CHAPTER 1

Policies Toward Cash Crops for Export

The economies of tropical Africa are based on the production and export of primary products. In addition to such commodities as timber, minerals, and oil, African exports include agricultural products. Most important among them are the beverage crops—coffee, tea, and cocoa—and crops that yield vegetable oils: palm oil, palm kernel oil, cotton seed, and groundnuts. Also important are such fibers as sisal and cotton.

Like all nations in the developing world, the nations of Africa seek rapid development. Their people demand larger incomes and higher standards of living. Common sense, the evidence of history, and economic doctrine all communicate a single message: that these objectives can best be secured by shifting from economies based on the production of agricultural commodities to economies based on industry and manufacturing. The states of Africa, like states elsewhere in the developing world, therefore adopt policies that seek to divert resources from their "traditional" economic sectors (the production of cash crops for export) to their "modern" or "developing" sectors (their nascent industrial and manufacturing establishments).

A major factor that distinguishes many African states from others in the developing world is their possession of institutions for effect-

ing this transfer. Most African states possess publicly sanctioned monopsonies for the purchase and export of agricultural goods. A monopsony is a single buyer; and where there are many sellers but only one buyer, the buyer can strongly influence the price at which economic transactions will take place. In Africa, public agencies are by law sanctioned to serve as sole buyers of major agricultural exports. These agencies, bequeathed to the governments of the independent states by their colonial predecessors, purchase cash crops for export at administratively determined domestic prices, and then sell them at the prevailing world market prices. By using their market power to keep the price paid to the farmer below the price set by the world market, they accumulate funds from the agricultural sector. Although the existence of international borders and the frequent absence of effective border controls have allowed some farmers to evade these state agencies, it has been estimated that at the time of independence, the agencies handled 90 percent of the exports of palm kernels, 80 percent of the exports of coffee, 65 percent of the exports of tea, and 60 percent of the exports of raw cotton (Temu, p. 12).

This chapter examines the market faced by the producers of export crops. It seeks to document the manner in which the governments have intervened in this market to transfer resources from the producers of cash crops to other sectors of society: the state itself; the new industrialists and manufacturers; and the bureaucracies that administer the market and manipulate the prices paid to farmers.

STATES AND THE REVENUE IMPERATIVE

The origins of the state marketing agencies (or marketing boards, the terms will be used interchangeably) lie in the colonial period.[1] Their individual histories are contrasting and complex; but they also

1. Most of the examples used in this book will be drawn from the English-speaking territories of West Africa. Materials contained in the studies sponsored by the Club du Sahel and the Center for Policy Studies confirm that the pattern prevails throughout much of Francophone Africa as well. More systematic evidence in support of the arguments is presented in Appendix B.

exhibit certain trends in common (for a recent review, see Jones 1980). The agencies were established in times of economic crisis, notably the Great Depression and the Second World War. And, almost invariably, they were officially mandated to use the bulk of the funds they accumulated for the benefit of the farming community.

Because agriculture represents the principal economic activity in most of Africa and often generates the greatest volume of foreign exchange, the agencies that controlled the market for agricultural exports soon became the wealthiest and economically most significant single units in their respective economies. Following World War II and the commodities boom of the 1950s, for example, many of them accumulated enormous reserves; as Bauer wrote in 1964, "their financial resources exceed those of the West African governments" (p. 263).

The marketing agencies are constrained by their enabling legislation to employ their reserves for specific purposes. When first established in the colonial period, they were mandated to devote the bulk of their funds to purposes beneficial to farmers. In Nigeria, for example, 70 percent of the trading surplus was consigned to the price stabilization fund. Portions of the remainder were to go to the development of the agricultural industry. In Nigeria, 7.5 percent of the reserves were to be spent in this manner; in East Africa, the percentage was much higher.

When confronted by the need for revenue, however, states have always found means of diverting funds from these agencies to the public coffers. During the 1940s, for example, the colonial governments used the marketing agencies to secure funds which they then "borrowed" at highly favorable rates of interest. In effect, this action compelled indigenous African farmers to subsidize the acquisition of war materials by their imperial overlords and the reconstruction of the homelands of their colonizers (see Hazelwood).

With the arrival of self-government in Africa, the revenue imperative strengthened. Like their colonial predecessors, the new states needed funds, particularly foreign exchange; unlike their colonial predecessors, they were deeply devoted to the development of their local economies. Thus they deliberately sought to transfer resources from agriculture to more "modern" activities in

an effort to develop. Moreover, by contrast with the colonial regimes, the independent states of Africa were run not by appointed administrators but by elected politicians. With widespread politicization of the electorate in the nationalist era, politicians came under intense pressure from aggressive and demanding constituents. Those in control of the newly independent states therefore sought financial resources with which to reward the electorate. By comparison with the colonial period, the revenue imperative was thus stronger at the time of self-government in Africa. The result was that governments sought, and won, control over the revenues of the marketing agencies.

