

African Agriculture and Agribusiness

Fostering Inclusive Outcomes

Despite strong per capita income growth, the structure of Africa's economies has not changed markedly in recent decades. In spite of a rapidly growing labor force and urbanizing populations, job growth in rural areas, especially in non-farm sectors, has been slow, and poverty levels remain relatively higher than in urban areas. The central question is how to generate economic transformations that foster inclusive and sustainable development? Agriculture is key, given that the majority of the population depends on it in most of the continent. The case for increasing agricultural productivity to accelerate transformation, investment and industrialization is strongly supported by established conceptual frameworks and empirical evidence.

Agricultural productivity in Africa lags behind other regions. In West Africa for example, farmer yields from rain-fed crops are typically below one half of their potential. Cereal yields across Sub-Saharan Africa are significantly lower than in Asia and Latin America. Low productivity is linked to loss of competitiveness for African agricultural exports, and the declining share of global agricultural trade.

Smallholder family farmers dominate the agricultural landscape in Sub-Saharan Africa, representing an estimated 80 per cent of farms and contributing up to 90 per cent of food

production in some countries. Low smallholder yields and returns to labor are largely due to limited access to productivity enhancing inputs such as modern seeds and fertilizers, new technologies, technical support, and output market opportunities.

Despite the generally disappointing rates of agricultural productivity growth in Africa,

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thirteen countries doubled their production in two decades since the 1980s, although some start from a very low base. Countries where smallholder farmers largely dominate the agricultural sector, such as Burkina Faso, Ghana, Niger, and Mali, have been among the strongest performers of this group. On the other hand, countries with a relatively smaller share of small farms have performed much more modestly.

There are new opportunities for the commercialization of

agriculture in Africa that could benefit smallholder farmers. Rising incomes and urbanization across the continent, along with increased global demand for agricultural products, could both benefit producers and generate downstream and upstream business activities. African agriculture and agribusiness are estimated to be a US\$ 1 trillion industry by 2030. Agribusiness can provide decent employment and increase rural incomes.

Well run farmers' cooperatives can mitigate risks in partnerships between smallholders and agribusiness companies. They empower members to deal with larger private actors on an even footing, enabling them to safeguard their rights and effectively bargain for their interests. From the agribusiness side, they provide greater security and sustainability as scale and quality can be better achieved. Contract farming can also provide smallholders with the means to access market opportunities, as well as finance, inputs, technology, information and training. However, only some crops lend themselves to contract farming, and care must be taken to ensure that contractual arrangements are fair and transparent, and mutually beneficial.

Action is needed along the whole value chain to produce win-win outcomes for agribusiness companies and smallholder

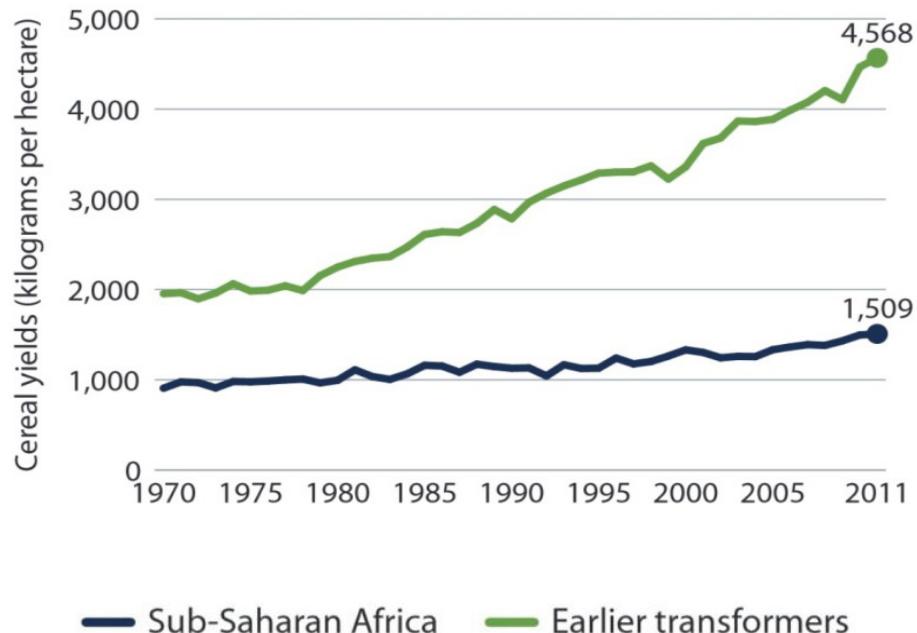
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farmers. Smallholders need to have access to inputs and training that enable them to participate effectively. At the input stage, training and employing people as input vendors in distribution networks create employment opportunities for non-farm employment. Upgrading storage facilities, use of modern technology to distribute timely information, and addressing infrastructure challenges are necessary at the processing and marketing stages. At all stages, special attention is needed to gender in order to empower women farmers, facilitate their access to productive resources, and enhance their bargaining power.

