

The “Silent Tsunami”: Ushering in Africa’s and Ghana’s Agricultural Revolution

The global economic slowdown now has an inhuman face: food riots have spread across the developing world. As food prices have risen to unprecedented levels, about 30 countries, including Burkina Faso, Cameroon, Cote d’Ivoire, Egypt, Ethiopia, Haiti, Senegal, Madagascar and Mozambique have been racked by demonstrations and sporadic violence. The UN, the World Food Programme, the FAO, the World Bank and the IMF have lamented this new threat to poverty reduction, promising to provide assistance to countries affected by this latest of crises.

This “silent tsunami” raises three questions: (1) What are the root **causes** of this sudden rise in food prices? (2) What **short-term measures** are warranted at the global and country levels? And (3) What medium-term measures would ensure better food security for Africa and Ghana, and usher in **Africa’s and Ghana’s Green Revolution?**

1. Why Food Prices Too?

Oil prices increases, remarkable as they have been, now have an expected aura about them. After seeing them rise from under \$30 to over \$100, and recently to \$120, we are numb. Nothing about them surprises us anymore. But why food prices too? Since January, the UN calculates that the rise in food prices has been 65%. The impact is greatest on poor people, who spend well over 50% of their incomes on food. Why did it catch everyone unawares? And what are the root causes of this sudden increase in food prices?

Like oil, the demand for food is inelastic or rigid, and indeed more so. Hence, it is always the case that a sudden change in the supply or demand situation leads to a more than proportional change in prices. The recent past has seen significant changes on both the supply and demand sides for food, rendering the price rise sudden, and catching most analysts and policy makers unawares. On the supply side, droughts have been significant in countries such as Australia. Increases in the price of oil, and a rise in shipping costs, have also affected the price of traded goods. But perhaps the biggest factors have been on the demand side. China, India and indeed all developing economies have seen unprecedented growth of GDP in the last 6 years, leading to an increase in demand for food, as poor people in these countries improve their diets and increase their consumption of food. The energy crisis in turn has led to subsidies and incentives in favor of biofuels, especially in the US, and these have been a new source of demand for corn, and other foods. These imbalances have been worsened by protectionist measures, as governments of major food exporters, such as that of Argentina, have imposed tariffs and bans on exports of food, in order to keep domestic inflation low. Von Braun, the director-general

of the International Food Policy Research Institute, has referred to such policies as “starve-thy-neighbour” policies. Of course, these higher prices also signal that longer-term investments in agriculture need to be made to address the more permanent aspects of the demand and supply changes that are taking place. But what are the most immediate measures that the global community at large and countries like Ghana can take to allay the short term pain and risks of these high food prices?

2. Protecting the Poor: What Short term Measures should the Global Community and African Countries Implement?

The global community has certainly risen to the challenge of recognizing that immediate measures are needed to stave off the worst effects of the food crisis on developing countries and on their poor people. Thus the World Food Programme is seeking and getting additional funding to keep its food supplies going. The World Bank has sought to highlight the threat to poverty reduction in developing countries, and is leading the charge of a new Global Deal on Food Policy. The IMF is already in discussions with about 12 African countries to offer financial support to deal with the food price shock, if countries qualify for its new “shock facility”. The US government is reconsidering its subsidies to biofuels. In particular, it is considering reducing barriers against the imports of biofuels from Brazil, one of the most efficient producers of sugar-cane based biofuel, which it pioneered in the mid-70s after the first oil crisis. And countries like Argentina that are preventing exports of food to international markets are being pressured to change their policies, which in any event are likely to hurt domestic farmers and reduce their production in future years. Clearly, these global measures will need to be monitored carefully to ensure that needed mid-course corrections are undertaken. By committing to put the food crisis on its agenda for the July Tokyo meeting, the G8 has signaled its interest in doing so. The World Bank too appears poised to monitor this globally.

