the increase since the inception of the organization about a decade ago. Available data from USDA and OECD indicate that US agricultural commodities continue to be sold well below the cost of production. The proportion by which the average prices of the commodities fell below the cost of production in 2003 stood at 28% in the case of wheat, 10% for soybeans, 10% for corn, 47% for cotton and 26% for rice (see The NewFarm, 2005). The US farm policies have more or less institutionalized agricultural dumping
over the years. As shown in Table 2, each of the commodities witnessed considerable increase in the dumping levels between the sub-periods 1990-1996 and 1997-2003.

Table 2: Trend in US Agricultural Export Dumping Levels, 1990-2003

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Export Dumping Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1990-1996 (% per year)</td>
</tr>
<tr>
<td>Wheat</td>
<td>27</td>
</tr>
<tr>
<td>Soybean</td>
<td>2</td>
</tr>
<tr>
<td>Corn</td>
<td>6.8</td>
</tr>
<tr>
<td>Cotton</td>
<td>29.4</td>
</tr>
<tr>
<td>Rice</td>
<td>13.5</td>
</tr>
</tbody>
</table>

Source: Adapted from The NewFarm, March 2005.

Despite the free trade era being championed by the World Trade Organisation, industrialized countries have protected themselves against the most dynamic exports of developing countries, including textiles and clothing, agriculture, and processed raw materials. Huge surpluses of products like sugar, dairy and beef accumulated under high tariff walls in industrialized countries, are often disposed of by resorting to subsidized exports, to the detriment of African producers in particular, as they displace their products in third country (export) markets and in the domestic markets of African countries themselves. (ECA, 2000).

(vi) Declining Donor Support for the Small Farm Sector
After several decades of strong support, international funding for agriculture and agricultural R&D began to decline in both absolute and relative terms around the mid-1980s as support for economic infrastructure as well as health, education, and other social services began to grow (Pardey and Bientema, 2001). This decline has been particularly acute in Africa, where donor assistance to African agriculture fell dramatically during the 1990’s in both absolute and relative terms. From 1991 to 2002, donor aid to African agriculture fell from about USD 1.7 billion to USD 1 billion, and the share of donor aid to agriculture fell from 19 to 10 percent, while that of social services (health and education) increased from 32 to 56 percent (Kane and Eicher, 2004). From fiscal year 1992 to 1997, USAID reduced its funding to agriculture programmes from 10 percent of its total obligations to only 5 percent. It cut agricultural investments in Sub-Saharan Africa during that period by 57 percent, to about US$80 million. By 2000, African agriculture received less U.S. development assistance than any other sector (see Hazell and Johnson, 2002). Clearly, the current level of aid appears insignificant when compared to needs as estimated in the Comprehensive Africa Agriculture Development Programme (CAADP), which reckons that more than US$240 billion would be required over the 2002-2015 period – an average of US$18 billion per year - to achieve the World Food Summit objective of reducing hunger by half in the whole of Africa (see Africa Union, 2005).
The sharp cutback in donor aid to African agriculture since the early 1990s can be partly attributed to donor frustration over three decades of the poor performance of many donor-financed agricultural programmes (e.g., aid tied to policy reform conditionality) and projects (T&V extension, livestock ranches, and support of parastatal marketing boards), expenditure reduction and roll-back-the state campaigns under the burden of structural adjustment. The interpretation of the campaigns is that the private sector will play a leading role in the development of agriculture implying that the need for aid flow will be greatly reduced. Recent trend in the performance of African agriculture shows that both the campaigns and interpretations have failed to address the development needs of agriculture in the region. Thus, while funding levels for agriculture and agricultural R&D are declining, there is a growing need for agricultural research systems to develop technologies which are more sustainable, equitable, and better-targeted to marginal areas and for governments to increase investments to achieve higher levels of productivity and competitiveness in the sector.

Although the social programmes which are now competing with agriculture as far as the flow of foreign aid is concerned are really very important, their pursuit should not result in a substantial shift of resources away from the basic processes of growth, which will most likely start with agriculture. Deriving the tax revenue to finance these other useful investments is also largely dependent on agricultural growth. Thus, in improving the performance of the small farm sector and promoting agricultural transformation in general, there is need to recognize that innovation and technical change must be continuous and sustained, and this requires sustained investment in agricultural development to which both the state and development partners must subscribe heavily. In point of fact, if agriculture is so widely recognized as the foundation for economic growth in many African countries why does the aid community continue to be hesitant in strengthening the foundation? The inflow of donor assistance for social development may not lead to the expected outcomes unless the beneficiaries are economically empowered to acquire the available social services. Therefore, agriculture which is the basis for such empowerment should not be starved of the necessary aid assistance.

