

Facilitating Equitable Agriculture Development in Sub-Saharan Africa: The Case of Kenya, Tanzania and Uganda

This brief highlights outcomes from three national studies that were undertaken in Kenya, Tanzania and Uganda under the project “Facilitating Equitable Agriculture Development in Sub-Saharan Africa”. The purpose of the studies and the project as a whole was to identify and promote elements of an enabling environment for positive interaction and equitable terms of trade amongst stakeholders in the agriculture sector, leading to equitable and inclusive development. In doing so, the structure of the agriculture sector in the respective countries was examined, including the challenges that face the various stakeholders in interacting with each other.

Key messages

1. Respective National Governments should increase budgetary allocation to the agriculture sector to at least the desired 10 percent of GDP as per the Maputo declaration.
2. Regulatory frameworks should be put in place to govern interactions between stakeholders in the agriculture sector, including those to curb cartelization prevailing in various sub-sectors.
3. Enhance extension services and other support to smallholder farmers in order to stimulate productivity.
4. Strengthen cooperatives and producer organizations to give the smaller stakeholders in the sector better bargaining power.

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Introduction

The agriculture sector is indispensable for the three countries of Kenya, Tanzania and Uganda given it is the major source of employment and the biggest contributor to the GDP. The stakeholders in the sector include government Ministries responsible for Agriculture policy formulation and implementation as well as various parastatals in charge of managing production and marketing of specific agricultural sectors; producer and umbrella organizations for farmers; research institutions responsible for crop and breed improvements; agro-processors; NGOs and Donor agencies implementing agriculture and related projects.

The interaction between stakeholders faces several challenges chief among which is the unequal bargaining power that is not conducive for equitable agriculture development. Typically the smallholder farmers (these form the majority among stakeholders in all the three countries) produce for their subsistence and sell their surpluses to middle men or producer organizations in the case of some sub-sectors. In other cases they enter in contractual arrangements with agro-processors, for instance in the sugarcane industry where this is prevalent.

In all the three countries smallholder farmers have limited capacity or rewards from accessing the liberalized agriculture markets. This is because of their very low levels of production occasioned by small land holdings, lack of agricultural inputs to enhance productivity, and unsuitable macro-economic environment among others factors.

Structure and Nature of the Agricultural sector in Kenya, Tanzania and Uganda

To start with Kenya, the potential of agriculture as an economic sector needs to be better realized. The sector contributes directly 23 per cent of GDP and 25 per cent indirectly, down from 38 per cent at the country's independence (1963). The sector also accounts for 62 per cent of total national employment with 630,000 formal sector jobs and 3.7 million small and micro enterprise sector jobs in agro-processing and agricultural services, and more than 7 million farmers constituted by smallholders, subsistence and commercial farmers. Besides, the agricultural sector in Kenya is quite significant not only for food security but also for food stability.

In recent years, however, Kenya has failed to meet its food requirements largely because of low productivity, lack of redistributive mechanisms from areas of surplus to areas of shortages, as well as poor marketing and poor infrastructure. The most severe shortage was in the months preceding July and August 2011, when many people died as a result of

drought in the northern parts of the country (Otieno 2011). For these reasons, Kenya has suffered severe shortages and was dependent on food aid in the recent years.

Kenya is in fact currently a net importer of food, especially from nearby countries, such as Tanzania, Uganda, Malawi and South Africa. Therefore, the poor performance of the agricultural sector and declining productivity can be easily identified as a crucial determinant of poverty in Kenya. "Declining agricultural productivity in Kenya has led to food shortages, underemployment, and low income from cash crops and poor nutritional status, which has further reduced labor productivity" (Odhiambo et al, 2004). In this sense, it can be concluded that the agricultural sector is one of the most important sectors for rural livelihoods and development, keeping in mind that about 80 per cent of Kenya's population lives in rural areas and relies on agriculture for most of its income. Besides that, nearly half of the country's 40 million people are poor and not in a position to meet their daily nutritional requirements. Poverty and food insecurity in Kenya are a result of inter alia high population growth rates, low agricultural productivity, inadequate access to productive assets (land and capital), inadequate infrastructure, limited well-functioning markets, high population pressure on land, inadequate access to appropriate technologies by farmers, effects of global trade and slow reform process as a result of poor policies and planning.

