

INFORMATION

DEVELOPMENT AID

EXPORT CROPS IN THE ASSOCIATED AFRICAN COUNTRIES —
AGRO-INDUSTRIAL INTERVENTION BY THE EUROPEAN DEVELOPMENT FUND

34/72

The classical economists considered it was the main function of introducing export crops in new countries, to provide the motive force for their expansion. The argument breaks down the process into three successive phases :

1. the subsistence economy stage : everybody produces for his own requirements. Thus in Black Africa, where the population density is generally low, production is limited by the physical consumption capacity of producers. There is thus under-employment through lack of outlets.
2. introduction of cash crops for export. This bursts the bottleneck. National economies which have an abundance of factors of production, which can be converted into specific export production, should experience a considerable increase in national income through their opening to international trade.
3. diversification. This is the third phase of development. The rapid expansion in incomes creates an internal market which leads to the setting up of local industries which become a new growth factor. Thus the export crops would have been the prime mover in economic expansion, by creating the conditions in which a balanced industrial company can exist. As the markets for the initial production approach saturation, the new activities would have taken over, thus creating a balance of dynamic growth.

This pattern was followed by many nations which are today highly industrialised and developed; but it has not stood the test in practice in the new countries. A sufficient cause for the failure may be found in the political control under which colonial territories existed, by which they were not only deprived of part of the commercial advantages they could have negotiated for themselves if they had been independent, but which also, in virtue of the Colonial Pact, forbade the setting up of local industries which could enable them to dispense with imports. In this way

their character as exporters of a single basic product, continued into our own times ; and this is the more disquieting for the fact that most of these productions stand under the threat of a serious deterioration in their prices. On the one hand, the supply of these products has been stimulated by technical progress; and on the other, the development of synthetic substitutes has increased more rapidly than the demand, which has itself become extremely inelastic by reference to prices and incomes. In these conditions, the countries which have recently become independent are left with only a narrow range of possible action. They have no control over world prices; and their efforts are thus directed :

- either to diversify their production so as to mitigate the impact on their economy of fluctuations in the prices of raw materials ;
- or to improve their productivity so as to stand up better to falling prices. This policy, however, is confronted with the saturation of demand, and therefore requires the planning of supplies on the world level. There is otherwise the risk of "impoverishment through growth", resulting from falls in price which offset the effect of increased production;
- or to enter into commercial agreements with competitors and consuming countries so as to stabilise the prices for basic materials at a satisfactory level.

Though it is clear that the expansion in the export crops no longer plays its former part as a motive force, the fact remains that it is very important for most of the African countries when there is no serious industrial alternative. There are three reasons for this :

1. The export crops still condition the existence of most of the African peasantry. Prospects that new lines of production may appear are somewhat remote; and any shrinkage in this field would therefore be very keenly felt;
2. The equipment of the country, especially for industrialisation, requires that foreign currency should be available, and this can only be provided from the sale of the export crops ;
3. The export crops are the "locomotive crops" which stimulate the infiltration of technical progress and are thus a primary agent for the modernisation of traditional agriculture. They make it possible to mobilise the resources needed for bringing the traditional rural units up-to-date.

Thus, though the development of export crops no longer holds out very encouraging prospects, these crops are nevertheless as important as ever in the economic medium-term policies of the Associated countries. It is not surprising, therefore, that the interventions by the EDF in projects of a directly productive character give considerable prominence to the promotion of the export crops.

EDF AID FOR CASH CROPS

A - Project inventory and share in total EDF aid.

The aid given by the EEC in the different Associated African and Malagasy countries are shown in absolute value in Table I. It will be noted that the principal destinations of EDF aid were agro-industrial groups in palm-growing and tea-planting and also cotton production. There are some cases, however, in which the whole intervention for a particular product was concentrated in one country and was therefore proportionately important. Such cases include the groundnut projects in Senegal, the coco-nut in Madagascar and the cashew in Dahomey.

LIST OF EDF AIDS FOR EXPORT CROPS

Product	Countries	EDF Investment
Oil palm	Cameroon- Congo (P,Rep)-Ivory Coast- Dahomey, Togo (Zaire)	74,276,000 u.a.
Cotton	Central Africa, Ivory Coast, Mali, Senegal, Chad, Togo	47,809,000 u.a.
Tea	Burundi, Rwanda, Zaire, (surveys in Cameroon and Madagascar)	25,008,000 u.a.
Groundnuts	Senegal	6,340,000 u.a.
Coco-nut palm	Madagascar	4,120,000 u.a.
Cashew	Dahomey	3,295,000 u.a.
Pyrethrum	Rwanda	2,560,000 u.a.
Avocado	Ivory Coast	574,000 u.a.
Bananas	Somalia	543,000 u.a.
Dah	Mali	438,000 u.a.
Gum arabic	Chad	374,000 u.a.
Pepper	Central Africa	227,000 u.a.
Orange essence	Mali	43,000 u.a.