4. THE BURDEN OF PEASANT SURVIVAL IN AFRICA
The previous sections have given accounts of the nature and role of peasant agriculture in Africa and the constraints facing the farmers. Despite the monumental constraints, the farmers have demonstrated willingness to participate in efforts aimed at transforming the sector. The smallholders have been protected and unprotected, encouraged and frustrated and have witnessed movements above and below the poverty line in several African countries. Their operations have persisted with the hope that better future lies ahead. However, their persistence has been at a great personal cost and burden to the society. The worrisome part of this burden manifests in various forms of decapitalization and its attendant consequences.
Decapitalization and Undernutrition
With continuing decline in product prices, inability to invest, low productivity and low income, farmers are no longer in a position to renew farm tools and inputs and to purchase vital consumer goods which they cannot produce themselves. Thus, they have to make all sorts of sacrifices to purchase the minimum equipment they need to continue working (e.g. selling their livestock, cutting purchases of consumer goods, etc.). They also have to extend their cash crop cultivation as much as possible, which means reducing the area given over to food crops for on-farm consumption because their rudimentary farm implements only allow them to work a limited fixed surface area. In other words, the small farmer whose income has fallen below the renewal threshold can only survive at the price of decapitalization (sale of livestock, fewer and poorly maintained farm implements), under-consumption, undernutrition and ultimately outmigration (see Mazoyer, 2001).

The Ecological and Health Crisis
The channel through which the continuing decapitalization of agricultural resources can lead to ecological degradation and deterioration of the health of farmers can easily be traced. According to Mazoyer (2001), because of their deteriorating equipment, diet and health, farmers have less capacity for work and so have to concentrate on short-term returns and neglect maintenance of the cultivated ecosystem. The poorly maintained irrigation systems deteriorate; ever younger and closer-to-hand fallow is cleared under slash-and-burn cultivation to facilitate the land clearing work, but this only accelerates deforestation and depletion of soil fertility. In mixed crop and livestock systems, the reduction in animal numbers lowers the transfer of fertility to cropland. In general, insufficient weeding degrades the land under cultivation and the poorly maintained crops, lacking mineral nutrients, become increasingly prone to disease. The degradation of the cultivated ecosystem, under-nutrition and a reduced working capacity also lead small farmers to simplify their cropping systems. Preference is given to “poor” crops that require less inorganic fertilizer, water and labour. This in turn leads to reduced diversity and quality of plant products consumed on the farm which, with the virtual disappearance of animal products, results in serious protein, mineral and vitamin deficiencies. Moreover, evidence suggests that nearly half of Africa’s farmland suffers from erosion and nutrient depletion. Nutrient balance studies also suggest annual losses of 22 kilograms (kg) of nitrogen, 2.5 kg of phosphorus, and 15 kg of potassium per hectare over the past 30 years, a nutrient loss valued at US$1–US$3 billion per year (Haggblade et al, 2004). This is a great challenge to the survival of peasant agriculture in Africa.

Indebtedness, Outmigration and Hunger
Another dimension of the consequences of decapitalization is the tendency for the farmers to run into debt as they continue to face harsh economic, environmental and health conditions. According to the vivid account of the path to indebtedness provided by Mazoyer (2001), small farmers who are impoverished, undernourished and working degraded land often come dangerously close to the survival threshold (below which they will no longer have the means to continue their activity). One poor harvest is then enough to drag them into debt, if only to eat during the lean months before the next harvest. So
the indebted small farmer is at the mercy of a poor harvest and, if he has not already done so, is obliged to send the able-bodied members of his family in search of temporary or permanent work elsewhere, which only further weakens his production capacity. And if external remittances are not enough to ensure the survival of the family, the only option is to migrate. While a small farm in surplus can get through one or even several poor harvests, a small farm chronically reduced to the limits of survival finds itself at the mercy of the slightest adversity whether this be climatic (flooding, drought, etc.), biological (plant, animal or human disease, pest infestation, etc.), economic (products sold at a loss, falling prices, etc.) or political (civil war, passage of troops, etc.); reducing its harvest or earnings. This process of exclusion has, of course, not affected all small farmers who farm manually, but it has affected the most deprived who are especially numerous in the least privileged regions.