In Tanzania, the agricultural sector is also very important, since it supplies 65 per cent of raw materials for domestic industries, contributes 29 per cent of foreign exchange earnings and 95 per cent of the food consumed in the country. The findings from the Labor Force Survey of 2001/2002 (ILFS) shows that 15.5 million people (i.e. 87 per cent of the country's labor force) were employed in agriculture. The rest (i.e. 13 per cent) were either employed in other sectors of the economy or were unemployed. That is to say, the sector becomes even more significant in order to achieve a sustainable economic growth and poverty reduction in the country. It is also strategic as a vehicle for achieving equitable development in the country.

In fact, Tanzania has the potential to produce enough food for the entire East African region given the vast amount of land available and its suitability for food production. However, its targets of food security and improvement of farm income through increased production, productivity and efficient market system have not yet been attained. The country is still unable to take advantage of its suitable land for food production because it does not have the appropriate technology and small scale farmers that dominate the sector are rather less educated and unformed leading to low productivity. Apart from that, government policy related to management of food export and the efforts to transform the sector into a market-based agro-sector are controversial. For the sector to be effectively harnessed all these issues would have to be addressed and an enabling environment created, towards equitable agriculture development.

Uganda is not much that different from Kenya and Tanzania. According to the latest UNPFPA State of the World Population Report (2011), the majority of Ugandans live in abject poverty. 52 per cent of the population lives below US\$ 1.25 a day, the majority of whom live in rural areas and are dependent on agriculture for their livelihoods. In this regard, finding a way to fight against poverty and to promote equitable growth is also essential for Uganda.

Uganda's physical environment is suitable for the cultivation of a wide range of crops. It has the most arable land in the EAC region. Moreover, it is a major producer and exporter of cash crops such as coffee and cotton. Nonetheless, most agricultural production is undertaken by smallholder subsistence farmers, producing for their own consumption or for the domestic market and there are few commercial farms, while livestock production merely provides 7 per cent of agricultural GDP. That is to say, Uganda is facing similar challenges as with Kenya and Tanzania, which require redressing for the agriculture sector to be leveraged towards equitable agriculture development.

Stakeholders, their Roles and Interaction

Stakeholder interactions play a key role in terms of facilitating equitable agriculture development, and it is therefore critical to ensure that there are policies and regulatory frameworks in place that would facilitate attainment of this goal.

The relationship and interaction between stakeholders in the agriculture sector of all the three countries varies; however in all cases the governments play a vital role in influencing these relations. This is through formulating and implementing the legal and regulatory framework including policies aimed at ensuring an enabling environment for their interaction.

In Kenya it is the private sector that drives the agricultural economy by providing market and information to farmers amongst other support services. The nature of relationships between farmers and the private sector varies from sector to sector. Further, there are various levels of 'private sector' depending on the type of market and produce being dealt. In the local markets, farmers either sell directly to consumers or to middlemen who then sell in urban markets, with some of the produce going towards agro-processing and exports. There are also cases where farmers sell directly to agro-processors and exporters, either individually or through their producer groups. The middlemen, agro-processors and exporters in most cases add value to the produce and therefore receive more premiums than farmers.

In all the three countries, contractual arrangements exist whereby farmers enter formal or informal agreements with private sector firms, to produce and sell specific amounts and quality of produce in a given period of time. Such arrangements are predominant in the sugar subsector through large scale producers who engage out-growers, usually from smallholder neighboring farms. Similar arrangements also exist in the horticulture, tea and coffee subsectors. In all cases contract terms are largely determined by the private firms and are therefore skewed to their benefit.

Further, in the three countries, the maize, rice, wheat, and fresh produce subsectors are dominated by middlemen and brokers who in most cases determine producer prices. They provide transportation and often have better information concerning markets, which they often use to take advantage of farmers. Their relations with the farmers are unequal and often insufficiently regulated.

