# The destruction of African agriculture

Sunday 7 September 2008, by BELLO Walden, BIRNER Regina, TAYLOR Dan (Date first published: 5 August 2008).

**We reproduce below the article of Walden Bello published in Pambazuka News, followed by to critical readers' comments from Regina Birner and Dan Taylor.**

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Biofuel production is certainly one of the culprits in the current global food crisis. But while the diversion of corn from food to biofuel feedstock has been a factor in food prices shooting up, the more primordial problem has been the conversion of economies that are largely food-self-sufficient into chronic food importers. Here the World Bank, International Monetary Fund (IMF), and the World Trade Organization (WTO) figure as much more important villains.

Whether in Latin America, Asia, or Africa, the story has been the same: the destabilization of peasant producers by a one-two punch of IMF-World Bank structural adjustment programs that gutted government investment in the countryside followed by the massive influx of subsidized U.S. and European Union agricultural imports after the WTO's Agreement on Agriculture pried open markets.

African agriculture is a case study of how doctrinaire economics serving corporate interests can destroy a whole continent's productive base.

## FROM EXPORTER TO IMPORTER

At the time of decolonization in the 1960s, Africa was not just self-sufficient in food but was actually a net food exporter, its exports averaging 1.3 million tons a year between 1966-70. Today, the continent imports 25% of its food, with almost every country being a net food importer. Hunger and famine have become recurrent phenomena, with the last three years alone seeing food emergencies break out in the Horn of Africa, the Sahel, Southern Africa, and Central Africa.

Agriculture is in deep crisis, and the causes are many, including civil wars and the spread of HIV-AIDS. However, a very important part of the explanation was the phasing out of government controls and support mechanisms under the structural adjustment programs to which most African countries were subjected as the price for getting IMF and World Bank assistance to service their external debt.

Instead of triggering a virtuous spiral of growth and prosperity, structural adjustment saddled Africa with low investment, increased unemployment, reduced social spending, reduced consumption, and low output, all combining to create a vicious cycle of stagnation and decline.

Lifting price controls on fertilizers while simultaneously cutting back on agricultural credit systems simply led to reduced applications, lower yields, and lower investment. One would have expected the non-economist to predict this outcome, which was screened out by the Bank and Fund's free-market paradigm. Moreover, reality refused to conform to the doctrinal expectation that the withdrawal of the state would pave the way for the market and private sector to dynamize agriculture. Instead, the private sector believed that reducing state expenditures created more risk and failed to step into the breach. In country after country, the predictions of neoliberal doctrine yielded precisely the opposite: the departure of the state "crowded out" rather than "crowded in" private investment. In those instances where private traders did come in to replace the state, an Oxfam report noted, "they have sometimes done so on highly unfavorable terms for poor farmers," leaving "farmers more food insecure, and governments reliant on unpredictable aid flows." The usually pro-private sector Economist agreed, admitting that "many of the private firms brought in to replace state researchers turned out to be rent-seeking monopolists."

What support the government was allowed to muster was channeled by the Bank to export agriculture – to generate the foreign exchange earnings that the state needed to service its debt to the Bank and the Fund. But, as in Ethiopia during the famine of the early 1980s, this led to the dedication of good land to export crops, with food crops forced into more and more unsuitable soil, thus exacerbating food insecurity. Moreover, the Bank's encouraging several economies undergoing adjustment to focus on export production of the same crops simultaneously often led to overproduction that then triggered a price collapse in international markets. For instance, the very success of Ghana's program to expand cocoa production triggered a 48% drop in the international price of cocoa between 1986 and 1989, threatening, as one account put it, "to increase the vulnerability of the entire economy to the vagaries of the cocoa market [1]." In 2002-2003, a collapse in coffee prices contributed to another food emergency in Ethiopia.

As in many other regions, structural adjustment in Africa was not simply underinvestment but state divestment. But there was one major difference. In Latin America and Asia, the Bank and Fund confined themselves for the most part to macromanagement, or supervising the dismantling of the state's economic role from above. These institutions left the dirty details of implementation to the state bureaucracies. In Africa, where they dealt with much weaker governments, the Bank and Fund micromanaged such decisions as how fast subsidies should be phased out, how many civil servants had to be fired, or even, as in the case of Malawi, how much of the country's grain reserve should be sold and to whom. In other words, Bank and IMF resident proconsuls reached into the very innards of the state's involvement in the agricultural economy to rip it up.

