

Chapter 1

Introduction

1.1 Why a study of Agricultural policy in West Africa?

After a long period of neglect, West Africa's Agriculture is back on the policy agenda. The region's governments and their development partners now clearly recognise the sector's vital role for economic growth, job creation and poverty reduction. The African Union's adoption of the Comprehensive Africa Agriculture Development Programme (CAADP) and the Maputo Declaration in 2003 marked a new commitment of African governments to the sector. This was followed in 2005 by ECOWAS's adoption of its Regional Agricultural Policy for West Africa (ECOWAP), the subsequent development and adoption of ECOWAP/CAADP compacts by ECOWAS and by all 15 of its member states and the development of investment plans to implement those agreements. The 2008 food price crisis was an important milestone in bringing Agriculture back into the spotlight, and the growing interest of outside private-sector investors in West African agriculture has further brightened that spotlight⁶.

At the same time, the context within which the sector operates has changed radically over the past 30 years. West African societies are in the midst of rapid demographic and socioeconomic transformations, with population growth, urbanization, rising incomes and globalization driving dramatic changes. Forty-five percent of the ECOWAS population is now urban compared to only a third in 1990. By 2018, more people in ECOWAS will live in cities than in rural areas, and this urban population, both poor and middle-class, is making striking new demands on the food system. They are demanding increasingly diverse, convenient,

and prepared forms of food, offering new market opportunities for West African producers and processors if they can successfully compete with imports. A huge "youth bulge" is entering the labour force every year, and a modernising agriculture and broader agrifood system offers the potential to generate many of the desperately needed jobs for these young people. While farming is still the most important sector in terms of employment and an important contributor to GDP in most countries, economies are diversifying, and other sectors, including agroprocessing, are gaining importance and offer potential for helping meet the employment challenge.

The Agricultural policy environment has also evolved dramatically; democratization, decentralization and liberalization have broadened the number of actors involved in policy processes and the range of issues in policy debates. An example of the new issues facing policy makers is West Africa's emerging "double burden of malnutrition", as problems of over-nutrition (overweight and obesity) begin to emerge, particularly among urban women, alongside continuing problems of undernutrition. In addition, as regional integration has gained momentum, the role of regional organizations in shaping policies in and for agriculture has increased. Along with these new policy dimensions, West Africa's agrifood system faces ongoing challenges of how to deal with a declining natural resource base, recurrent natural and human-caused disasters, climate change, and political instability.

These transformations in West Africa are taking place in an evolving international environment characterised by higher and more volatile climatic and market conditions and growing competitive pressures. Several international trends stand out: (1) the growing importance of emerging economies, both as markets for West African agricultural

⁶ The increased interest in Agricultural policy is reflected in a number of recent policy studies and strategy documents (e.g., Angelucci et al., 2013; Elbehri, 2013; Kanu et al., 2014 and West African Sub-regional Office UNECA, 2012).

exports and as sources of food imports, technologies and investments; (2) an increasingly globalized and concentrated agribusiness and food retail sector, expanding both its sourcing and sales in developing countries; (3) world agricultural markets shifting from a period of structural oversupply and declining prices towards one of higher and more volatile prices; (4) higher energy prices and increasing integration of world agricultural and energy markets and (5) eroding confidence in trade-based food security following export bans by suppliers of key food staples during the 2008 food price crisis, coupled with the stalemate until recently of international trade negotiations under the Doha Round.

These changes create promising opportunities but also daunting challenges for West African agrifood systems and render agricultural policy making increasingly complex. In addition to agricultural production and food security, issues related to sustainable resource management, nutrition, competitiveness, employment generation, and linkages with other economic sectors are becoming ever more critical components of agricultural policy. It is clear that in order to shape the transformation of agrifood system along various dimensions, agricultural policy making needs to transcend the traditional realm of agricultural-sector institutions primarily dealing with on-farm production. Policy makers in the region face the challenge of how to coordinate and implement agricultural and non-agricultural policies in order to shape the region's structural transformation in ways that contribute strongly to several key objectives simultaneously. These include broad-based economic growth, job creation, poverty reduction, food security and satisfying increased consumer demands for convenient and nutritious food, while doing all of this in an environmentally, economically and socially sustainable way.