A vivid illustration of this process is offered by Obafemi Awolowo, an indefatigable figure in Nigerian politics. In the pre-independence political maneuvering in Nigeria, Awolowo and the Action Group, as his party was called, gained control of the Western Regional government. They did so by presenting a political program that promised lavish development expenditures, most notably on health and education. But when the Western Regional parliament opened, Awolowo and his Action Group government discovered that whereas the capital costs of their program would be £10 million, the total revenues available came to less than half that amount. As Awolowo wrote in 1960: "Where would the required money come from? That was the question. And it was a question which had to be tackled with speed and success, if we were to redeem our promises to the electorate" (Awolowo, p. 273).

Frustrated in various efforts to secure the needed funds, the Action Group imposed a series of new fees and taxes. The result was politically disastrous. The opposition "seized the opportunity to din it into the people's ears that they had been led up the garden path" (ibid., p. 275). In the federal elections that followed, the opposition campaigned on an anti-tax platform and captured a majority of the Western Region's seats in the Federal Parliament. The Action Group's plight became desperate. In the face of popular demands, Awolowo wrote, "we pressed on with our schemes" (ibid., p. 276). But how were they to secure the necessary funds? They did so, in Awolowo's words, through a "miracle," and the nature of the miracle is instructive.

The party that had defeated the Action Group in the federal elections itself held power in a regional government, the government of the Eastern Region. And it, too, was subject to popular pressures to furnish public services. The leaders of the rival parties therefore joined together in a coalition to resolve their common political dilemma; they formed an alliance and seized control of the marketing boards from the Federal Government, which had accumulated enormous resources from the trade in export commodities. As Awolowo wrote:

> The real miracle occurred . . . when as a result of the alliance between the Action Group and the NCNC [its principal opposition] the Commodity Marketing Boards which were controlled by the Federal Government were regionalized, and allocation of revenue was made mainly in accordance with the principle of derivation. By means of the former, an accumulated reserve of over £34 million was transferred to the Western Region, and as a result of the latter our revenue rose from £6.39 in 1953–1954 to £13.20 million in 1954–1955. . . . Since the introduction of these financial measures, our revenue has been on a steady increase. [Ibid., p. 276]

The story told by Awolowo stands for a general trend in Africa. As public bodies, the marketing boards derive their powers from official statutes, and these statutes can be—and repeatedly have been—revised to make the boards more faithful servants of government. In particular, rather than being used to accumulate funds for the farmers, the agencies are increasingly used to impose taxes upon them.

This trend is illustrated by the role of these agencies in stabilizing, or failing to stabilize, prices. A major test of the intentions of the newly independent governments occurred almost immediately after independence, for between the crop years 1959–1960 and 1961–1962, the world price of cocoa fell approximately £50 a ton. If the resources generated by the marketing agencies were to be used to stabilize prices, then surely this was the time to use the funds for that purpose. Instead of stabilizing producer prices, however, the governments of both Ghana and Nigeria passed on the full burden of the drop in price to the producers. Under pressure from their governments, the marketing agencies, rather than protecting the

producers, acted instead to stabilize the magnitude of the surpluses they accumulated from them—and as will soon be noted, they increasingly transferred these surpluses to their governments. The evidence tabulated in Appendix B demonstrates that this incident exemplifies a general trend. If the agencies were in fact following a policy of price stabilization, then it would be reasonable to expect that upon occasion they would have had to support domestic farm prices at levels in excess of the world price. But figures greater than 100 percent rarely appear in these tables.

Not only did the states ignore the legislated purpose of the funds; in efforts to secure revenues, they also altered the legislation. As Beckman notes, after independence in Ghana,

> The government decided to remove certain legal restrictions on its access to the funds of the [Marketing] Board. Existing laws assumed that the funds were administered for the benefit of the cocoa-farming communities. The main purpose was price stabilization but development expenditure to meet their needs was also sanctioned. The Board was supposed to act as a trustee for the farmers. . . .
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> The government wanted to use the accumulated funds of the Board for its development program, without such . . . sectional restrictions. Legislation to that intent was presented in the National Assembly in July 1957. The Minister introducing the Bill declared that the cocoa funds 'should properly be regarded as being held in trust for all the people of Ghana.' [Beckman, p. 199]