The growth in this aid, compared with the total EDF interventions, and with the whole of the section relating to directly productive projects, is shown in Table II. It will be noted that in both cases the percentage of the total has shown a material growth, which reflects alike, the value attached to directly productive actions in the EDF operations, and the comparative importance among these of the export crops. The figures for EDF III make it clear that this trend continues.

PROPORTION OF EXPORT CROP PROJECTS AMONG TOTAL EDF FINANCINGS

	(1) Export crops (th. u.a.)	(2) Total EDF aid (th. u.a.)	(3) (1) as % of (2)	(4) Directly productive projects (th.u.a.)	(5) (1) as % of 4
EDF-1	15,000	581	2.6	144	10
EDF -2	98,000	713	14	297	33
EDF-3	52,000	395(a)	13	134(a)	39

(a) Commitments as of July 1972

B - Analysis of EDF operations in the agricultural export sector.

1. Nature of intervention

The EDF operations in this sector cover the various types of action which the Associated countries are attempting to carry out, in order to moderate the adverse trends in their agricultural export business. These are :

- to diversify the basic production ;
- to increase agricultural productivity ;
- to increase the industrial equipment, so as to raise the local processing of exported products to a maximum.

In addition, the new association convention has provided the EDF with various new instruments. These are intended partly, for compensating any unduly marked deterioration in export incomes in the Associated countries (aid in exceptional circumstances due to slump in world prices, or to natural disasters); and partly to promote the marketing of produce.

This article is mainly devoted to an analysis of the investment projects financed by EDF. This action falls broadly into three types :

a) Diversification

Most of the AAMS, with the single exception of Zaïre, were one-product exporters; and this made it difficult for them to deal with the general fluctuations in the prices of raw materials. With the help of EDF, several of the countries in which natural conditions are suitable, have been able to begin enlarging the range of their exports. Under this head the most spectacular action was connected with the setting up of the first agro-industrial oil palm blocks in the Ivory Coast, Dahomey and Togo and the introduction and development of tea-planting in Rwanda and cotton in Senegal. Action of a very promising kind, though on a more modest scale, was connected with the introduction of edible groundnuts in Senegal, agro-industrial avocado blocks in the Ivory Coast, dah and tobacco in Mali and pyrethrum in Rwanda

b) Action to increase productivity.

Most of the AAMS have taken action to modernise their traditional production techniques, promoting the use of fertilizers and animal traction and otherwise so as to face the fall in world prices and maintain competitive capacities of their producers. The EDF has supported such action, particularly in Senegal which, in virtue of the formation of the Common Market and the Yaoundé Association, stood to lose the benefit of the price guarantees which had been given by France. It is, however, in cotton production that the EDF investments were the most important, reactivating and consolidating the production in the savannah areas of the Central African Republic, the Ivory Coast, Chad and Togo

The speed and effectiveness of these productivity operations generally made it possible to get ahead of the fall in produce prices and at least to stabilise, if not actually to increase, the income of producers and the State revenue.

c) Processing agricultural produce

The development, or the introduction of these crops gave scope for the setting up of important industrial units, particularly with the palm and tea plantations, increasing the value added locally and acting as a stimulus to modernisation in the rural areas. Among these processing industries, the EDF provided total or partial finance not only for the "inevitable" units which have, for technical reasons, to be set up close to the actual production (as for palm oil, tea and the ginning of cotton); but also independent units producing palm kernel oil, soap, essential oils, groundnut oil and other products.

2. Modes of execution

In order to reach a specific production target, there are a number of technical economic and financial alternatives from which a choice must be made. The policy of EDF has always been flexible in such matters, and it does its best to adapt itself to the particular conditions of each individual case.

The main choices which had to be made were the following :

a) Between sector operations and integrated operations.

Most of the EDF interventions were sector operations, in the sense that they were concentrated entirely on a single export product, such as cotton or palm oil. In some cases, however, the growing of the export crop was part of an integrated group of operations undertaken to secure the general development of a region.