The greater openness of regional and international markets in recent years offers new opportunities for growth and investment, but also raises serious concerns about the organization and control of West African agrifood systems. Policy makers and the broader population are concerned not only about whether agriculture and the broader food system can grow rapidly enough to meet the

multiple demands being put upon it, but also what shape that growth will take – how inclusive it will be and the extent to which West Africans will have a voice in shaping its trajectory (Kanu et al., 2013). Among the many challenges faced by policy makers, two lie at the heart of many of the policy debates in West Africa:

» *The food price dilemma.* Food prices play two critical roles in developing economies (Timmer *et al.*, 1983). On the one hand, they serve as incentives for farmers, traders, and processors to produce; hence, higher prices act as a stimulus to Agricultural production. On the other hand, food prices are also a major determinant of the real incomes of the poor, who devote a large proportion of their revenues on food. Hence, higher prices impoverish those poor people who depend on the market for the bulk of their food. Thus, “getting prices right” for Agriculture is a delicate balancing act, involving weighing the interests of producers and consumers. The long-run solution to the dilemma is to stimulate productivity growth at every stage of the agrifood system through technological and institutional innovations, which allow food production to remain profitable at a lower per-unit cost for consumers. But such productivity growth takes time, so in the short- and medium-term, the dilemma remains. This dilemma has been particularly evident in West Africa since 2008, with policy makers struggling to find ways to balance consumer demands for lower food prices with the desire to increase incentives to farmers to expand their production.

» *The farm and agroprocessing size and ownership debate.* While policies in most ECOWAS countries endorse the notion of “family farming” as a foundation of the agricultural development strategy, in practice there is a growing debate in the region about the appropriate mix of large-scale (including foreign-owned) commercial farming and smaller-scale farming enterprises. A similar debate concerns policies towards agroprocessing. The debate has several dimensions, including empirical questions about possible scale economies in different

types of operations, the impact of enterprise size and capital-intensity on job creation, the role of foreign ownership and control, the environmental impacts of different sizes of operations and the vision of the broader role of Agriculture in society. It is also closely tied to the ongoing political-economic debate about large-scale land acquisitions by foreign and domestic investors (so-called “land grabs”).⁷

Meeting all these policy challenges requires addressing the constraints to better agrifood system performance all the way from input provision to delivery of the final product to the consumer. Therefore, in this study we refer to “Agriculture” (with a capital “A”) as including the entire agrifood system, from input provision to the consumer’s table. (Small “a” agriculture in this study refers to farming, inclusive of both crops and animal production.).

1.2 Background, purpose and scope of the study

In view of the challenges and opportunities facing West African Agriculture, the African Development Bank (AfDB), with financial support from the Government of France, approached the Food and Agriculture Organization of the United Nations (FAO) and ECOWAS about conducting a joint analytical study. The purpose of the Agricultural Growth in West Africa (AGWA) study is to (1) contribute to a better understanding of the evolving context for Agricultural growth in West Africa by examining more closely the drivers and trends affecting the demand for and supply of agrifood products; (2) analyse the ability of the Agricultural sector to respond to those trends; (3) review the evolution and appropriateness of the policy environment to respond to these changes; and (4) distil the main implications for future policy priorities. In view of the growing importance of value addition, Agriculture is regarded in the broader context of the agrifood system. While

a full analysis of the agrifood system in its entirety “from seed to waste” is beyond the scope of a single study, the AGWA study pays particular attention to some of the downstream segments such as agroprocessing, trade, food consumption, and food retailing, as well as some value chains of key importance in the region.

The AGWA study examines these issues from the regional perspective of the 15 ECOWAS member countries, complementing previous studies of Agricultural development at the national, continental and global levels. The purpose is to collate scattered and fragmented evidence and analysis on the various aspects of the West African agrifood transformation – including production, consumption, trade, value chains, agro-industries and retailing – in one volume, in order to make it available to a broad audience interested in agrifood policies and investments in the region. Such compilation not only facilitates access of a broad range of stakeholders to the current body of evidence and analysis on the subject but also highlights linkages, synergies and trade-offs among different policy domains, a prerequisite for evidence-based policy making and coordination beyond the narrow confines of traditional sectoral policies. This study therefore targets a broad audience including policymakers and practitioners in national governments, regional organizations, and development partners as well as civil-society and private-sector organizations engaged in agrifood system related policy domains. Students and scholars in the region and elsewhere studying West African Agricultural development may also find the study useful. Given its scope and thematic breadth, it mainly draws on secondary data and a large body of literature. In order to carry out a first literature review and data analysis and to fill information gaps, the AGWA team also commissioned selected background papers and carried out limited fieldwork in areas in which secondary information was grossly inadequate. The fieldwork focused primarily on understanding changing consumer attitudes that are driving the rapidly evolving food consumption behaviour in West Africa’s burgeoning megapolises and the responses of agroprocessors, supermarkets and fast food restaurants to these changes.