Governments have an important role in supporting the involvement of smallholder farmers in inclusive agricultural value chains and commercial farming. Providing and maintaining vital

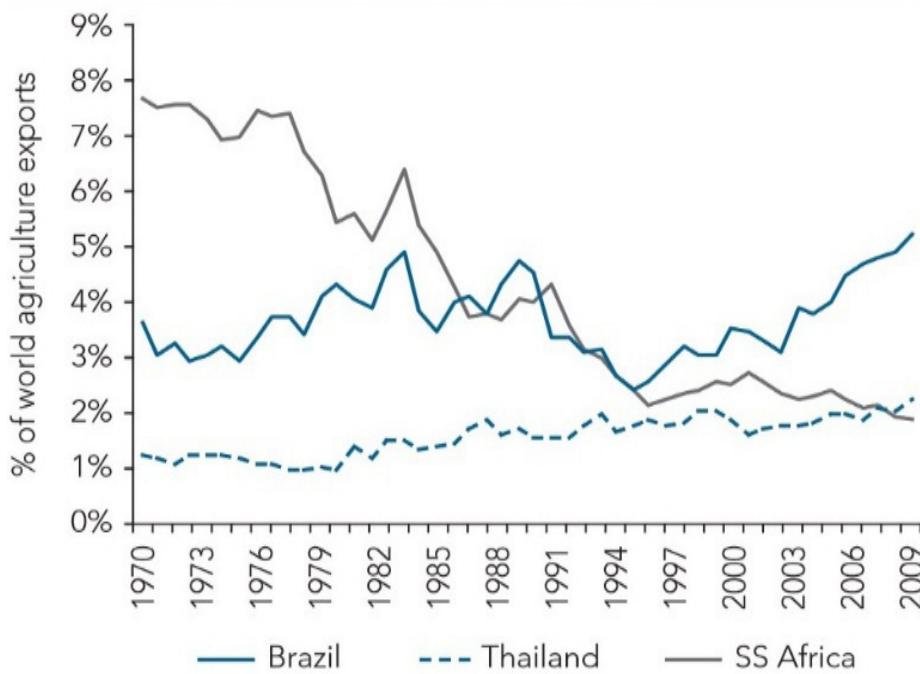
Productivity in agriculture



Government co-financing and guarantee arrangements are needed in many cases to reduce the risks involved for agribusiness operators – particularly when upfront investment requirements are large and timeframes are lengthy. Stable macroeconomic policies, property rights and contract enforcement,

needed to create the institutional environment where agribusiness companies are encouraged to do business with smallholders.

China's experience in significantly increasing agriculture production and commercialization is of interest. Enhancing food security and agricultural productivity, and increasing rural incomes, were a specific focus of coordinated government policies. Significant investments were also made in infrastructure, including rural roads, irrigation and communication systems, and in agricultural research and development to enhance productivity. The free flow of goods and services was promoted, tightening value chain links and widening market opportunities. The Government of China also focused on reducing rural-urban inequalities through investments in rural health, nutrition and education and improving the accessibility and quality of services in rural areas. ■



Source: FAOSTAT.

"Fostering Inclusive Outcomes in African Agriculture: Improving Agricultural Productivity and Expanding Agribusiness Opportunities through Better Policies and Investments." David R. Suttie and Rui M. S. Benfica, Strategy and Knowledge Department (SKD), International Fund for Agricultural Development, IFAD.