In the sectors where cooperatives and producer organizations exist, they provide better marketing and information channels to farmers. This is predominantly in the coffee and dairy sub-sectors. Such organizations are partly owned by farmers through shareholding and are fair in terms of according producers good market prices. Recent evolution of these cooperatives and farmers associations have led to their expansion of services that now include financial services accessible to the smallholder farmers. It is widely believed that such cooperatives are the future for a prosperous and development-oriented agriculture sector.

Governments on their part are charged with providing policy guidance, as well as vital services that include extension services to farmers, research and development of better agricultural practices, exploring markets (both local and foreign) for agriculture products, and providing the regulatory and legal frameworks conducive to all stakeholders in the agriculture sector. There are various government ministries and institutions dealing with these critical issues in the three countries. A common phenomenon has been the decentralization of implementing agricultural projects to the local government level, with the parent ministries mostly responsible for coordination, monitoring, and evaluation. This system allows for a bottom-up approach that facilitates better participation of all stakeholders in the implementation of agriculture programmes and projects.

Governments have also attempted to redress the skewed farmer-middlemen-trader relations. For instance in Tanzania where the insufficient marketing systems had affected smallholder farmers, the government established the warehouse receipt agency. It is charged with instituting, monitoring, and advising on the warehouse receipting system for the various agriculture sectors within the country. Under this system, crop produce is collected from farmers during the bumper period, they are then issued with receipts that they can use as negotiable instruments or wait out

for better market prices in the off-harvest period. The system has been piloted in Tanzania in the cashew, cotton, coffee, and maize subsectors and found to be very successful and beneficial to farmers who were originally marginalized. Although some criticism of the system has been made with regard to issues of differed farmers income, its success should be rolled out to other sectors.

Kenya, Tanzania and Uganda also have research institutions in place, which play a vital role in improving farming methods and crop variety. In some of the countries legislation has been enacted providing for ownership of intellectual property rights in novel technological and plant improvements, this is meant as an incentive to stimulate creativity and quicken agriculture development. These institutions are also responsible for extension services through which new innovations are disseminated to farmers and feedback is collected in the various sectors. Public-private partnerships have been adopted to bolster these efforts. It is thus the case that several multinational companies are involved in supplying agricultural inputs such as hybrid seeds and other vital services to small and medium size farmers.

Challenges to Equitable Terms of Trade among Stakeholders

The challenges affecting equitable terms of trade amongst stakeholders in the agriculture sector of the three countries can be categorized in two forms: 1) productivity-related constraints and 2) policy-related constraints.

Productivity-related Constraints

Limited access to agricultural inputs such as fertilizers and improved seeds is among the main productivity constraints. The studies that were undertaken in the three countries, found the following issues to be responsible for this constraint:

- High costs of key inputs such as seeds, pesticides and fertilizers which have been increasing over the years leading to increased production costs for farmers, and making them unaffordable for many. In Kenya and Tanzania the governments introduced fertilizer subsidy programmes for smallholder farmers that target various sectors; however the farmers still find the prices beyond their means

- In some sectors for instance maize, unscrupulous dealers sell fake seeds to farmers. An example is the rift valley region in Kenya where this practice was prevalent and led to the entire crop failure in the region. This practice is exacerbated by lack of punitive regulations to deter it.

- The high cost of labour in rural areas is another factor affecting productivity. In some sectors such as horticulture labour accounts for as high as 30 per cent of the cost of production hence diminishing the profit margins. For this reason majority of smallholder farmers depend on only family labour, which is insufficient for optimal production

- On their part, the small and medium sized firms that undertake value addition of agricultural products, are faced with high transaction costs that make their products uncompetitive in national, regional and international markets

- The low level of technology development and absorption is another productivity constraint. In the project countries there has been very slow adoption of technology that suits local conditions in terms of technical efficiency, affordability and cultural acceptance. Technologies such as gene revolution and other forms of biotechnologies that increase output are rarely applied, and this is partly due to lack of requisite extension services, proper information and capacity building of farmers