A similar transformation took place in the Western Region of Nigeria. There, 70 percent of the trading surplus of the marketing board was to go for price stabilization, 7.5 percent for agricultural research, and the remaining 22.5 percent for general development purposes. But Helleiner (1966) notes that following self-government:

> The Western Region's 1955–1960 development plan announced . . . abandonment of the "70–22.5–7.5" formula for distribution of the Western Board's trading surplus, offered a strong defense of the Marketing Board's right to contribute to development, and provided for £20 million in loans and grants to come from the Board for the use of the Regional Government during the plan. . . .
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> [The Board] was now obviously intended to run a trading surplus to finance the Regional Government's program. The Western Region Marketing Board had by now become . . . a fiscal arm of the Western Nigerian Government. [1966, pp. 170, 171]

This trend has also been noted in Senegal (IBRD, 1974), and more recently in the Ivory Coast, where the Caisse de Stabilisation (Stabilization Bank) diverts an increasing share of its funds from the stabilization of agricultural prices and the diversification of production to the capital investment fund of the national government (*West Africa*, April 28, 1980).

The loaning of money is thus one means by which the marketing agencies have transferred resources from the farmers to the state. The evidence suggests, however, that as time has passed governments have borrowed less frequently and taxed more often. Some "loans" are never repaid; others have been contracted at interest rates that range from 0 to 8 percent, in times when capital could rarely be secured for less than 18 percent in the private market (see Walker and Ehrlich, p. 340; Beckman, p. 204). Moreover, in Nigeria the regional loan boards have made fewer loans and more outright grants to their respective governments. By 1961 the value of grants exceeded that of loans, and by 1968 the transition was complete; as noted by Onitiri and Olatunbosun, "loans outstanding [to the government], which in 1961 were outstanding features of the Boards' investment portfolio, had completely disappeared. In their place, grants [to the government] have more than doubled" (p. 191).

Through the intermediary of the marketing boards, governments in Africa thus appropriate resources from export agriculture. The limited data available suggest that in the budgets of African nations, export agriculture commonly contributes from 20 percent, as in the cases of Ghana and Senegal (Morrison; Amin) to 40 percent, as in the case of Western Nigeria (Onitiri and Olatunbosun). In some cases, such as Uganda in the 1950s (Walker and Ehrlich), the figure is as high as 90 percent; and in others, such as Kenya in the 1960s (Sharply 1976), it is as low as 10 percent. But even the Ivory Coast, which has traditionally secured investment capital in the form of loans from abroad rather than in the form of levies from its farmers, now increasingly secures such capital from its agricultural price stabilization funds (*West Africa*, April 28, 1980).

Without knowing the allocation of government expenditures, we cannot say whether this level of taxation represents a redistribution of income. Unfortunately, data on the allocation of government expenditures is even harder to find than data on the taxation of agriculture. What little can be found, however, tends to indicate strong tendencies toward economic redistribution.

Reporting on a study of Ghana which he helped to conduct for the International Labor Organization, Ewusi writes:

> [We] adopted the following means of estimating the size of capital formation by the government in the rural sector. The latest issues of the Annual Estimates of Government Expenditure are classified according to regions, [and] all forms of capital expenditure are shown with respect to the town, city, or village where the investment is located. Thus we summed up the capital investment in places which had a population of less than 5,000 and classified them as public investment in the rural areas. . . . The conclusion . . . is that the Government spends less than 5 percent of its capital expenditures in the rural sector. [Ewusi 1977, p. 90]

In an analogous study of development expenditures in Zambia, I found that well over 60 percent of the capital projects initiated in the first five years after independence were located in the urban areas (Bates 1976, p. 105). And in their analysis of the contribution of agriculture to the public revenues of Uganda, Walker and Ehrlich (1959) show that investments in hydroelectric power represented one of the major uses of public development funds. These investments were financed by "loan" funds from the marketing boards; but the primary beneficiaries of these expenditures were the budding group of industries in and about the major towns, and particularly the new industrial center of Jinja. A similar disparity is suggested in the figures for Tanzania. With less than 10 percent of its population in towns, its urban centers nonetheless secured 30 percent of the public expenditures under the state's first and second development plans (Clark, p. 98).

Besides revenues, the states of Africa need foreign exchange. As a leading sector of Africa's pre-industrial economies, export agriculture generates both revenue and foreign exchange. Using the price-setting power of the monopsonistic marketing agencies, the states have therefore made the producers of cash crops a significant part of

their tax base, and have taken resources from them without compensation in the form of interest payments or of goods and services returned.