**The Scourge of HIV/AIDS**
The decapitalization of Africa’s key agricultural resources is also evident in terms of the heavy toll of HIV/AIDS on African human strength and capital. One study has estimated that HIV/AIDS, with more than 70 percent of known cases worldwide concentrated in Africa, has been responsible for the loss of 50 percent of agricultural extension staff time in Africa (see Haggblade et al, 2004). The HIV/AIDS pandemic and low educational levels are adversely affecting the quality of the African labor force. Indeed, over the past 20 years, agricultural productivity per worker in Africa has declined by about 12 percent. The Food and Agriculture Organization of the United Nations (FAO) predicts that HIV/AIDS could kill an additional 16 million people in the next two decades and reduce the agricultural labor force by as much as 26 percent in 10 of the most affected African countries by 2020. This is apt to have a deleterious effect on African agriculture; given the dominance of labor-intensive farming systems with low mechanization and low use of modern inputs. AIDS is also killing agricultural specialists and professionals, such as agricultural extension workers (see Chigunta et al, 2004).

In sum, the small farm sector in Africa is resilient and operators are doing all that lies within their power to survive. However, they are operating at a very high cost in order to survive. The private and social costs associated with their operations constitute enormous burden which have to be addressed through concerted efforts involving the farmers, government, aid agencies and other relevant stakeholders.

**5. CONDITIONS FOR MODERNIZING PEASANT AGRICULTURE IN AFRICA**
To ensure the survival of peasant agriculture as a business in Africa, actions must be geared towards enhancing the viability and competitiveness of the small farm sector as well as enhancing its sustainability economically and environmentally. Actions will be required at the individual enterprise level, national level, regional level and at the level of international aid agencies. Such actions and conditions which we examine in this section should lead to the transformation of the sector for sustained growth and development so that it can perform its role effectively.
(i) Increased Commitment to the Modernization of Peasant Agriculture
If peasant agriculture is to survive as a business in Africa there should be increased policy commitment to the transformation of the sector at the national and regional levels. The trend in this regard seems to be encouraging in recent times. African leaders and policy makers are moving towards a realignment of priorities in the promotion of agricultural growth as evidenced by concrete initiatives that have been taken early in the 21st century. A number of initiatives and actions have recently been introduced to address the continent’s food insecurity problems. They include, but are not necessarily limited to

- A number of AU declarations and decisions;
- Preparation and adoption of the AU/NEPAD Comprehensive Africa Agriculture Development Programme (CAADP);
- Creation of a “road map” for the implementation of the CAADP;
- Creation of the Department of Rural Economy and Agriculture within the AUC framework and the preparation and adoption of its strategic plan;
- Preparation of the Environment Action Plan of the Environmental Initiative of NEPAD;
- A range of initiatives by the Regional Economic Communities (RECs); and
- A number of international initiatives including the World Summit on Sustainable Development, the United Nations Secretary-General’s call to action for Africa’s Green Revolution, the Commission for Africa’s New African Development Agenda; and the FAO’s Special Programme on Food Security (SPFS).

Furthermore, agriculture, food security, and road development, alongside infrastructure and health, have been prioritized as key sectors under NEPAD. This commitment is particularly reflected in the Maputo Declaration of 2003, where the heads of state and government committed themselves to increasing their budgetary allocation to agriculture to 10 percent within the next five years. Details of the declaration and some of the initiatives are summarized in Box 2. It is important to stress however, that Plan of actions and declarations are not in short supply in Africa. The persistent crisis in African agriculture and its inability to perform its role meaningfully is sufficient evidence that action plans alone will not modernize and transform the sector into an engine of growth. Increased commitment must reflect in additional investments for the development of the small-scale sector to enable it perform its commodity production and “non-commodity” roles.

