

GS-04. ANALYSIS OF SOME CONSTRAINS ON THE SOCIAL AND ECONOMIC IMPACT IN RURAL DEVELOPMENT OF AFRICAN AGRICULTURE RESEARCH.

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Abstract

The gap between rich and poor countries is growing. The billions of dollars that have been invested in agriculture research and production in Developing Countries seem to have small, if any, consequence in sustainable development concerning about 2.5 billion people whose livelihood depends on agrarian activities. New pathways for development are being discussed, involving changes in international, regional and national policies. In this paper we aim at highlighting the present status of agriculture production and global trading practise considered to be severely affecting development efforts, and at commenting some research pathways that could mitigate some of the generally recognised limiting factors on agriculture upgrading within the developing regions.

Key words: trade tariffs agriculture development

Introduction

There are global agriculture development limiting factors that have been identified as obstacles to economic growth in developing countries (DC). Amongst them, we would like to address the ones that seem to deserve priority in research efforts. Their impact in rural development is of relevance and because of the highly political issue that they represent within the international arena, poor countries have small specific weight when discussing them. Bringing those issues inboard the research pathways and will surely help to mitigate these problems.

Material and methods

We will analyze the following items as major problems to rural development:

1. Dependency of developing countries in small number of commodities.

More than 50% of the developing countries, including Least Developed Countries (LDC), depend on less than three agriculture commodities (tropical products) for 20-90% of their foreign currency (1). Many spend more than half of their export incomes importing food and about 43 developing countries depend on a single commodity for more than 20% of their total export revenues (sugar, cotton, coffee and bananas). Most of them are LDC (per capita GDP less than US\$900 per year). Thirty seven of these countries depend on primary commodities for more than 50% of their exports earnings (including more than 50% and 25% of respectively world cocoa and coffee production) (1).

If the prices of the ten most important crops with have followed inflation, developing countries with have received more US\$112 billion in 2002, which is more than twice the total amount of aid distributed world wide (2)

2. Long term trend prices of agricultural commodities.

Global supplies of crops have recently overcome demand, inducing a fall of many DC agriculture exports to levels seen in 1930. Between 1997 and 2001 coffee prices decreased 70%. Cocoa prices followed a similar path. These prices generally remain declining comparing to the value of manufactured goods (1).

This oversupply of goods have contributed, over the last 40 years, to the decrease of real prices for agriculture commodities at a rate of about 2%/year. Other factors enhanced this tendency, as technology advances, decreasing transport costs, synthetic alternatives, new major producers (Vietnam 10000 to 900000 t of coffee from 1985 to 2001), subsidized exports from developed countries (cotton, sugar, rice). Raw materials, tropical beverages, oil crops and cereals had the greatest price breaks

which were least severe to horticulture, meat and dairy products. Some developing countries managed to switch from those productions, (1960 - 55% of exports to actual 30%) but not the LDC which maintain and even increased their dependency on the most fragile products (from 59 to 72% within the same period) (1)

3. Distorted trading policies.

The oversupply of important income crops for DC have been aggravated by distorted trading policies induced by import tariffs in Developed Countries concerning processed goods from DC inhibiting the chance for the export, from these countries, of added value goods whose prices are much more stable than those regarding basic commodities. Apart from this, DC farmers are not able to compete with the highly subsidized exports from developed countries which support their agriculture with about US\$230, representing 30 times the amount of aid provided for agriculture in developing countries (1).

Import tariffs in developed countries can reach 350% for tobacco, 277% for chocolate, 171% for oil seeds and 134% for poultry (3). According to FAO if these tariffs were reduced by 40-60 % in developed countries and 25-40% in developing countries, exports from LDC would increase about 18% (1).

Developed countries tariff escalation on processed goods can be more than double of what is applied to primary products. Exports of processed goods (eg cocoa, coffee) are declining in DC. Apart from the tariff escalation, obsolete technology, transport, storage, marketing structures and regulatory frame work compromise some good trading opportunities that LDC have and that are not utilized (1).

Subsidies in developed countries inhibit fair competition on international markets. EU sugar beet farmers get US\$2.2 billion in subsidies yearly (4), making them as leaders in world sugar exporters, with prices that are more than 75% below their production costs.

Heavily subsidized US cotton US\$ 3-4 billion a year have severely reduced cotton incomes in West Africa where it represents about 50% of exports in Benin, Burkina Faso, Chad, Mali and Togo (1).

4. Terms of trade.

For the LDC, during the last 40 years, agriculture commodities prices decreased about 70 % relative to imported manufactured goods inducing a fall by 50 % of the income terms of trade for that period (1).