BUSINESS AND INDUSTRY: THE HEIRS OF THE NEW ORDER

In the front ranks of the intended beneficiaries of the redistribution of income from export agriculture stand the investors in industry and manufacturing. In part, this is by design: manufacturing is equated with modernity. In part it is a response to political influence: businessmen seek funds with which to establish enterprises, industrialists seek concessionary prices for raw materials, and both use instruments of the state to secure their needs by appropriating resources from the peasants.

State-Sponsored Capitalism

One of the best illustrations of the diversion of capital from agriculture to industry is provided by the materials from Western Nigeria. The government of Western Nigeria directly invested in promising industrial projects and also provided capital for investments by private individuals. The instruments for these two activities were two statutory corporations, the Western Nigeria Development Corporation and the Western Region Finance Corporation. The government provided the capital for both agencies. What is significant is the source of this capital and the terms on which it was made available. The source was agriculture, and the terms were concessionary.

During the period in which these corporations functioned they received the bulk of their finances from the Western Region Marketing Board. We lack detailed figures for the Finance Corporation, but we do know that between 1949 and 1958 the Development Corporation received £11.0 million from the Marketing Board (Oluwasanmi, p. 182), and that over 70 percent of its funds came from the Marketing Board (ibid., p. 129). The Board had little choice in the matter, because during this period it was under the supervision of

the Ministry of Trade and Industry (Nigeria 1962, vol. 1, p. 37), and the Ministry diverted resources from the Board and into the promotion of industrial projects. When either the Development Corporation or the Finance Corporation sought funds, its directors often simply bypassed the Marketing Board and approached the Ministry directly; the Ministry would then issue a directive to the Board, instructing it to loan the requisite funds to the corporation requesting them (ibid., vol. 1, pp. 37ff). The result was the creation of a spate of new industrial firms—including printing companies, cement works, a glass factory, textile plants, a leather works, and a plastics company—financed in large part by loans secured from the marketing agency.

The resources secured from the Marketing Board were obtained on exceptionally generous terms. Indeed, investigations reveal that in many instances the two corporations simply failed to repay the Marketing Board and were often heavily in arrears in their interest payments (ibid., vol. 3, p. 44). Where repayment was made, the corporations were often able to secure radical extensions in the payoff period (from 5 to 15 years) and reductions in interest charges (ibid., vol. 1, p. 63). Moreover, the corporations often failed to safeguard the funds of the Board. When loaning money to local investors, "no arrangements were made . . . for taking securities" (ibid., vol. 1, p. 63). Even when the corporations did purchase securities, they often purchased nonparticipating shares, thereby failing to gain representation on the boards of directors of the enterprises and thus foregoing influence over the use of their funds (ibid., vol. 2, p. 1).

Because, in essence, the Marketing Board had to loan funds to the corporations, and because the corporations so thoroughly abused their privileged financial relationships, the Board thus became a means of redistributing income from agriculture to industry.

Local Industry

There is a second kind of firm that seeks privileged access to the resources of farmers: the firm that processes agricultural products. Firms of this type seek raw materials. And in their efforts to maxi-

mize profits, they seek the power to set the prices they pay to the farmers who supply them. For their part, the states of Africa seek to promote the development of these firms. Such enterprises offer a natural means of moving from an agricultural to an industrial economy. By processing agricultural products that have previously been exported for processing abroad, they also promise a means of retaining greater levels of "value added" within the domestic economy. The importance of these enterprises is affirmed both by conventional economists, who seek to increase forward and backward linkages, and by radical economists, who seek to lessen the dependence of poor countries upon international markets. States therefore promote the formation of these firms, and they do so in part by offering the prospect of low prices for raw materials. With the growth of local processing industries, then, investors and the state, whatever their differences may be (and sometimes they are major ones), form a political and economic alliance against the producers of cash crops. Let us consider how such alliances have affected three crops—coconut oil in Ghana and coffee and sisal in Tanzania.

Ghanaian Coconut Oil. The Esiama Oil Mill in Ghana, a large copra processing plant, was constructed in 1961 and designed to refine and export coconut oil. There were several rationales for construction of the mill, but perhaps the most persuasive was the relative technical superiority of processing copra with modern equipment (see Table 1). Working from plans provided by foreign engineers, local management imported expensive, highly advanced mechanical processing equipment. Two years after building the plant, and despite experiencing major operating difficulties, the management radically expanded the plant's capacity. Interviewing company officials in the mid-1970s, James Obben determined that the principal reason for the expansion was "the persistent belief that the area possesses a prodigious capacity to produce copra far beyond the projected maximum intake capacity of the factory. This obviously derives from the strong impression obtained from observing miles of continuous stretches of [forests] in the area, which has been assumed to be a reliable index of real supplies" (p. 25).