- Poor infrastructure in the project countries is also a challenge in the region. This is manifested in poor road networks, unreliable and costly energy sources that affect manufacturers, and inadequate or poor storage facilities among others. The factors are also responsible for commodity price fluctuations in different regions, since areas with production surplus cannot easily access the regions in need, and their products lack appropriate storage resulting in massive wastage, especially for the perishables. The recent food crisis in Kenya illustrated the gravity of this challenge. While farmers in the rift valley had a bumper harvest, the people in the north eastern region of the country were faced with starvation

- Stakeholders in the agriculture sector are also faced with the issue of limited access to credit and financing from established financial institutions. This is mainly due to the fact they are not in position to fulfill requirements such as collateral and credit history as demanded by most financial institutions. The share of commercial banks' loans to those in the agriculture sector is very low compared to the other sectors such as manufacturing, services and others. The limited access to financing hampers adoption of technology that would otherwise expand and advance agricultural activities and business.

Policy-related Constraints

- In the three project countries agricultural policies were largely shaped and influenced by colonial legacies and Aid conditionality's. This resulted in a huge decline of the agriculture sector especially during the 1980's when the World Bank structural adjustment programmes were implemented. These saw the phasing out of critical support of extension services and sector crop marketing

boards that negatively affected stakeholders.

- Policy wise, increasing emphasis has been placed in reducing state intervention and increasing reliance on liberalized markets in order to allocate resources. Never the less governments have also put in place policies designed improving the agriculture sector. These include tax incentives such as exemptions and zero rating of taxes imported inputs and agriculture exports

- Commencement of regional integration through the EAC and COMESA was anticipated to stimulate production and growth of the agriculture sector including through trade in the larger markets. However implementation has been quite slow with various non-tariff measures still being enforced in the region, and these frustrate movement of trade and inputs of agricultural products

- Poor regulatory and legal framework in the agriculture sector in another policy constraint in the three project countries. Farmers are often exploited by middlemen especially during bumper harvests when they are faced with limited market options. The collapse of marketing channels such as cooperatives and producer groupings made the farmers more vulnerable since they have no bargaining power as individuals. However some efforts are being undertaken to resume these cooperatives and better organized producer associations that should redress this shortcoming

- National budgetary allocation to the agriculture sector in the three countries still falls far short of requirements to boost the sector. None of the governments has implemented the Maputo declaration of 10 per cent of budget allocation to the agriculture sector. This has resulted in insufficient support such as through extension services to the farmers, lack of undertaking research and development of new crop breeds and technologies, for both production and processing of products

- Generally the policy framework in place has not addressed the imbalance or uneven relationship between stakeholders in the agriculture sector. The farmers, due to their limited or no value addition and lack of information among other factors, are faced with very low farm gate prices, while the middlemen and agro-processors reap the higher margins of profit from agricultural products.

Recommendations

From the foregoing, there is need to address the challenges that affect the agriculture sector, including putting in place policies that would provide an enabling environment for equitable development of all the stakeholders. Some of these measures include the following:

- Harmonizing the country trade policies in the regional groupings such as the EAC and COMESA should be prioritized including elimination of the non-tariff barriers

- Improvement of rural infrastructure is vital and should be the backdrop to the overall improvement of major infrastructure, so as to facilitate market linkages for the majority that live in rural areas

- The high cost and unstable sources of energy need to be addressed through improved provision of electricity in order to boost agro-processing and value addition of agricultural products

- Inflation and foreign exchange rates should be stabilized in order to stimulate export oriented agri-business investments

- Irrigation schemes should be improved and widely provided in order to reduce weather dependent agricultural practices have increasing been affected by weather vagaries

- National governments should increase their budgetary allocation to the recommended 10 per cent of their respect GDP, in order to ensure better facilitation to the sector on which the majority of their populations are dependent

- The regulatory and legal framework in the agriculture sector should be improved in order to facilitate equitable terms of trade and improve the interaction between all stakeholders

- Support services for smallholders must also be enhanced in order to stimulate productivity through technical and capacity building.