(ii) Investments In Infrastructure
Maintaining physical access to markets, reducing transaction costs and ensuring appropriate production and consumption linkages depend on availability of physical infrastructure especially in the rural areas. Sustained development of rural road network is apt to engender striking returns in terms of output expansion, commodity exchange and poverty reduction. It is also important to ensure availability of the services such as rural electrification, rural water supply, rural telephony and other communication services.
Box 2: Recent Initiatives for Improved Agricultural Growth and Food Security in Africa

**The Maputo Declaration**
Prompted by the urgent need to revitalize the agricultural sector in African countries the Maputo Declaration called on Member States to: adopt sound policies on agricultural and rural development; prepare collaborative bankable projects under CAADP for the mobilization of resources; and allocate at least 10 percent of their national budgetary resources to the agricultural sector within five years. The Declaration also called for: the active participation of all the key stakeholders at the national and regional levels in all aspects of Africa’s food and agricultural production; the establishment of food reserve systems that are based on regional and sub-regional food self-sufficiency to fight hunger and poverty; increased cooperation with Africa’s development partners aimed at addressing the effects of their subsidies on the development of African agriculture and providing better access for Africa’s exports; and the acceleration of the process of establishing the African Investment bank as provided for in the Constitutive Act of the AU.

**The AU/NEPAD Comprehensive Africa Agriculture Development Programme (CAADP)**
The Comprehensive Africa Agriculture Development Programme (CAADP) was designed to serve as an integrated framework of development priorities aimed at halting and reversing the decline of the agricultural sector in Africa. CAADP focuses investments into four mutually reinforcing pillars. Pillar 1 emphasizes the need for expansion of the area under sustainable land management and reliable water control systems. Pillar 2 underlines the need for improvement of rural infrastructure and trade-related capacities and market access; Pillar 3 focuses on increasing food supply and reducing hunger, by accessing improved technology so as to enable small farmers to play a major role in increasing food availability close to where it is most needed. Pillar 4 is a long-term pillar which focuses on agricultural research, technological dissemination and adoption to sustain long-term productivity growth. A Companion Document on livestock, fisheries and forestry sub-sectors has also been prepared and been endorsed.

**AU/NEPAD Environmental Action Plan**
NEPAD has prepared an Environmental Action Plan as part of its natural resources management and environment initiatives as called for in the Maputo Declaration. The plan provides for activities for: combating land degradation and desertification; conserving Africa’s wetlands; preventing, controlling and managing invasive alien species; conservation and sustainable use and management of marine, coastal and freshwater ecosystems; combating climate change; and transboundary conservation and management of natural resources. The first generation implementation activities of the plan focus on strengthening the environmental portfolios of the Regional Economic Communities and the strengthening of river basin organizations.

**The Creation of the Department of Rural Economy and Agriculture within the AU Framework**
The Maputo Summit institutionalized the Commission’s mechanism for initiating and promoting policies and strategies for developing Africa’s rural economy and improving livelihoods by approving the creation of the Department of Rural Economy and Agriculture (DREA) within the new structure of the African Union Commission. The department was thus charged with the responsibility of promoting measures to reverse the continent’s low agricultural productivity.
achieve overall agricultural growth in its broadest sense (i.e., including crop and livestock sub-systems, forestry and fisheries), and enhance environmental sustainability and sustainable use of natural resources. In preparing its Strategic Plan, DREA has worked in close collaboration with the NEPAD Secretariat, the Regional Economic Communities (RECs), Member States, regional and international institutions, Civil Society Organizations and a number of the continent’s development partners.

**The Sirte Declaration on Agriculture and Water**

The Sirte Declaration focused on the challenges of implementing integrated and sustainable development in agriculture and water in Africa. Cognizant of the urgent need to respond adequately to Africa’s critical problems of hunger, poverty and disease by employing innovative, complementary and comprehensive approaches, the Second Extraordinary Summit of African Heads of State and Government which was held in Sirte, Libya in February 2004, called on Member States to commit themselves to: the development of African agriculture in all its dimensions, including the promotion of the production of strategic agricultural commodities; livestock and fisheries development; the development of agricultural implements; and water and natural resources especially the development of the continent’s river basins. The Declaration also called for: the strengthening and/or establishment of Centers of Excellence for the development of African agriculture in all its ramifications; the strengthening and/or establishment of banks for genetic resources for agriculture and livestock; the provision of registration mechanisms for intellectual property rights; the enhancement and/or establishment of early warning systems at the regional level and their coordination at the continental level to avert the negative impact of drought, desertification, floods, natural disasters, and pests; and the establishment of information networks for agricultural production and food security and input and output marketing.