Major problems soon developed, however. The layout and design of the plant proved defective and the mechanical equipment

Table I
Efficiency of Traditional and Industrial Methods of Coconut Oil Extraction

Methods of processing	*Average oil content (percent)*	*Rate of oil extraction (percent)*	*Oil remaining in cake (percent)*
Traditional methods	67	38–45	22–29
Industrial methods	67	56	12

Source. James Obben. *A Study on the Costs of Processing Coconut at the Esiama Oil Mill and the Economic Viability of the Venture.* Dissertation submitted to the Department of Agricultural Economics, University of Ghana, June 1976, p. 19.

proved unreliable, particularly under local operating conditions. In the economic environment prevalent in Ghana, repairs were difficult; a breakdown in the machines could take two to three months to repair, a fact which cut deeply into production (Obben, p. 20).

The technical superiority of industrial methods of coconut oil extraction thus failed to provide an accurate guide to their relative economic merits. For given the capital-intensive technology of the plant and the frequency and extent to which the equipment stood idle, the plant could produce oil only at very high costs. In 1975, for example, its unit costs of production were 987.98 *cedi* per ton; the value of its production on the international market (c.i.f.) was ₵624.89 (Obben, p. iv).

To lower its costs, the management therefore attempted to secure its raw materials at reduced prices. The price it offered lay below that offered by the "traditional processors" of copra oils, however, and the firm was therefore frustrated in its attempt to secure adequate supplies. In the end, it had to secure what amounted to a charter to serve as a monopsonistic buyer of the output of local producers; in effect, it was empowered to form its own marketing board. And with the backing of the police powers of the state, the firm excluded competitors seeking to bid for the copra crop.

Tanzanian Coffee. Coffee growers in Tanzania are paid for their products by a crop authority which acts as a government-sponsored monopsony. The price that growers receive for their products is determined by the final selling price adjusted for the costs incurred by the crop authority. A cursory examination of the crop authority's costs reveals that the biggest single share is one designated as "local roasting subsidy." This subsidy is another public policy measure designed to promote the development of domestic firms that process agricultural products.

The government of Tanzania has sought to take advantage of the local production of coffee by establishing a firm to manufacture soluble coffee for sale in the markets of East Africa. To promote the development of this firm, the government has mandated that sales of coffee shall be made to it at prices below the world market price. Whereas robusta coffee commanded a price on the world market of Tshs 14.84 per kilo in 1975–1976 (Tanzania shillings), the local manufacturer could purchase it from the crop authority at Tshs 6.32 per kilo. Had all sales been made at the world market price, the coffee authority would have increased its earnings by Tshs 16 million, according to one government source; and of course the producers would then have realized higher prices for their crop (Tanzania 1977e).

Sisal in Tanzania. Whereas coffee is grown by small-scale producers, sisal is grown on large estates. Nonetheless, the evidence from Tanzania suggests that governments are willing to sacrifice the interests of even large-scale producers in efforts to construct manufacturing capabilities.

Since the Arusha Declaration of 1967, the government of Tanzania has attempted to move from the export of raw materials to the export of processed goods. To secure this objective, the government has sought to create a domestic capability for the manufacturing of rope and twine. In this it has succeeded. There now exist six major spinning mills in Tanzania with a capacity to process 115,000 tons of sisal annually. Projections suggest that by 1980 the country will possess the capacity to process over 90 percent of its domestic sisal production. Furthermore, whereas in 1967 Tanzania exported less than 11 percent of the value of its sisal exports in processed form, by 1976 over 30 percent of that value was in the form of finished products (Tanzania, 1977d).

The development of sisal manufacturing in Tanzania has been financed in part by the sisal producers, and both export taxes and pricing policy have been used to reallocate resources from the producers to the processors of that crop. Sisal is subject to export taxes; in 1974 and 1975, revenues from this tax amounted to over 100 million Tanzania shillings. By statute, 50 percent of the tax revenues are paid into a special "sisal products fund" and thus earmarked for the development of the sisal industry. Payments from this fund are governed by the Tanzanian treasury, and government reports indicate that "most of the proceeds of the fund to date have been used to finance investments in sisal spinning" (Tanzania 1977d, p. 29).

The transfer of revenues from producers to manufacturers is also promoted through pricing policy. The monopsony buyer of the sisal crop—the Tanzania Sisal Authority—sells essentially to two consumers: the "world market" and domestic manufacturers. The Sisal Authority has chosen to make its sales to the domestic manufacturers at a price well below the world market price for raw sisal fiber. And because the Authority pays the farmers the residual difference between the sales price and its costs of marketing, the result of selling at a reduced price to domestic manufacturers is to lower the price paid to producers of the crop.