## THE ROLE OF TRADE

Compounding the negative impact of adjustment were unfair trade practices on the part of the EU and the United States. Trade liberalization allowed low-priced subsidized EU beef to enter and drive many West African and South African cattle raisers to ruin. With their subsidies legitimized by the WTO's Agreement on Agriculture, U.S. cotton growers offloaded their cotton on world markets at 20-55% of the cost of production, bankrupting West African and Central African cotton farmers in the process [2].

These dismal outcomes were not accidental. As then-U.S. Agriculture Secretary John Block put it at the start of the Uruguay Round of trade negotiations in 1986, "the idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on U.S. agricultural products, which are available, in most cases at lower cost [3]."

What Block did not say was that the lower cost of U.S. products stemmed from subsidies that were becoming more massive each year, despite the fact that the WTO was supposed to phase out all forms of subsidy. From $367 billion in 1995, the first year of the WTO, the total amount of agricultural subsidies provided by developed country governments rose to $388 billion in 2004. Subsidies nowaccount for 40% of the value of agricultural production in the European Union (EU) and 25% in the United States.

The social consequences of structural adjustment cum agricultural dumping were predictable. According to Oxfam, the number of Africans living on less than a dollar a day more than doubled to 313 million people between 1981 and 2001 – or 46% of the whole continent. The role of structural adjustment in creating poverty, as well as severely weakening the continent's agricultural base and consolidating import dependency, was hard to deny. As the World Bank's chief economist for Africaadmitted, "We did not think that the human costs of these programs could be so great, and the economic gains would be so slow in coming [4]."That was, however, a rare moment of candor. What was especially disturbing was that, as Oxford University political economist Ngaire Woods pointed out, the "seeming blindness of the Fund and Bank to the failure of their approach to sub-Saharan Africa persisted even as the studies of the IMF and the World Bank themselves failed to elicit positive investment effects [5]."

## THE CASE OF MALAWI

This stubbornness led to tragedy in Malawi.

It was a tragedy preceded by success. In 1998 and 1999, the government initiated a program to give each smallholder family a "starter pack" of free fertilizers and seeds. This followed several years of successful experimentation in which the packs were provided only to the poorest families. The result was a national surplus of corn. What came after, however, is a story that will be enshrined as a classic case study in a future book on the 10 greatest blunders of neoliberal economics.

The World Bank and other aid donors forced the drastic scaling down and eventual scrapping of the program, arguing that the subsidy distorted trade. Without the free packs, food output plummeted. In the meantime, the IMF insisted that the government sell off a large portion of its strategic grain reserves to enable the food reserve agency to settle its commercial debts. The government complied. When the crisis in food production turned into a famine in 2001-2002, there were hardly any reserves left to rush to the countryside. About1,500 people perished. The IMF, however, was unrepentant; in fact, it suspended its disbursements on an adjustment program with the government on the grounds that "the parastatal sector will continue to pose risks to the successful implementation of the 2002/03 budget. Government interventions in the food and other agricultural markets…crowd out more productive spending."

When an even worse food crisis developed in 2005, the government finally had enough of the Bank and IMF's institutionalized stupidity. A new president reintroduced the fertilizer subsidy program, enabling two million households to buy fertilizer at a third of the retail price and seeds at a discount. The results: bumper harvests for two years in a row, a surplus of one million tons of maize, and the country transformed into a supplier of corn to other countries in Southern Africa.

But the World Bank, like its sister agency, still stubbornly clung to the discredited doctrine. As the Bank's country director toldthe Toronto Globe and Mail, "All those farmers who begged, borrowed, and stole to buy extra fertilizer last year are now looking at that decision and rethinking it. The lower the maize price, the better for food security but worse for market development."

## FLEEING FAILURE

Malawi's defiance of the World Bank would probably have been an act of heroic but futile resistance a decade ago. The environment is different today. Owing to the absence of any clear case of success, structural adjustment has been widely discredited throughout Africa. Even some donor governments that once subscribed to it have distanced themselves from the Bank, the most prominent case being the official British aid agency that co-funded the latest subsidized fertilizer program in Malawi. Perhaps the motivation of these institutions is to prevent the further erosion of their diminishing influence in the continent through association with a failed approach and unpopular institutions. At the same time, they are certainly aware that Chinese aid is emerging as an alternative to the conditionalities of the World Bank, IMF, and Western government aid programs.