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For agricultural development in Africa to substantially contribute to its overall growth, development and poverty reduction, three conditions need to be met: there should be increase in productivity and production to generate “marketable surplus”; the infrastructure should be in place, including trade facilitation measures, to transform the “marketable surplus” into “marketed surplus”; and there should be a healthy interaction between farmers, the private sector investors and traders. While the first two are getting the attention of both national governments and their development partners, the third is still neglected. Productivity-enhancing initiatives are certainly important but in order to make use of them, both “**better infrastructure for better marketing**” and “**positive terms of trade between the farmers, and investors and traders**” need to be provided. This project aims to address this third critical aspect for the development of African agriculture, focusing on countries in the East African Community (EAC).

The enabling environment is also a function of international policies and agreements, most important being the international trade agreements. The efforts on the ground may not bear fruit if the provisions in international trade agreements (e.g. under the WTO and the Economic Partnership Agreements (EPAs) with the EU) are not in harmony with these efforts and vice versa. Hence, this project also aims to **link the national and international actions** through research and analysis, advocacy and dissemination and networking. It will also strengthen the pro-trade and pro-equity credible Southern NGO voice in Geneva.

← PUBLICATIONS

» *Boosting Development in Kenya: better participation of smallholders in agri-business.* Policy Brief N°1, November 2011

» *Towards Equitable Agriculture Development in Uganda: A look at the Terms of Trade amongst Stakeholders.* Policy Brief N°2, November 2011

» *Equitable Development through Agriculture: Policy Options for Tanzania.* Policy Brief N°3, November 2011

» *Sowing Multilaterally, Reaping Locally: Can the WTO promote Equitable Agriculture Development in the East African Community?* Policy Brief N°4, November 2011

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» *Leveraging Opportunities in Multilateral and Free Trade Agreements: a Case for the East Africa Community.* Policy Brief N°7, June 2012

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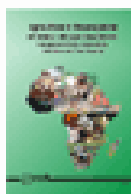
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CUTS International, Geneva is a non-governmental organization pursuing social justice and economic equity within and across borders by persuading governments and empowering people. It promotes a pro-trade pro-equity credible Southern NGO voice in the policy making circles working on trade and development and other related issues in Geneva. Over the past years, it has established itself and contributed effectively in the international and national policy making process, particularly in Eastern and Southern Africa. The strength of the organisation lies in its capacity to bridge existing gaps between all actors, from the grassroots to global leaders, through a work methodology that links research, advocacy, networking.



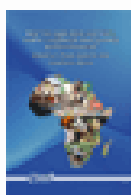
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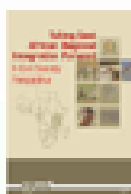
Agriculture in Development of Select African Countries

After 15 months investigating the importance of agricultural trade for food security and poverty reduction in five countries of Eastern and Southern Africa, this research underscores limitations faced in boosting agricultural productivity and ensuring food security, due to physical, legal, economic, social and cultural factors, and outlines how the promotion of regional trade and effective trade facilitation policies can provide effective solutions.



How Can Agriculture and Trade Lead to Livelihoods, Food Security and Development?

This monograph summarises analysis around ten themes of importance to development in Eastern and Southern Africa. The themes range from the role of agriculture to that of governments, donors and CSOs, and also include international and regional trade, education and capacity building needs, and multi-stakeholder consultations and coordination. It offers comprehensive and yet concrete suggestions for action.



Taking East African Regional Integration Forward: A Civil Society Perspective

Through this research, the East African civil society offers to join hands as equal partners of policy makers, researchers and businesses in the process of regional integration and takes on some of the difficult issues of making markets work in the region. For example, it makes a case for facilitating easy movement of people, and suggests ways to attract, retain and spread skills across the region.



Towards More Inclusive Trade Policy Making

This research looks into trade policy making processes in five Eastern and Southern African countries. A number of governmental initiatives have opened up these processes to a larger group of stakeholders who are now eager to play an active role in trade policy making. This publication discusses the remaining constraints to their effective participation and ways to improve consultative mechanisms.

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