In developing countries gross food imports grew at an annual rate of 5.6%, higher than the 1.9 % annual growth in developed countries. During the last 30 years the share of food import doubled relatively to the GDP, regarding the developing countries and quadruplicated for the LDC. These countries are now spending 54% of their export earnings in food import (1)

Within this frame, it must be realized that producers can have a small share of profits .Producers income represent 4% of retail price for raw cotton, 2% for banana growers and 28% for cocoa (1)

5. Market concentration and vertically integrated food chains.

Forty % of the world's coffee is traded by 4 companies and 45% is processed by 3 roasting firms (1). Thirty supermarkets chains control 1/3 of world wide grocery sales (1). Six chocolate manufactures control 50% of the world's sales. Three companies control 80% of EU soybean crushing and 70% of it in the US. 4 firms control 60% of grain handling facilities, flour milling, 81% maize exports and 50% ethanol production in the US (5).

These transnational concentration of marketing and processing of commodities can have positive effects on economic linkages, technology transfer, contract farming and financial assistance. However many smallholders are being marginalized and kept out of the system. In Kenya, prior to the 1990 export boom, smallholders produced 70% of fruits and vegetables exports. Now they are reduced to about 18%. The rest (40%) is owned by importers from developed countries or by large commercial farms. Only 7 export companies control 75% of the market (6).

Few multinational firms significantly decrease the opportunities of market and price control for a majority of stakeholders.

6. Regional Trade Agreements.

Regional Trade Agreements (RTA) are growing at a rate of 8.8% annually between DC (shipments from these to developed countries are growing to at 4.2%), reducing tariff trade barriers (6). NAFTA - MERCOSUR removed nearly all agricultural products trade barriers. However these RTA must be observed with caution. Maize export from USA to Mexico, induced a fall of the cereal price in this country, which was good for livestock and big irrigated areas profits, but the losers were 3 million small producers without the flexibility to change for other crops. Thus there can be losers in RTA if one of the parts has a big economic handicap (1).

The trading links between these countries are negatively affected by heavy import taxes amongst them, being often higher than those in practise in developed countries.

Results and discution

New approaches enhancing development have been discussed in relevant forums and documents such as FAO's "The State of Agriculture Commodity Markets". We would like to highlight a few items that could be considered as priority in research dealing with the main agriculture constrains in developing countries. These items concern eliminating market distortions (price, subsidies and tariffs policies) and capacity building in developing countries (production and trade technology transfer, added value to primary production and government accountability within these countries).

1. Eliminating market distortions.

A long-term decline on agriculture commodity prices must be expected due to increased productivity and production as mentioned above. However, market distortions in the form of subsidies and tariffs imposed by developed countries, some tariffs between developing countries and market power of transnational supply and processing firms, are efficiently blocking agriculture progress in developing countries. These matters must be in the agenda for the near future negotiations and agreements within the appropriate forums. Without these issues being thoroughly discussed and dealt with, only cosmetic responses will be found with no positive impact on development, reversing the actual trend that is depressing the economies of developing countries, particularly the LDC. Regional economic organizations are surely potential instruments available to these countries to face current market distortions significantly depressing development efforts.

2. Capacity building in developing countries.

Production and trading technology transfer:

Production technology matters are the most common items subjected to research and education issues. The study of agricultural commodities trading is frequently forgotten when development agriculture programs are studied or are implemented. We believe that research in this field is as relevant as it is in the agrarian production field. Both components deserve attention and in many circumstances trading matters are the main limiting factors in development programs.

The investment in agriculture research is decreasing in Africa. During the last 20 years the Agriculture Research Intensity Ratio (total public spending in agriculture research as a % of agriculture output) went down from \$US 095 to \$US 70 in Sub-Saharan Africa (7).

The InterAcademy Council recommends doubling Africa's Research Intensity Ratio. Although a difficult task, we find this goal as a challenging one, providing priority is given to the main issues inhibiting agriculture growth in developing countries. Regional cooperation between countries should be a valuable instrument to be used upgrading agricultural research. Some positive experiences in Africa could enhance these initiatives (8)

3. Added value to primary production

Processing basic agriculture products within developing countries not only will create jobs, but it will save precious foreign currency from being spent importing essential goods made of exported raw materials from those countries. Further more, processed goods international prices are not subjected to

the high fluctuations that raw materials suffer. Naturally tariff escalation imposed by developed countries, concerning the export of processed commodities from the developing world has to be withdrawn before the latter countries can enhance their industry.

4. Government accountability within developing countries

A significant handicap showed by many developing countries is their ability to have stable and accountable governments with fairly reliable and transparent management practices. This fact not only reduces foreign investments but the also reduces national capacities to upgrade production and productivity. Mismanagement and corruption affects both developed and developing countries. However the latter are much more vulnerable to the damages that these problems can rise. Priority should be given to deal with them.

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