Beyond Africa, even former supporters of adjustment, like the International Food Policy Research Institute (IFPRI) in Washington and the rabidly neoliberal Economistacknowledged that the state's abdication from agriculture was a mistake. In a recent commentary on the rise of food prices, for instance, IFPRI asserted that "rural investments have been sorely neglected in recent decades," and says that it is time for "developing country governments [to] increase their medium- and long-term investments in agricultural research and extension, rural infrastructure, and market access for small farmers." At the same time, the Bank and IMF's espousal of free trade came under attack from the heart of the economics establishment itself, with a panel of luminaries headed by Princeton's Angus Deaton accusing the Bank's research department of being biased and "selective" in its research and presentation of data. As the old saying goes, success has a thousand parents and failure is an orphan. Unable to deny the obvious, the Bank has finally acknowledged that the whole structural adjustment enterprise was a mistake, though it smuggled this concession into the middle of the 2008 World Development Report, perhaps in the hope that it would not attract too much attention. Nevertheless, it was a damning admission:

Structural adjustment in the 1980's dismantled the elaborate system of public agencies that provided farmers with access to land, credit, insurance inputs, and cooperative organization. The expectation was that removing the state would free the market for private actors to take over these functions—reducing their costs, improving their quality, and eliminating their regressive bias. Too often, that didn't happen. In some places, the state's withdrawal was tentative at best, limiting private entry. Elsewhere, the private sector emerged only slowly and partially—mainly serving commercial farmers but leaving smallholders exposed to extensive market failures, high transaction costs and risks, and service gaps. Incomplete markets and institutional gaps impose huge costs in forgone growth and welfare losses for smallholders, threatening their competitiveness and, in many cases, their survival.

In sum, biofuel production did not create but only exacerbated the global food crisis. The crisis had been building up for years, as policies promoted by the World Bank, IMF, and WTO systematically discouraged food self-sufficiency and encouraged food importation by destroying the local productive base of smallholder agriculture. Throughout Africa and the global South, these institutions and the policies they promoted are today thoroughly discredited. But whether the damage they have caused can be undone in time to avert more catastrophic consequences than we are now experiencing remains to be seen.

Walden Bello

## READERS’ COMMENTS

### DON’T BLAME THE WORLD BANK FOR EVERYTHING

By Regina Birner, Senior Research Fellow, International Food Policy Research Institute (IFPRI)

I am wondering how much more evidence on the pre-structural adjustment era and on structural adjustment needs to be created before our friends from the NGO community stop telling this misconceived story-line that everything was just fine in African agriculture, until the bad World Bank and IMF pressured the poor African governments into dismantling their “elaborate system of public agencies that provided farmers with access to land, credit, insurance inputs and cooperative organization.” (quote from the article). If these systems were working so well and reached the smallholders with all these services, then why didn’t Africa have a small-holder based Green Revolution prior to structural adjustment? Why did agriculture fail to even keep pace with population growth? There is ample evidence that many of these “elaborate systems” the article refers to mainly served elites who appropriated large rents rather than reaching smallholders. To name just one source, the book by Djurfeld et al. (2005) on “The African Food Crisis - Lessons from the Asian Green Revolution” provides ample evidence on the large-farmer bias and the rent-seeking by bureaucrats that characterized agricultural policies on the continent. Independent “cooperative organization” of farmers, for example, was destroyed by authoritarian governments long before structural adjustment (as in the case of coffee farmers in Ghana). So yes, agricultural spending has been reduced under structural adjustment, but why is the author not asking in whose pockets most of that expenditure had ended up the first place?

It is also important to consider what governments actually did—as compared what they were portraying to do—under structural adjustment. As Jayne et al. (2002:1967) show for Eastern and Southern Africa, “many of the most fundamental elements of the reform programs either remain unimplemented, were reversed within several years, or were implemented in such a way as to negate private sector investment incentives.” Other authors (Cooksey, Pletcher) also provide evidence on the same point. And van de Walle shows that many African governments and elites were quite well able to protect their own interests under structural adjustment.

I would be the last one to defend the Bank’s role under structural adjustment or thereafter, and I think it is very important that NGOs criticize the Bank and IFPRI for whatever goes wrong. For example, I think it took the Bank far too long to move away from the position that “all subsidies are bad” to considering “market-smart subsidies.” And one can certainly criticize IFPRI for starting to research this topic only now. However, I wonder when the NGO community will finally start to acknowledge that one can’t blame international organizations alone - African governments themselves—especially those who were not accountable to their own people—have played an important role in the destruction of African agriculture, as well.