Source: Africa Union

**(iii) Effective Linkage Between Agricultural Production, Processing and Marketing**

It is widely recognized that the market reforms so far enacted in Africa have been necessary but not sufficient to generate greater agricultural production and competitiveness in export markets. A key challenge in the future is to better address the linkage between production, processing and marketing of agricultural commodities. Improved and cheaper transport services are essential in this respect. Market liberalization removed major distortions but did little to ensure that small-scale farmers, particularly those without easy access to roads and markets, could benefit. Even in areas close to export and domestic markets, incomplete or inconsistent reforms have produced mixed results. If farmers are to benefit from the market reforms, then they will need to see improved access to markets and lower marketing costs. The weakness of rural markets is partly a problem of poor infrastructure, particularly roads and communications systems, but problems with quality standards, timing, market information, and assured supplies are also penalizing local products in both domestic and international markets. According to (Hazell and Johnson, 2002), the private sector could play a larger role if it were not also constrained by some of these same factors, as well as by weak legal and financial institutions. The public sector has a role to play in providing necessary infrastructure and in creating and maintaining high standards. With the necessary infrastructure it should be possible to attract the private sector to contribute to the development of the market and to reduce marketing constraints.
(iv) **Formalization of Agriculture as a Private Business Sector**

It is important that agricultural production be considered part of the private business sector and that it becomes part of the formal economy. Both governments and donors are gradually placing more focus on the pivotal relationship between agriculture, private sector, trade and poverty reduction. Through bilateral and multilateral cooperation, efforts can be made to contribute to the establishment of the most effective policy framework for this and to provide the conditions necessary to implement the policies.

(v) **Transformation of Agricultural Export from Primary to Value Added Commodities**

There is need to promote value-added agriculture as a way of transforming the agricultural sector and the rural economy for increased employment generation, sustained economic growth and poverty reduction. This should include a shift from export of raw materials (primary products) to export of secondary and tertiary products to enhance the value of output and strengthen the role of the sector in terms of creating jobs and generating income in the non-farm sector. Given the declining demand for the traditional export commodities and the widening supply sources, there is the tendency for the structural decline in the commodity prices to continue and thus limit the growth of export revenue. A shift to value-added agriculture involving expanded production, increased productivity and processing of major export commodities should be an appropriate mechanism to address the unfavourable international price of export crops and to achieve the desired growth in export revenue. Nonetheless, a big challenge in Africa is how to ensure that the value-added activities leading to the production of tradable commodities actually take place within the local communities in order to minimize transaction costs and contribute to the growth of the non-farm sector. In this connection, it is important to stress that emphasis should not only be on changing the market value of what local producers have to sell, but also on ensuring increased investment in the communities where the commodities are produced. The local communities must be empowered to have control over the activities in the value chain and to gain direct access to markets and remain competitive in the markets.

(vi) **Reform of National Agricultural Research Systems**

In order to improve the contribution of research towards greater performance of the agricultural sector there is need to reform Africa’s national agricultural research institutes. These organizations must forge stronger links to other stakeholders, from farmer groups to universities. Specifically, the reform should institutionalize procedures for linking formal research more effectively with the grassroots. Other necessary reforms include firming up the scope and level of government support, increasing institutional autonomy including decentralized control of resources, and improving linkage with the private sector. Smaller national programs can overcome their size limits by linking with regional and sub-regional networks of R&D programmes to work on common problems. Other areas of reform relate to efforts aimed at improving planning and relevance of research programmes, improving the internal management of research institutions and development of human resources. Specific reforms will include:
- Developing NARSs capacity for priority-setting and linking resource allocation to priority research programs;
- Upgrading of NARSs technical skills and human resource management through sustained training programmes;
- Developing information technology to link NARS to external scientific information networks;
- Establishing efficient Internal Management Information Systems in agricultural research institutions;
- strengthening Monitoring and Evaluation Systems to track internal efficiency, outputs and impact; and
- broadening the scope of advisory services beyond on-farm technologies to marketing, processing and non-farm rural activities and to business management aspects.

(vii) Negotiation of Long-Term Preferential Access to Industrialized Markets
As part of the ways to promote growth of export trade, free access to industrialised markets is being canvassed by many analysts. Although this is necessary, it is not sufficient to sustain growth in the export sector and to realize significant contribution to poverty reduction in Africa. In order to reduce poverty, Africa will continue to negotiate for preferential arrangements. The preferential access is likely to attract foreign investments to Africa, which apart from the capital involved would also bring technological change and valuable know-how in resource management. Preferential access for the next 10-15 years could provide Africa with the window of opportunity to improve the productivity and competitiveness of agribusiness enterprises.