For African countries, the food crisis poses a tough policy issue in the short run. The reasons are two-fold. In the first place, the immediate need is for some relief to poor people, and this can only come about through ensuring supplies at affordable prices. This can be achieved either by subsidizing food prices or by giving additional purchasing power or cash transfers to poor people. Cash transfers make the most sense, since they can avoid food leakages. But they are not easy to implement, since in place of food leakages, weak financial systems may lead to cash leakages. This leaves the food subsidy option as the more workable option in most African countries, with its attendant risk of food supplies leaking to traders who resell them at market prices, or some of it ending up with the influential and non-poor people who can afford to pay higher prices. The social and political implications of such outcomes are not trivial.

The second reason why the food crisis poses a policy dilemma is that the needed subsidies have to be financed, and African countries’ public finances, which have seen very strong performance in the last 6 years of high growth, are already under pressure from high oil prices. The resulting pressure on fiscal deficits, if not well managed, can

add to the inflationary pressures which fuel and food prices are already stoking. The implied monetary policy tightening, needed to curb inflationary pressures, will thwart growth through higher interest rates or other ways of curbing liquidity.

In short, non-oil exporting African countries, despite a constructive response from the global community, are likely to **be caught in a scissor grip by the twin pressures of fuel and food prices, and by the dilemma of choosing between inflation and growth.** For the oil-exporting countries, the fiscal pressure will be less severe, but the inflationary pressures, and the socio-political discontent from poor distributional mechanisms will be much the same as for other African countries.

Ghana remains a food importer of rice and flour, which are important complements to the more traditional staples of corn, yams, cassava etc., and thus faces many of the short run challenges that face other African non-oil exporting countries. It would be prudent to review the food situation, to analyse whether substitution of traditional staples is taking place at affordable prices, or whether some preemptive measures are needed to avoid the most severe impacts of the food price crisis.

For all African countries, any food price subsidies have to be temporary, to allay the worst excesses of the current crisis. The bigger challenge is to begin to address the medium-term opportunity that African agriculture offers.

3. The Medium-Term Challenge: What will it take to usher in Africa's and Ghana's Agricultural Revolution?

On the African scene, the AU and NEPAD have both identified agriculture as requiring continental attention: the gap between African land and human resources on the one hand, and the relatively tepid agricultural performance of the continent on other hand, is striking. Supported by the Gates Foundation, and chaired by Kofi Annan, a new initiative has been launched to usher in our Green Revolution: the Alliance for a Green Revolution in Africa (AGRA). The idea behind this initiative is to seek to replicate, under African conditions, the green revolution that Asian countries underwent in the 60s.

This will be a huge challenge. Agricultural productivity growth has varied somewhat across periods and countries in Africa over the last twenty years. But the dire facts are not encouraging: **African agricultural productivity growth has been flat over the last 20 years.** Why? And why has it proven so difficult to raise it? Why is it that even countries like Ghana, which in the last decade has seen healthy growth in agriculture, have seen it driven almost entirely by increasing the land under cultivation, rather than by producing more per unit of land? What will it take?

It is clear that **a business-as-usual approach will not do.** The new approach will need to be tailored to countries and/or agro-ecological zones. It will need to use and develop new seed varieties suited to African conditions. It will need to address a key unresolved challenge for African agriculture: how to make it less dependent on rains, and have an

economically efficient and sustainable irrigation approach tailored to African conditions. Extension services—part public, part private—will need to be a part of the solution. It will need to be driven by efficiency considerations, and not by any unsustainable subsidies. What is at stake is taking advantage of Africa's and Ghana's strong comparative advantages in selected agricultural activities, and of course, in the scope for value addition that these crops offer.

In this process, learning from the two big successful developing countries—**Brazil and Thailand**- with soil and climatic conditions similar to African conditions is absolutely essential. Brazil, in particular, with its world renowned agricultural research organization—EMBRAPA, whose Africa Office was recently opened in Accra—should be a key partner for African countries. Brazil's staples, and agricultural conditions, are very similar to those in many African countries. The agricultural productivity performance of both countries has been outstanding. In both countries, a combination of agribusiness and smallholder approaches have been used. In both, a strong combination of public and private sector efforts have been central. In both countries, the soil and terrain conditions have been quite different across regions. In other words, success has been achieved under very different and trying conditions, taking advantage of each country's comparative advantages: Brazil's in soybean, corn, oranges and sugar cane, and Thailand's primarily in rice.