The latter formula has the merit of being theoretically more coherent, since it seeks to correct the various phenomena of extroversion and the economic imbalances in food inherited from the colonial period, when absolute priority had to be given to the expansion of export crops. The formula is, however somewhat ambitious, which makes it more complex to bring into execution than a simple sector operation. At present the tendency is towards a compromise formula, seeking to integrate into the sector project a variety of ancillary projects which may condition the success of the principal one. Thus, in Senegal, the groundnut operation was also aimed at increasing productivity in cereal growth. In Senegal, too, the use of rainfall for rice growing was introduced into a sector operation for cotton growing, so as to provide a balanced rotation for the agricultural operation.

b) Between commercial organisation and peasant cultivation

In the export sector there are, in general, two types of firm. The one is the commercial undertaking, organised as a company and using exclusively wage-earning labour. The other is the family business, peasant farming carried on by members of a family with no hired labour at all. The production of cotton groundnuts and pyrethrum in the EDF projects belong exclusively to this latter type of cultivation. From the development standpoint, this type of operation has the outstanding advantage that it contributes to the formation of responsible peasantry; and any action from which it benefits will therefore have considerable secondary effects. The modernisation of individual cultivation units nevertheless raises difficult problems in the dissemination of knowledge and information; and it can only be expected to lead to gradual and comparatively simple transformation. Moreover, the small holding formula

is ill-adapted to capitalistic projects, in which the production equipment is costly and complicated both to handle and to manage. This is the case, for example, in the palm and cashew plantations; and for these the formula preferred has been the agro-industrial block, though experience in the Ivory Coast has shown that this does not exclude the subsequent expansion of peasant plantations. In some of the EDF projects, more especially for tea, a hybrid formula has been chosen. It was a question of developing a new production, requiring a high degree of operational discipline; and therefore in the initial phase the agro-industrial block formula was applied, providing a minimal supply of leaf to the processing units, the operation of which is the chief cost element in tea production. In a subsequent phase, which has indeed already begun, these nuclei become the support and pattern for the family plantations on which the further growth of tea planting will now essentially depend.

It will be seen from these instances that the type of undertaking has been chosen primarily in the light of circumstances, the practice being to find the most suitable formula for each individual case, taking account of the nature of the produce, the complexity of the operations, the availability of the factors of production and other surrounding circumstances.

c) Method of finance

Some people may be surprised to see the increasing part which is nowadays played by public development organisations in financing agro-industrial projects which would formerly have been left to private enterprise. The chief explanation of this lies in the deterioration in the terms of trade for under-developed countries. The prices of their agricultural exports are continually going down; and the cost of their imported equipment, and the skilled personnel they need for the execution of their projects, is continually going up under the impact of inflation in the industrial countries. Since this deterioration cannot be offset by increased productivity, the profitability of the export crops is diminishing to a point at which it no longer interests the foreign capitalist, whose requirements are indeed the higher for the fact that he is apt to consider long-term investment in developing countries to be subject to a high degree of political risk.

As a result, the continuation of agricultural activities finds its justification in economic and social factors, rather than on the financial side; and it thus depends increasingly on capital from public sources, national or foreign, made available on better-than-market terms. From this standpoint, the EDF interventions have been specially liberal, since the finance for most of the projects was in the form of non-repayable subsidies!

The grant formula, apart from its usefulness for projects which are not sufficiently profitable, is also specially suitable for financing peasant cultivation projects and diversification projects, in which social-psychological and technical obstacles may be far from negligible.

This formula is also in line with the desire to provide the Associated countries, or the firms in them, with a capacity for self-financing which will enable them to expand their activities without the risk of getting unduly into debt. The value of the EDF interventions is derived in part from these two elements, and in part from the cover for the risks involved in innovation and the propagation of new techniques, and the activation of capital accumulations, all of which are essentials in economic development.

CONCLUSION

The export crops, though they are no longer the prime movers in the development process, nevertheless have a certain medium-term priority in the economic policies of the AAMS. It is for this reason that principal ingredients in the development plans of these countries often consist in the diversification of their export base and the improvement of the productivity of labour in existing operating units. It is thus quite logical that, among the EDF interventions an increasing importance attaches to development projects for the export crops. The EDF has become an important development factor in this sector, not only through the flexibility of its intervention, but also through the particularly liberal terms and conditions of its financing, which makes it possible to cover both the agronomic and the human difficulties in farming, and also stimulates the accumulation of capital. The best proof of this lies in the spectacular results achieved in the oil palm operation in the Ivory Coast and tea in Rwanda and Burundi.