Agricultural Markets in West Africa: Frontiers, Agribusiness and Social Differentiation

Kojo Sebastian Amanor

1 Introduction

Neoliberal policies have in recent years focused on introducing institutional reform to facilitate and regulate the operation of free markets. It is still assumed that the free market is the best mechanism to achieve efficient and equitable growth, alongside technical prescriptions. A growing body of research on the political economy of agribusiness and the ways in which agribusiness and geopolitical interests capture world commodity markets is largely ignored within mainstream agricultural development literature on Africa. After 20 years of neoliberal reform in Africa, the same old formulas are dogmatically asserted without critical reflection (see Olukoshi, this *IDS Bulletin*).

Bates (1981) dealt a telling indictment of the elite basis of state policies in Africa. But his analysis largely focused on abstract models of markets and failed to examine the interventions of the state in agricultural production, which were often based on linkages with agribusiness and aspiring private sector capitalists. The interventions of the state in agriculture served not only to promote patronage but also the development of capitalist agriculture and agribusiness. Bates failed to analyse the interests of agribusiness in expanding into developing country markets. This is an important factor, since the open market policies he advocated play into the interests of agribusiness. This article examines how agricultural markets have been shaped by power relations, often at the expense of the rural poor, and how the organisation of frontiers, transport and input supplies affect export crop, food and agribusiness production.

2 The frontier and export crops

In looking at state interventions that control producer prices to the detriment of farmers, one of the sectors that Bates focused on was cocoa production in Ghana. Bates argues that the state sought to appropriate an increasing proportion of the producer price to use in expanding its political patronage. As a result farmers stopped producing cocoa and turned to food production. During the 1980s Côte d'Ivoire was regarded as the economic miracle of Africa, whose open door policies favoured growth. By the 1990s the Ivorian economy entered crisis as world cocoa prices collapsed, and there were structural similarities between this and the earlier crisis in Ghana. The existence of excellent research on the interaction between production, market prices, and crisis in Côte d'Ivoire enables us to re-evaluate the earlier crisis in Ghana.

Cocoa production throughout the world is patterned on cycles of boom, collapse and movement of cocoa to new frontier areas of remaining forest land. Cocoa is subject to a 'forest rent' (Ruf 1997). New areas of production achieve windfalls from soil conditions, moisture, and lack of weeds and pests, which are reflected in low production costs. As cocoa plantations become old they become less productive, susceptible to pests, and weed populations build up. The cost of labour and inputs increase and profits decline. The cost of rehabilitating cocoa in old producing zones is high. Cocoa producers respond by migrating to new areas of forest where production costs are lower. Labour migrates to these new areas since labouring is less arduous and gains better returns. The decline of production in old areas can result in higher world prices. New frontier areas come into production to satisfy demand. But this prevents prices being upwardly adjusted to the cost of production in old areas and eventually leads to lower prices as the market becomes saturated.

Various types of farmers and labourers participate in the development of frontier cocoa, and the 'forest rent' captured on the frontier encourages farm expansion and the hiring of labour. Far from being a family activity, cocoa farming embodies complex labour arrangements and social differentiation. In both Ghana and Côte d'Ivoire the cocoa industry has been built with migrant labour from Burkina Faso, Mali and Niger.

Cocoa production in Ghana started in the late nineteenth century in the Eastern Region. By the 1920s, it had spread into the Ashanti Region. During the 1940s, the new frontier lay in Ahafo and cocoa in the Eastern Region entered into decline, undermined by serious pest attacks. By the 1970s, the only frontier area remaining was in the Western Region, and in all the other regions cocoa was beset by stagnation, declining yields and the need to rehabilitate cocoa. Thus, the boom in cocoa during the 1950s and early 1960s in Ghana was the product of new areas in the Western Region coming into production. The crisis in the late 1960s and 1970s was related to problems of production in the old frontier areas, and cocoa production became largely confined to the new frontiers in the west.

Similarly, in Côte d'Ivoire the cocoa frontier has moved westward, albeit at a latter date. While cocoa production began in the east in the 1920s, the major expansion in cocoa production occurred from the 1970s as production shifted into the centre and the west. The decline of cocoa production in Ghana corresponded with the rise of Ivorian production, and the state in Côte d'Ivoire played a major role in encouraging migrant labour from Sahelian countries (particularly Burkina Faso and Mali), and creating land tenure systems that facilitated the release of land to migrants including both Ivorian and foreign migrants. Forest reserves were also released for cultivation. This resulted in a rapid expansion of cocoa during the boom of the 1970s.

The expansion of cocoa often led to a deficit of food production in old cocoa areas where most land was under mature plantation, and farmers frequently purchased food crops to complement declining household production. In Ghana during the 1970s, with the decline of both the old cocoa frontiers and world market prices, the government responded to shortfalls in revenue – resulting from its dependence on cocoa – by appropriating a larger percentage of the producer price. This intensified the crisis. Cocoa farmers in old areas now found that prices for production barely accounted for the cost of production. Unable to hire labour and purchase pesticides and other inputs, farmers became increasingly dependent upon their own labour, and increasingly turned from cocoa to food production to meet their own family needs and also as a source of income. Food prices on national urban markets now compared favourably with cocoa.