⁷ As of mid-2012, the Land Portal, a joint effort by FAO and several other organisations to develop and maintain a global database on international land transactions, listed 98 large agricultural land acquisitions by foreign entities, totalling over 3.8 million hectares, in the ECOWAS zone (<http://landportal.info/landmatrix/get-the-detail/by-target-region>)

FAO led the implementation of the study, in close collaboration with AfDB and ECOWAS. Implementation proceeded in three stages. In the first stage, FAO staff conducted a scoping study that, based on an initial review of existing literature, data sources and on-going research initiatives by development partners and research institutions, identified: (1) the main structural drivers and trends of supply and demand in West African agrifood systems, (2) the policy challenges and opportunities these supply and demand dynamics imply, (3) the extent to which the various issues mentioned are addressed by existing literature and analysis, and (4) critical gaps that needed to be filled to have a well-informed empirical base for policy making.

Based on the initial analysis in the scoping paper and feedback obtained during a stakeholder workshop held at the end of the scoping phase in Rome, the AfDB, FAO and ECOWAS agreed that the next phases of the study should examine a broad range of trends and policy issues affecting the agrifood system transformation at national and regional level rather than focusing on individual value chains or policy areas. The purpose of this broad focus would be to highlight the synergies and connections among the various policy domains, distil the relevant policy implications, and build upon and complement other more specific studies rather than duplicate their work. The study complements the discussion of generic trends, issues and policy implications, however, with specific examples at the level of individual countries and value chains.

During the second phase of the study, an in depth literature review was conducted on several thematic areas, and the FAO commissioned background papers in order to review and analyse existing studies and secondary information and address selected analytical and knowledge gaps. This broad review and synthesis of existing information was complemented by selected field work focussing on particular issues where secondary information and analysis was particularly weak or insufficient. The field work allowed examining certain issues in greater depth and discussing them with key stakeholders in the food system. Field work was conducted in the Greater Accra

Metropolitan region in Ghana and the Lagos-Ibadan corridor in Nigeria. These two regions were chosen because they are at the forefront of food systems transformation in terms of urbanization, a growing middle class, changing food consumption patterns and growth of modern food retailing and agro-industries. The focus was on further exploring the attitudes of urban consumers in Accra and Lagos towards different food products and different food retail outlets. The AGWA team also held discussions with managers and vendors in different food retail outlets, with agroprocessors in the Lagos-Ibadan corridor, and with poultry producers in Ghana.

In addition to stakeholder consultations during the fieldwork, the AGWA study team invited the network of West African farmer organizations (ROPPA) to contribute background papers highlighting its perspectives on the changing policy context in the region, along with experiences and opportunities of family farmers' participation in Agricultural value chains.

The background papers, the scoping paper and other empirical information served as inputs to the third stage, the development of this final report.

1.3 The AGWA final report: a reader's guide

Following this introductory chapter, the main body of the report is structured into four parts. Each part consists of two to three chapters addressing the major thematic areas of the study. After the four parts, a final chapter presents the main findings, policy implications and building blocks for the way forward. The chapters are supplemented, in Parts I and IV, by focus sections – in essence, mini-chapters of a few pages each – that provide more detailed discussion of key issues, such as the challenges the region faces in dealing with price volatility and the role of producer groups in shaping Agricultural policy.

In order to facilitate the reader's orientation through the book, the following paragraphs provide a brief overview of the content of the

various parts, chapters and focus sections parts. A more detailed overview appears at the beginning of each part, and the main salient issues and findings are briefly summarised at the end of each chapter.