In 1977, the Ministry of Agriculture reported: "In 1976, the Tanzania Sisal Authority sold 36,072 tons of fiber to local mills at an average price of Tsh 1984 per ton. In comparing this with an average export price of Tsh 3,007 per ton in 1976, account must be taken of differences in grades and the timing of sales." (Tanzania 1977d, p. 27). Despite its caution, this report insisted that "sales to local spinning companies have been heavily subsidized." It also made clear that it was the producers who bore the cost of this subsidy in the form of downward adjustments in producer prices—adjustments that reflected the lower average realization for sales by the Sisal Authority.

Similar cases abound: the refinement of palm oil by government mills in Eastern Nigeria (Kilby; Usoro); the operation of plants to produce cocoa butter and cocoa powder in Ghana and Nigeria (Killick; Schatz 1977); the conduct of sugar estates in Ghana (Killick), Del Monte's pineapple cannery in Kenya (Swainson 1977a), and

INDECO's cannery in Zambia (Baylies 1978); the operations of the cotton mills in the Ivory Coast (Campbell 1974); and the behavior of the vegetable canning corporations in Ghana and the vegetable oil firms in Sudan (Grayson; *African Business*, February 1980). All of these entailed depressing the prices paid to the producers of cash crops in an effort to help finance the formation of domestic manufacturing firms.[2]

These examples illustrate that governments in Africa are willing to sacrifice the interests of farmers in order to promote the formation of industrial establishments. They do *not* demonstrate, however, that governments are willing to compromise *any* interest to safeguard industrial profits. To the contrary, governments are often willing to lower the profits of firms in order to secure other objectives—such as a plant location that is politically desirable though economically disadvantageous, or the maintenance of a labor force that is too large to generate maximum profits. What these examples do illustrate, and what is important here, is that governments are willing to undercut the interests of rural producers to promote the development of industry.

The development of local manufacturing establishments is an important achievement—perhaps even a watershed in African history—but it is not one that the farmers necessarily welcome. Processing formerly took place in the advanced industrial nations, and Africa's economic role was confined to the production of raw materials. As we have seen, this is rapidly changing. Increasingly, Africa possesses the capacity to transform raw materials into finished or intermediate products. But the interests of African farmers are

2. As Schatz states in his discussion of the growth of manufacturing in Nigeria: "Processing operations were sometimes established with the inducement of substantial subsidization through the privilege of purchasing Marketing Board export crops at prices below the world market level. In a number of cases, this subsidization exceeded the world market value added by domestic processing, so that 'effective subsidization' . . . exceed 100 percent" (Schatz 1977, p. 125). Killick cites a particularly gruesome case, originally reported by Norman Uphoff. The Ghanaian government had built a tomato-canning plant. In order to test the plant, the management brought in the police and border guards to keep away private buyers while the management bought up the thirty tons of tomatoes required for a test run of the factory (Killick 1978, p. 233).

often sacrificed in securing this transition. In the late 1970s, for example, the Federal Government of Nigeria banned the export of groundnuts to the international market (*African Business*, May 1979). It did this in an effort to secure adequate supplies of raw materials for the local crushing industry at prices the industrialists could afford. The interests of local industry thus led to a restructuring of the market by the state, and a historical marketing pattern was broken. But in this transformation, the farmers bore a major portion of the costs.

The Bureaucracy

The state and industry are not the only beneficiaries of this transfer of resources from agriculture to other sectors, however. Another is the bureaucracy, which organizes the market and is charged with manipulating it for public purposes.

Some evidence of the magnitude of the resources that accrue to the bureaucracy is the size of the costs of marketing. In a study of capital flows out of agriculture in Kenya, Jennifer Sharpley (1976) found that marketing costs accounted for between 10 to 35 percent of the differential between the world market price and the price paid to domestic producers (p. 110). As she states: "In 1969, of the various financial adjustments that could be estimated, marketing costs . . . were the largest item. . . . Financial transfers through taxation, subsidies, loans, and direct investment were found to be considerably smaller in size" (p. 109).

More recent research also reports a sharp inflation in the Kenyan costs of marketing. Over the period 1971–1976, the unit costs of marketing coffee increased 32 percent, of wattle bark 44 percent, and of cotton 406 percent (Gray, p. 64). Indeed, expenses have increased so greatly that a special review committee has called for a reform of the marketing boards (*Weekly Review*, June 6, 1979). Nor is the problem confined to Kenya. Whereas marketing costs consumed 7.4 percent of the value of cocoa sales in Ghana in the 1950s, by the late 1960s they had risen to over 17 percent. A similar pattern prevails in the cocoa industry of Nigeria (Beckman; Wells, p. 204).