In the Côte d'Ivoire government maintained more stable producer prices during the 1970s and 1980s, encouraging an expansion of cocoa. The government accumulated revenue through the continued expansion of production. By the 1990s, the limits of frontier expansion were reached as the last uncultivated cocoa areas in the west of the country were brought under cultivation. The old areas of production now required rehabilitation. However, the rapid expansion of cocoa cultivation in Côte d'Ivoire, which came to produce 60 per cent of the world's cocoa, resulted in saturation of the world market and declining real prices on the world market. The Ivorian government responded as the Ghanaian government had done two decades earlier, by reducing producer prices to stabilise its revenue, intensifying the decline. The decline in incomes badly hurt Ivorian producers who had become reliant upon hired migrant labour and could no longer afford to produce cocoa, given the decline of yields on old plantations, and the costs of labour and of rehabilitation of old plantations. Increasingly, it became the migrant Burkinabe families, with their lower standards of living and their reliance on family labour (including children), who could bear the brunt of producing at very low margins (Leonard and Oswald 1997). However, the gradual rise to dominance of Burkina farmers in the cocoa industry in the midst of a serious crisis and declining standards of living was to unleash an ethnic backlash and xenophobia. Paradoxically, the crisis in cocoa takes place against a background of considerable technical experimentations by farmers in adapting cocoa to new conditions. It is the economic constraints imposed by world markets rather than the technical problems that elude farmers.

While it is possible to see the crisis in these two countries as the result of the policy responses of governments, ultimately the crisis is a product of commodity markets on which these two states have become completely dependent. Both of these states have attempted to diversify into other crops, but there are limited openings and similar depressed conditions prevail in other export commodity markets. In the case of Côte d'Ivoire the promotion of cocoa was a diversification out of coffee, where producer prices deteriorated in the 1970s. Today, coffee is subject to an even more intense crisis. In spite of high demand and high market prices in Western consumer markets, major international traders have managed to build up stockpiles and pay producers rock bottom prices.

African countries have extremely limited scope for diversifying into new markets or developing innovatory new crops, since they are beset by highly regulatory policies that restrict market access in Europe and North America. The cost of mediating food regulations and tariffs is considerable and involves a large expenditure on research, information systems and legal representation. This can frequently only be carried out by multinational agribusiness. Even the concepts of fair trade and certification are bound by so many legal and bureaucratic constraints that they effectively exclude enterprising farmer groups within developing countries from taking the initiative, and make them dependent upon links with international agribusiness (see Barrientos *et al.*, this *IDS Bulletin*).

While African farmers are particularly prone to declining world market prices, this affects many farmers in many regions of the world including in the USA and Europe, where flexible accumulation has allowed supermarket chains to access produce from the cheapest areas of the world, rendering whole farming populations marginalised and obsolete. This includes the likes of sheep farmers in Wales who are unable to compete with New Zealand lamb on the shelves of the supermarket chains. In many industrial countries farmers are being subsidised to keep land out of production.

3 Food markets

Moving resources from export crops into food crops becomes a rational mechanism for many export crop producers given the unpredictability of export markets. However, food markets are also increasingly influenced by power relations and market control, as agribusiness extends its area of influence throughout the world. In the Batesian framework, tariffs were used by African states to protect inefficient industries and sell their urban produced commodities to urban people at inflated prices. However, market deregulation does not only open up African markets to industrial commodities, but also to agricultural commodities. One of the fastest growing imports in West Africa has been US rice, and this is a profitable sector for import-export traders. Since food consumption often accounts for up to two-thirds of the budget of the average urban family, pressures exist to provide increasingly cheap food. The excess production of international agribusiness can frequently undercut local production and under economic liberalism imported foods are increasingly replacing local food products in the urban market.

A large part of the production of local food in urban areas is made up of transportation costs. This is often the case because lorries and vehicles plying rural areas are frequently old and consume much fuel. Fuel costs are also vulnerable to external shocks concerned with geopolitical factors on international markets. A large part of the petroleum price in developed countries consists of taxation, and weary donors often insist that African countries increase the cost of petroleum fuel to increase tax revenues. Traders and farmers do not have equal access to transport, and frequently transport costs are determined by economies of scale. Clark (1994) found that transport charges form a high proportion of the Kumasi price of food and that traders who are able to hire a lorry pay considerably less per bag than small traders. In commodities transported over long distances large traders make a disproportionate profit, even calculating for the risks.

Yam is one of the commodities identified by Clark in which traders must operate on a large scale to survive. Like many food commodities yam is controlled by commodity marketing associations of women traders organised under "market queens". These associations set the price of yams in the market. These associations operate in both the large consumer markets in the urban areas and wholesale markets in the rural areas. In the rural wholesale markets the yam associations buy from farmers and sell the produce to the large urban traders. This results in markets with a small number of buyers for the product.