One African country has recently taken a **business-unusual approach**, and achieved remarkable success. This is **Malawi**. A country subject to periodic droughts, it decided during the last drought three years back, to go another route. At the same time as it accepted food aid, it was able to convince, with the help of advocates such as Jeff Sachs, its partners to help it do the unusual: supply farmers with seeds and fertilizer, at subsidized prices. Yes, this is fiscal anathema to most economists and African governments. Malawi set up an earmarked fund to which contributions were made, and used for seed and fertilizer subsidies. In one year, Malawi was able to double yields. Jeff Sachs calculates that a global fund such as that for Malawi would cost \$10 billion a year, or \$10 per person in the rich world.

Perhaps the most business-unusual idea for African countries to reconsider is the use of **GMS (genetically-modified seeds)** and their complementary fertilizers. This is controversial, especially in the EU, where food crops using GM approaches are banned from being imported. But their use is growing even in the EU. And countries like Brazil and the US use them. Controversies are associated with what is not known about them, rather than what is known. What is known is that they have tremendously higher yields than traditional approaches. Surely some experimentation with them in African countries, and in Ghana, is long overdue. We can seek the help of Brazil, which has used these approaches for over a decade, and whose soybean market dominance owes itself significantly to the use of GM approaches.

4. Conclusions: The Challenge for Ghana

Ghana cannot rest on her laurels just because agriculture has grown by over 4 per cent in the last few years. This growth has been impressive both because it has been high, and because it has been achieved in part by increasing non-traditional products such as pineapples, papaya, flowers, as well as traditional crops such as cocoa, corn and cassava. But it is almost entirely due to expanding the use of land: yield growth has been modest, and but for new horticultural crops and new cocoa varieties, there has been no innovation. Seeds and technology remain basically unchanged; the dependence on rain fed agriculture is almost total; and Ghana's agricultural potential remains untapped. And yet close to 60% of Ghana's population lives off agriculture.

Ghana cannot attain middle-income status without an agricultural revolution, one that is based on growing productivity, driven in turn by new seeds, new fertilizers, new methods of irrigation, and new approaches to extension services. Brazil and Thailand, EMBRAPA and the AGRA initiative, can be drawn on to help develop and implement Ghana's Program for its own Agricultural Revolution.

The current food crisis has a silver lining: it beckons us to revisit our agricultural potential. The crisis may subside in the next few months. But it will be back. As incomes grow in the developing world, the demand for food will also grow for a while. And sooner or later, agricultural subsidies in the rich countries will be reduced and will result in higher prices, unless other countries with the potential—such as Ghana—take up their role as food producers for their own markets and for global markets.

A key challenge that Ghana, and many African countries, will need to face is the issue of **property rights for land**. Land tenure systems in Ghana are, to put it mildly, opaque. Not only has this been a constraint on agribusiness approaches, it has also hurt the adoption of new varieties and of fertilizer on small holdings. As the work of Yale's Christopher Udry shows, innovation and investments on small holdings in Ghana have been directly proportional to the robustness of property rights. As Udry puts it: 'ambiguous and contested land rights on investment and productivity in agriculture' are offset by 'individuals who hold powerful positions in a local political hierarchy (and) have more secure tenure rights, and that as a consequence ...invest more in land fertility and have substantially higher output'. It will be difficult to bring the new technological and organizational tools of agriculture to yield higher agricultural productivity without addressing the issue of property rights in agriculture in a direct, and a politically acceptable and consensus-driven, way.

As the World Bank's recent World Development Report on Agriculture notes, we learn from the experience of China that growth tends to be pro-poor if its initial phase is based on productivity-driven agriculture: much of the initial reduction of 200 million in the number of poor people in China in the 80s and early 90s was accounted for by high-productivity agricultural growth. **Africa's, and Ghana's, search for inclusive growth cannot succeed without an agricultural revolution. Business-unusual is what is needed**, drawing from the experiences of similar countries, willing partners and on the stakeholders who manage the property rights on land ie chiefs, the landed political hierarchy, and the institutions which manage the nation's public lands.

Can **the next President of Ghana** afford to ignore this challenge, as many past ones have done? Will he **take on this fundamental challenge, riding on the coat tails of the today's silent tsunami to build political support for the many implied radical policy changes?**