Part I

Part I (Chapters 2-4) examines (1) the economic, technological and social forces driving growth and change in West Africa's agrifood system; (2) how Agricultural production has responded to those drivers, and (3) the role that international and regional trade have played in the region's Agricultural performance, both in terms of exports and of the region's growing reliance on food imports. **Chapter 2** describes five major forces driving structural change in the West African agrifood system, ranging from demographic transformations to globalization and technological revolutions. The chapter analyses how these changes have evolved in the ECOWAS region as a whole and discusses their wide variation across the individual countries. **Focus Section A**, which follows Chapter 2, further explores the challenge of dealing with price volatility – a concern that has become more acute since the global price spikes of 2008, but which in reality has long plagued West African Agricultural markets.

Chapter 3 next examines how West African Agriculture has responded, in terms of increased production and productivity growth, to the driving forces discussed in Chapter 2. After briefly describing the region's diverse production base, the chapter surveys region-wide trends in agricultural production over the past 30 years, as well as its variation across countries. It then analyses the degree to which this growth has been driven by improvements in productivity versus just expansion of production using existing technologies. The chapter documents a very mixed production response to the rising demand for West African Agricultural products described in Chapter 2. The chapter then goes on to analyse the major reasons for this uneven response, ranging from limited market access of many farmers in the region through underfunded research and extension systems to a weak policy environment.

West African countries have long been deeply involved in international trade, both with overseas partners and with their neighbours. **Chapter 4** analyses West Africa's agricultural trade performance over the past 30 years, both overseas and intra-regionally. The chapter examines the patterns of West Africa's growing food imports and its Agricultural export performance in light of both the drivers described in Chapter 2 and the mixed supply response discussed in Chapter 3. The chapter also documents the changing composition of the region's Agricultural imports and exports and their geographic concentration, spotlighting the predominant role that Nigeria, Côte d'Ivoire, Ghana and Senegal play in the region's overseas trade. The chapter concludes by describing the important but poorly documented role that intra-regional Agricultural trade plays in providing remunerative markets to West African producers and in improving the food security of its consumers.

Part II

Part II (Chapters 5-7) examines the evolving nature of demand facing West African agrifood systems in both domestic and regional markets. It does so at three different levels of analysis. **Chapter 5** uses food-balance-sheet (FBS) data for each of the 15 ECOWAS countries over a period of 30 years to document how per capita availability of macronutrients (calories, protein and fat) as well as the availability of different food groups (starchy staples, animal products, fruits and vegetables, etc.) has evolved from 1980 through 2009. The per capita availability figures (a proxy for average per capita consumption) show striking changes in dietary patterns across the region over this long period, marked by a general improvement in food availability and dietary quality, but with wide variations across countries. The negative impacts of wars and civil strife on per capita availability and diet diversity are clearly apparent, as are the positive effects of strong economic growth in countries such as Ghana and Cape Verde.

Chapter 6 goes beyond the FBS analysis of national average per capita food availability to examine how food expenditures vary between urban and rural areas and among different income groups. To

do so, it analyses results from budget-consumption studies carried out in 9 of the 15 ECOWAS countries. These studies permit investigation of how income growth and urbanization have affected, and are likely to affect in the future, demand for key food items among different population groups. Several of the studies present estimates of income-elasticities of demand and marginal budget shares for different foods in the various countries, parameters that lend insight into the magnitude of likely changes in future demand for different food products in these countries.

Chapter 7 complements the quantitative analyses of the Chapters 5 and 6 with qualitative results from focus-group discussions with consumers and retailers in Accra and Lagos about how key factors, including lifestyle changes, prices, and convenience, are driving food choices in West Africa's megalopolises. These results lend insight into the challenges that West African food producers, processors and retailers must face if they are to compete successfully with imported food products.

Part III

Part III (Chapters 8-10) analyses how retail food distribution systems, agroprocessing industries and agricultural value chains in the ECOWAS zone are responding to the forces of structural change described in Part I and the rapidly evolving demand described in Part II. Starting at the consumer end of the system, **Chapter 8** analyses the status and likely evolution of food retailing in West Africa, with a particular emphasis on modern retailing formats. The role of supermarkets and fast-food restaurants in transforming supply chains and food retailing systems in Asia, Latin America and Southern Africa has been widely studied in recent years, with strong concerns about how smallholder farmers may be excluded from this growing market segment. Yet little was known about the growth perspectives of modern food retailing in West Africa, so the AGWA researchers were asked to investigate this topic. Chapter 8 begins by reviewing the evidence on the emergence and growth of modern food retailing throughout Africa and then focuses on its growth in Nigeria and Ghana. The chapter highlights the opportunities and challenges that modernization of food retailing presents for actors

throughout the West African agrifood system as well as the continued importance of traditional retailing formats in the future.