In the Kintampo District, one of the major yam-producing districts in Ghana, wholesale traders do not go out to the villages to purchase yam. Farmers are forced to transport their yams to Kintampo market. Since yams are bulky commodities, the cost of transporting them to markets along transport-scarce feeder roads is high. At the height of the yam harvest season the traders pay low prices to farmers that do not take into account the cost of transportation. The traders know that the farmers will be forced to sell the yams to them since they cannot afford to transport the yams back to their homes. Frequently, the cost paid to farmers is below the cost of production, since yams require considerable labour, which usually involves hiring it. As a consequence of the low price paid for yams many farmers are now gaining their main cash income from charcoal production. Yam is an important farm commodity. It is the second most important crop to cassava in terms of its contribution to agricultural gross domestic product. Little research exists on yams and yam farmers depend upon their own technology, usually based on bush fallowing, rather than research station technology. Despite predictions of its eminent decline since the 1960s, yam cultivation has continued to thrive. In the contemporary setting yam cultivation is threatened by a hostile marketing and policy environment, rather than by technical constraints on production.

Road building and infrastructure development do not guarantee improved conditions for agriculture if access to transport, markets and information is unequally distributed. They rather favour the development of the interests of the most powerful. Markets are often driven by power relations that do not guarantee food security, security of livelihoods and the alleviation of poverty. In the current situation the combination of liberalised markets, which enable traders to import the world's food surplus into African food markets, and monopoly control over the internal trade in marketing and transport create insecurity, angst and vulnerability for many farmers.

4 Agribusiness

The removal of subsidies on inputs favours agricultural interventions by agribusiness in sectors in which inputs are necessary to gain high yields and commercial profits. The lack of sources of credit and inputs and the demise of government input programmes enables agribusiness companies to exercise powerful control over farmers' production and markets.

For instance, the Ghana Oil Palm Development Corporation, a privatised former joint Government of Ghana and World Bank Project, now known as the Kwae Project, has developed an outgrower scheme in the Eastern Region. It provides farmers with inputs and capital advances to grow hybrid oil palms on their own land according to prescribed cultural procedures. The farmers are bound by contract to deliver all their fruits to the company. The company deducts the loan and compound interest from the farmer's yield. The price paid by the company is often below local market prices, which results in disgruntled farmers who divert fruits to the local market. Seven thousand farmers were dispossessed of 9,000 hectares of land to make way for the project. This has resulted in a large landless youth population who are forced to earn a livelihood as casual labourers. Many of them raid the plantation at night to earn a living (Amanor 1999). The unpopularity of the outgrower scheme has resulted in many farmers attempting to develop their own plantations. Those without sufficient capital contract their land to sharecroppers with capital to develop oil palm plantations, which are shared between the landowners and the tenant. This has further compounded the plight of local youth, who can no longer gain access to land through family circuits as production becomes increasingly commodified.

Although modern palm oil production has successfully displaced other forms of agriculture, this has resulted in increasing social differentiation (or "de-agrarianisation"), the rise of an underclass, and insecurity over markets, lands and livelihoods. Successful technical interventions have been made, but these are shaped and controlled by powerful economic interests.

5 Conclusion

Many assumptions abound about agricultural markets in Africa. Extravagant claims are made about how expansion of the market and existing technologies can result in poverty alleviation. Much of what passes as research has become an advertising campaign, which promotes particular commodities, commodified knowledge, and the supermarkets of the world as having the magical power to solve poverty. This lacks any framework of how poverty results from the immanent processes of the development of capitalism and markets. It sees poverty as static and outside of history. Agricultural markets and agribusiness need to be made the subjects of more rigorous and critical research that examines their effects on different strata of producers, and how they are mediated by the interests of the rich and powerful both within national and global markets. Research needs to investigate how producers perceive, interact with and attempt to circumvent agricultural markets, and their access or lack of access to relevant support structures and information (see Fairhead and Leach, this *IDS Bulletin*). The processes of social differentiation within specific localities and regions need to be made the subject of research.

References

Amanor, K., 1999, *Global Restructuring and Land Rights in Ghana: Forest Food Chains, Timber and Rural Livelihoods*, Uppsala: Nordic Africa Institute

Bates, R., 1981, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies*, Berkeley: University of California Press

Clark, G., 1994, *Onions are My Husband: Survival and Accumulation by West African Market Women*, Chicago: Chicago University Press

Leonard, E. and Oswald, M., 1997, 'Cocoa smallholders facing a double structural adjustment in Côte D'Ivoire: responses to a predicted crisis', in F. Ruf and P.S. Siswoputranto (eds), *Cocoa Cycles: The Economies of Cocoa Supply*, Cambridge: Woodhead Publishing Limited: 125–50

Ruf, F., 1997, 'From forest rent to tree-capital: basic "laws" of cocoa supply', in F. Ruf and P.S. Siswoputranto (eds), *Cocoa Cycles: The Economies of Cocoa Supply*, Cambridge: Woodhead Publishing Limited: 1–53