In part, the rising costs of marketing result from plain inefficiency: poor storage, inefficiently scheduled transport and disposal of the crop, and careless contracting in both procurement and sales. All these problems bedevil the marketing boards, and all appear to be exacerbated by their monopsonistic status: because they are able to set prices, they can afford to be inefficient, for they can pass the costs of their inefficiency on to the farmers. Their inefficiency takes another form: growth in the number of their staff members and the perquisites they receive. The best evidence of such tendencies comes from Ghana, where one commission of inquiry noted:

> The evidence before us suggests that the [Cocoa Marketing Board] used the profits obtained from its monopoly cocoa operations to . . . provide funds for the dance band, footballers, actors and actresses, and a whole host of satellite units and individuals. . . . the State Cocoa Marketing Board itself is not free from . . . this type of practice. The CMB's area of operation . . . embraces activities and involves a staff which would have appeared absurd only ten years ago. [Ghana 1967a, p. 28]

This commission also noted the ability of marketing personnel to abuse their monopsonistic positions so as to radically enhance their incomes:

> Farmers often referred to the opulence of the Secretary Receiver [the official who operates the local buying station]. It was alleged that these officers who earned £G180 per annum owned cars, trucks, buildings, etc., and often supported as many as three wives. We saw some Secretary Receivers owning Mercedes Benz cars, Peugeot cars, and transport trucks. [Ghana 1967a, p. 20]

Similar abuses pervade the upper levels of the bureaucracy as well. Thus, recent inquiries into the Cocoa Marketing Board suggest the extent to which the directors of the board divert the trading surpluses accumulated from farmers to their own pockets. *West Africa* reported:

> Cmdr. Addo, former chief executive of the Cocoa Marketing Board, told the committee investigating its affairs that the CMB spent nearly ₵1 m. on drinks alone between August 1977 and July 1, 1978. Giving evidence, Cmdr. Addo said during his tenure of office he instituted certain measures to boost the morale of the directors. As part of these measures, he said, all the eight or ten directors were given a bottle each of whisky, brandy, and

gin at the end of every month in addition to receiving a . . . table allowance. [*West Africa*, Nov. 27, 1978, p. 2386]

In addition, Commander Addo stands accused of fraudulently appropriating hundreds of thousands of *cedis* of the Board's trading profits (*African Business*, January 1980).

The tendency to use marketing channels to appropriate revenues generated by the production of cash crops is not confined to civil servants. Similar tendencies have arisen when the state has empowered cooperative societies to serve as marketing channels. This has been most thoroughly documented in Tanzania, where investigations in 1966 (Tanzania 1966) and 1970 (Kriesel et al.) disclosed rapidly inflating marketing costs on the part of cooperatives, and specified the number and the emoluments of their staffs as major causes of this trend.

In Kenya, where cooperatives have been retained in many sectors of the agricultural industry, an alarming increase in marketing costs has also taken place. In a recent report the International Coffee Organization wrote: "It will be noted that deductions by cooperative federations and cooperative societies have increased from 17.3 U.S. cents per pound in 1974–75 (U.S. $23 per bag) to 36.3 U.S. cents per pound (U.S. $48 per bag) in 1975–76 and 50.9 U.S. cents per pound (U.S. $67 per bag) in 1976–77" (ICO 1978a, p. 24). Partly as a result of these deductions, the small-scale coffee producers, who market through the cooperative societies, obtain roughly 30 percent less of the portion of the world market price for coffee received by the large-scale plantations, who market directly through the coffee board.

CONCLUSIONS

We have examined here the position of the producers of cash crops for export. We have seen that they have been subject to a pricing policy that reduces the prices they receive to a level well below world market prices. And we have noted that although some of the resources expropriated from agriculture are returned in the form of interest payments and public services, perhaps most of

these resources are diverted to other sectors—to the state, to urban-based industrial enterprises, and to the bureaucrats who administer the publicly structured markets for farm products.

The tabulation in Appendix B documents the level of the financial burden placed on the producers of export crops by the dual price policy of the public marketing agencies. In most cases, the data represent the prices offered to domestic producers expressed as a percent of the f.o.b. price at the nearest major port. In some cases, they represent the percent of the income generated by the sale of the crops abroad that is actually secured by the producers. In either case, Appendix B shows that the producers have almost invariably received a price lower than the world market price. In most instances, they obtained less than two-thirds of the potential sales realization, and in many cases they received less than one-half.