Chapter 9 analyses the structure and performance of agroprocessing in the region, putting particular emphasis on the heterogeneity of this segment of the agrifood system. Agroprocessing in West Africa is characterised by a dichotomy between relatively few industrial-scale firms (many of which process imported inputs, such as wheat and milk powder) and a large number of small-scale enterprises, frequently operating in the informal sector. The chapter highlights the challenges faced by each segment, ranging from the difficulties of the large-scale operators in acquiring reliable supplies of raw products with consistent quality to the challenges of the smaller operations in upgrading the quality and presentation of their finished products.

Chapter 10, the most detailed chapter of Part III, analyses how specific value chains are adapting to the various forces of structural change and demand and identifies how the characteristics of different value chains affect their ability to compete in the new global environment facing West African Agriculture. The chapter illustrates these points by focusing in detail on six value chains that illustrate many of the challenges and opportunities facing West African Agriculture: rice, cassava, poultry, dairy products, cocoa and cotton. This is followed by a briefer discussion of several other value chains for which demand prospects are promising. These include vegetable oil, ruminant livestock, maize, cowpeas, fruits for processing, and cashews.

Part IV

Part IV (Chapters 11 and 12) analyses the implications of the issues discussed in the preceding chapters for public investments and policies at the national and regional levels, including trade policies. These investments and policies aim at spurring Agricultural growth, job creation, and regional integration. Three focus sections delve more deeply into specific policy issues that have been widely debated in West Africa.

Chapter 11 begins by briefly analysing the evolution of Agricultural policies in the region from independence through the structural adjustment period of the 1980s and 1990s to the “rediscovery of agriculture” by African governments and their development partners starting around 2000. It then focuses more in detail on the current Agricultural policies and investment plans in the region, both at the national and regional levels. This includes a discussion of the regional economic policies of WAEMU and ECOWAS, known respectively as the Politique Agricole de l’UEMOA (PAU) and the ECOWAS Agricultural Policy (ECOWAP). The ECOWAP process was merged with CAADP in 2005, and this merged programme (known as ECOWAP/CAADP) has been instrumental in reshaping Agricultural policies and investment programmes at the national and regional levels. Chapter 11 analyses these policies and investment programmes at the national level – highlighting common elements as well as divergent approaches across the 15 ECOWAS member states – and at the regional level to examine how well they respond to the challenges outlined earlier in this report. In so doing, the chapter also examines the coherence between national and regional policies, thereby identifying “policy gaps.”

Following Chapter 11, **Focus Sections B, C, and D** discuss policy issues that have become increasingly crucial in recent years: (1) the role of stakeholder groups, particularly the experience of the regional federation of producer organizations, ROPPA, in helping shape policy design and implementation; (2) policy options for improving farmers’ access to inputs such as fertilizers, improved seeds, pesticides, and veterinary products; and (3) policies affecting land tenure and water rights.

While the focus in Chapter 11 is primarily on Agricultural investment and development strategies for the domestic market, **Chapter 12** analyses policies affecting the region’s trade, both among ECOWAS member states and with the outside world. The chapter focuses on progress to date in promoting regional economic integration in the context of ECOWAS and WAEMU, including the promotion of free trade within these economic communities and the creation of a Common

External Tariff and accompanying safeguard mechanisms to mediate their trade with the rest of the world. The chapter also examines ECOWAS’s challenges in developing a region-wide Economic Partnership Agreement with the European Union and how regional integration efforts have interacted with its member states’ obligations to the World Trade Organization. Chapter 12 also discusses the tools available to the region, beyond the proposed safeguard mechanisms, to deal with the price volatility it faces both within West Africa and in global markets. Finally, the chapter examines the coherence between Agricultural and trade policies in light of the structural changes underway in West African economies.

Major findings and policy implications

The final chapter (Chapter 13) presents the main findings and policy implications of the AGWA study and proposes a way forward to address the challenges and opportunities facing West African Agriculture.