(viii) Ensuring Adequate Funding of the Technology Generation and Transfer
African political leaders have singled out agricultural productivity increase as one of the critical drivers of economic growth and poverty reduction. They have affirmed their commitment to the improvement of agricultural technology generation and dissemination systems, as a key priority in the New Partnership for Africa Development (NEPAD). The goal is to double the annual spending on agricultural technology generation and dissemination in Africa within 10 years from about US$2.3 billion to about US$4.5 billion in 2010 (an average increase of 7.0 percent a year); from US$1.3 to approximately 2.3 billion for agricultural research and from about US$ 1.1 billion to about US$2.0 billion for advisory services. Although the funds necessary to finance this much increased support to African technology generation and transfer systems is expected to come from many sources, including government, producers, agribusiness firms and donors, it has not been possible to attract adequate funding from any of the identified sources.

(ix) Promotion of Contract Farming
Contract farming is becoming increasingly recognized as an important approach for the modernization of peasant farming. It guarantees linkages between smallholders and large-scale producers and facilitates access to modern inputs and production credit. It is also an approach which can ensure that small-scale farmers play active role in export trade. Many
agricultural products such as banana, rubber, cotton and sugar have been produced and marketed through contracting small-scale producers in developing countries. Kenya and Zimbabwe supply off-season speciality vegetables; South Africa is a major exporter of off-season fruit while Chile is a world leader in supplying fruit to European Christmas markets. In particular, contract farming is becoming increasingly important in Zimbabwean horticulture export trade in which smallholders produce for larger commercial farms engaged in packing. About 3,000 smallholders are growing for export on a contract basis (IFAD, 2001). Indeed, two of Africa’s largest exporters have demonstrated that smallholder sourcing can meet the quality requirements of supermarkets in Europe. Usually, the exporter takes responsibility for organizing growers, arranging finance, providing technical support and ensuring traceability. Contract farming is a partnership arrangement between the private sector and small-scale farmers which should be encouraged in view of its commercial orientation and employment potentials especially in ensuring long-term contractual production relationships.

(x) Removal of Agricultural as Well as Export Subsidies in Developed Countries
The on-going agricultural negotiations under the Doha Development Agenda must come with specific dates for the removal of agricultural subsidies in developed countries in view of the unbearable costs imposed on developing countries by the various forms of agricultural support in those rich countries. Oxfam estimates shows that protectionism in rich countries costs developing world £60 billion a year. Indeed, if the US and EU remove their farm subsidies, the value of African food exports would double (New Statesman, 2005). The abolition of the production and export subsidies is likely to result in higher world market prices, providing African producers with higher prices for their agricultural exports. The removal of subsidies given to American and European cotton farmers for instance is estimated to result in an increase in the world cotton price by 12 cents per pound. This, in turn, could increase revenues from cotton by $250 million a year for West and Central African countries, equal to about 14% of the total development assistance received by these countries annually. With regard to sugar subsidies, analysts believe that the recent EU proposals are likely to continue to benefit the richest farmers in the world at the expense of the poorest. The highly distortionary mechanisms such as inflated price guarantees, generous export refunds and high import tariffs surrounding sugar production have to undergo drastic reform. The guaranteed price of sugar within EU is three times higher than the world price of €157 per ton and it is estimated that the price system gives the 27 largest sugar beet farmers in the UK an average of £137,595 a year in support (see Frith, 2005). These mechanisms make it virtually impossible for African farmers to compete in the international sugar market.

6. CONCLUDING REMARKS
Smallholder agriculture in Africa has made considerable progress but is unlikely to successfully perform its expected role without concerted efforts by the government, the private sector and aid agencies. The small farmers are willing to embrace farming as a business but they seem to be helpless in tackling the myriads of social, economic and political constraints facing business operations in the small farm sector. There is also the external dimension to their problems arising from the protectionist policies of developed
countries for which they need help but which seems not to be forthcoming. The small farm sector has the greatest potential for growth but lacks the necessary support for effective performance of its diverse roles. If the internal and external constraints identified in this paper are not urgently and effectively addressed it will be difficult for peasant agriculture to survive as a business in Africa. Survival of the sector and advancement to a higher stage of development require massive investment, policy support and dismantling of the numerous constraints which have locked up its potentials over the years. At the current level of development, the small farm sector in Africa require substantial support from both the government and the private sector to redress the huge under-investment in the sector, transform the rural environment in which the farmers operate and to sustain the viability and competitiveness of their enterprises. If the support required for the business enterprises to survive fails to come, it will be difficult to meet the MDG targets relating to poverty reduction and child mortality in Africa.
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