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## BUSINESS AS USUAL IS NO SOLUTION TO THE CURRENT FOOD CRISIS

**By Dr Dan Taylor, Director, Find Your Feet** (dan fyf.org.uk, www.fyf.org.uk)

Any attempt to cover a very complex subject in the space of a few pages must inevitably be somewhat superficial in its analysis. Walter Bello’s ‘The ‘destruction of African agriculture’ is a good attempt to do so but suffers from a number of analytical shortfalls. While the article starts with biofuel production it does not argue against the disastrous impact that biofuels has had on the global food crisis, and glosses over the fact that it is one of the major contributing factors at the present time. But I do not want to dwell on this and must myself be subject to the same criticism of trying to say too much in too little words.

The conflation in this article of structural adjustment, state failure and the more recent policies of global institutions in which privatisation has been mandatory for the developing world (together with the deforestation for, and use of, food crops for biofuel production) does little to clarify our current food crisis or the destruction of Africa’s agriculture. Furthermore the fact that African governments do little to promote agriculture either by investing a higher proportion of their national budget in this sector, or by enacting policies that link agricultural production to environmental and biodiversity conservation, raises some important issues of governance and accountability to their poorer citizens. But all this is old news. The point that we wish to emphasise is that the rather predictable outcome of a privatisation process should not detract from the fact that business as usual, the industrial model of agriculture, is no solution – to repeat the findings of the latest IAASTAD Report - to the current food crisis.

In this regard we want to refer to the Malawi success story promoted in the article, one that is dependent on continued donor support, affordability in the face of growing fertiliser prices, and state patronage. In attributing the success of the scheme to farming inputs, insufficient attention has been paid to the fact that rainfall in Malawi over the past two agricultural seasons has been optimal. We are delighted that Malawi farmers were able to grow more food and our wish is for this to continue. At risk of being harbingers of doom, it is clear that it cannot and will not continue – the sad fact is that Africa is susceptible to floods and droughts. The droughts will return, if not next year, then the year after, or the year after that. And at this point of time the crops will again fail. In any event donors will most probably have changed their priorities by then, but farmers’ reliance on an unsustainable model of agriculture will remain.

So what about sustainability? Part of the food crisis is the high costs of an agricultural model dependent on monocultures and fossil fuels at the expense of the environment. The threat of global warming tells us that we need to reduce risk and diversify agricultural production away from a reliance on single crops towards a diversified agriculture that is more in keeping with agricultural systems which have served Africa for millennia and more closely mimic the natural ecosystems.

Hence the use of readily available local resources using farmers own skills and knowledge – in other words a range of technologies, practices and systems that require few external inputs.

The article shows little concern for the environment, while even the Malawi Government is recognising the unsustainbility of highly subsidised input packages in the current economic crisis. It is for this reason that it has asked us, through the Ministry of Agriculture and Food Security, to launch a national composting programme, to reduce reliance on an intervention that it cannot afford and neither can the farmers which it is designed to benefit.

So the World Bank, with regard to subsidies in this case, is right, even if it is not for the correct reasons. And while we must recognise the mistakes of the rather short-sighted policies of the past – of which structural adjustment provides us with a devastating example – we should look forwards not backwards. The positive role that the state must play should be re-emphasised in a policy context which recognises farmers as custodians of the environment and plays an affirming role in setting the policies that empower them while making them responsible for conserving the agricultural and biological diversity on which posterity depends. This is real agency for farmers as citizens and one in which they will no longer be subject to the fads and fashions of donor policies or the edicts of global multilateral institutions.

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## P.S.

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* * Please send comments to editor pambazuka.org or comment online at http://www.pambazuka.org/

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## Footnotes

[1] Charles Abugre, "Behind Crowded Shelves: as Assessment of Ghana's Structural Adjustment Experiences, 1983-1991," (San Francisco: food First, 1993), p. 87.

[2] "Trade Talks Round Going Nowhere sans Progress in Farm Reform," *Business World* (Phil), Sept. 8, 2003, p. 15

[3] Quoted in "Cakes and Caviar: the Dunkel Draft and Third World Agriculture," *Ecologist*, Vol. 23, No. 6 (Nov-Dec 1993), p. 220.

[4] Morris Miller, *Debt and the Environment: Converging Crisis* (New York: UN, 1991), p. 70.

[5] Ngaire Woods, *The Globalizers: the IMF, the World Bank, and their Borrowers* (Thaca: Cornell University Press, 2006), p. 158.