

African Farmers: A Little Help Goes A Long Way

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In a world still shaken by skyrocketing food prices the search is on for ways to increase food production in Africa and other chronically hungry regions. Malawi's farmers think they have the answer: fertilizer.

For years this basic input was simply beyond their means. Costing the equivalent of about \$50 a bag, fertilizer was just too expensive to use. But in 2005 the government of

President Bingu wa Mutharika began subsidizing fertilizers and high-yielding seeds for Malawi's smallholders.

The impact was dramatic. The following year Malawi's maize harvest more than doubled, to 2.7 mn tons. It rose again in 2007 to 3.4 mn tons — enough to feed the nation and sell hundreds of thousands of tons to the UN's World Food Program (WFP) and

neighboring countries, generating \$120 mn in sales. The formerly aid-dependent country even donated 10,000 tons of maize to the WFP's nutrition program for people living with HIV/AIDS. The subsidy program is already being seen as a model by other African governments and international development agencies struggling to increase food production.

'A Very Bold Decision'

But subsidies for African farmers in Malawi and elsewhere in Africa have encountered opposition from donors. In 1999 Malawi introduced a more modest farm subsidy program, but it ran afoul of the free-market policies of the World Bank and International Monetary Fund (IMF) and was phased out. Most farmers, however, were too poor to pay commercial rates for fertilizer

and seeds, and maize yields plunged. After the failed 2005 harvest left 5 million of Malawi's 13 million people on the brink of starvation, the newly elected government of President Mutharika defied the donors and launched the subsidy scheme with its own funds.

"It was a very bold decision to provide subsidies for seeds and

fertilizers over the objections of the development partners," noted Kanayo Nwanze, vice-president of the UN's International Fund for Agricultural Development (IFAD). "But the government stood its ground and said 'We're going to do it.' The next year the donors supported it,"

'Failed Policies'

Support for government aid for smallholder farming and food self-sufficiency represents a sharp break with past policy by donors and international lenders. Under the pro-market, trade liberalization policies of the 1980s and 90s, governments were advised to stay out of farming to make room for

private investors and rural entrepreneurs. Government's withdrawal from agriculture, the donors insisted, would allow the private sector to move in.

A recent review analysis of World Bank agricultural lending to Africa

by the Bank's own Internal Evaluation Group noted, however, that such businesses often failed to materialize and African agriculture instead went into steep decline. The percentage of international aid earmarked for agriculture also dropped sharply -- from 17 per cent in 1980 to 3 per cent in 2005.

'An Absolute Disaster'

The sole reliance on market mechanisms proved little short of ruinous. From being a net food exporter in the 1970s, Africa is now heavily reliant on commercial imports and emergency aid, the FAO reports. Some 42 African countries depend on imports in even the best of times. It is the only world region where crop yields have stagnated, leaving as many as one in three Africans chronically malnourished.

“The end of government subsidies to African farmers because of

structural adjustment programs was an absolute disaster,” says Akin Adesina, the vice president of the Alliance for a Green Revolution in Africa (AGRA), a non-governmental rural development initiative headed by former UN Secretary-General Kofi Annan.

“Today African farmers are almost the only ones in the world who receive absolutely no government support of any kind,” he told *Africa Renewal*, noting that farmers in wealthy countries currently receive more than \$300 bn in government

payments annually. African farmers “are left on their own to sink or swim, and as we have seen they are simply sinking. There is a need now to recognize that government has to play a role in subsidizing African farmers,” he continued. “The key with subsidies is to do them in ways that reach the poor and also build the market. We are calling those smart subsidies, and we are calling for smart subsidies all across Africa.”

Arguing With Success

Does the global food price shock and Malawi's success with subsidies mean that the era of “sink or swim” policies is over? Is help for Africa's hard-pressed, mostly female family farmers finally on the way? Not quite.

Michael Morris, a World Bank economist and expert on fertilizer subsidies, confirms that there has been a shift in the Bank's thinking about farm subsidies but argues that they should be smaller, “smarter” and better targeted than in the past.

“The Malawi government is doing many things well” with its subsidy program, he told *Africa Renewal*. However, “we do have some

disagreement about tactics.” Mr. Morris estimates that fertilizer subsidies now consume 60 per cent of Malawi's agriculture budget. “That's just a huge amount. There are many other things — extension services, irrigation, research — that are not being done as a result. We need to think of other opportunities and other options. We have to pick our spots.”

“We're always being charged that the bank is being ideological and dogmatic about subsidies because economic theory tells us subsidies are bad,” Mr. Morris continued, but argued that subsidy programs were often poorly managed and susceptible to corruption. “I think

that explains the ambivalence that the Bank has had about subsidies. What has changed is the recognition that things simply weren't happening on the ground. The private sector wasn't getting the job done.”

President Mutharika however, is standing his ground. In a message to the UN in May, he called for more help for Africa's farmers and added: “International stakeholders like the World Bank . . . should not continue with the feeling that they have all the solutions in Washington. They should listen to policymakers at the local level and learn from that.”

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