CHAPTER 2

The Food Sector:

The Political Dynamics of Pricing Policies

Political pressures for low-cost food come from two main sources. One, of course, is the urban worker. The other is the employer who, when his workers are faced with high-cost food, is forced to pay higher wages. For political reasons, African governments must appease the urban worker; but as major employers and as the sponsors of industry, governments share the interests of those who pay the wage bill. To appease consumers while pursuing their own interests, governments therefore join with workers and industry in seeking low-cost food.

The issue that most frequently drives African city dwellers to militant action is the erosion of their purchasing power. The force of consumer interests was clearly revealed in the nationalist period. Following the Second World War, a combination of worldwide inflation and the resistance of colonial firms and governments to claims for offsetting wage increases led to widespread protests throughout the urban areas of Africa. In Ghana, for example, the anti-inflation campaign organized among the urban consumers gave strong impetus to the nationalist movement (for example, see Austin, p. 71ff), and a similar story can be told for other territories (see the studies in Sandbrook and Cohen; Berg; and Gutkind et al.). By capitalizing

on the political disaffection engendered by inflation, nationalist politicians seriously weakened the power of the colonial administrations and significantly hastened their own rise to power.

Since independence the militance of the urban consumers has remained largely unabated. The contemporary histories of many of the independent African nations might credibly be recorded by focusing on major periods of strike action and worker protest; on major wage concessions by state corporations, public services, or private industry; and on the work of major tribunals or commissions of inquiry into labor unrest. The Turner Commissions in Zambia and Tanzania; the Brown Commission in Zambia; the Gorsuch Commission, the Morgan Commission, the Adebo Commission, and the Udoji Commission in Nigeria; the unrest which led to these commissions, the reports they issued, and the government white papers issued in rejoinder—all these bear witness to the continued importance of urban demands for higher standards of living.

Not only have consumer interests remained militant; governments have remained vulnerable to consumer disaffection. The colonial regimes were not the last governments to lose power in part because of increases in the cost of living. The fate of the Busia government in Ghana is illustrative. For a variety of reasons, in December 1971, the Busia government decided to devalue the *cedi*. The result of the devaluation was an immediate rise in prices, not only of imported items but also of locally manufactured items that faced reduced competition from abroad. As reported by Libby: "The *Ghanaian Times* announced that, according to a survey conducted by the official Ghana News Agency on December 30, a packet of St. Louis sugar which formerly sold at . . . 27 New Pesewas now sold for 40 NP; a tin of Peak milk sold at 15 NP instead of 11 NP. On January 6, 1972, a can of beef sold for 70 NP instead of 55 NP and a packet of locally manufactured cigarettes sold for 65 NP instead of 45 NP" (pp. 85–86). The rise in prices sparked widespread discontent; and in response to the ensuing strikes, demonstrations, and public disturbances, the military seized power. As Libby contends: "The public reaction to devaluation was sharp and hostile. It created a climate in which a military coup d'etat could be carried out" (p. 86). Subsequent price rises in Ghana helped

provoke subsequent coups. And the withdrawal of the military from power in the late 1970s was accelerated by the wave of strikes in 1978, and by the military's inability to assuage the economic grievances of the urban workers, and its proven inability to force them, in the face of eroding standards of living, to provide labor services. Sadat, Nimeiri, Kaunda, Moi, Gowan, and Tolbert are among the other African leaders whose governments have felt the political pressures generated by the erosion of the purchasing power of urban dwellers; in the face of these pressures, several have fallen.

African governments can respond to demands for higher real incomes in several ways. But the choices they make are shaped by the fact that they, too, pay a bill for wages. Beyond paying civil servants and bureaucrats, in most cases they must also pay those who operate the ports and harbors, the railways, and the national transport systems. By establishing new industries or nationalizing existing ones, governments have become the owners of firms. They have also formed partnerships with private investors, thus becoming the owners of large-scale enterprises. And, hungry for capital to promote further investments, many governments strive to maintain an attractive environment for foreign investors. For all of these reasons, governments in Africa tend to resist demands for higher wages; they look for other alternatives.

One of the options available to political leaders, of course, is to attempt to reduce the effectiveness of organizations that seek to advance the economic interests of urban workers. One tactic they have used is co-optation: appointing labor officials to government boards, directorates in public enterprises, and central committees of governing parties; providing lavish office buildings and other perquisites; and providing for compulsory checkoffs and other measures that serve the organizational interests of trade-union movements. An alternate tactic is to suppress trade unions. By banning strikes, jailing labor leaders, and dissolving unions or compelling them to merge into government-sanctioned labor movements, they have sought to cripple the power of organized labor to champion the interests of urban consumers.[1]

1. There is a large, though uneven, literature on African labor movements. For reviews of it, see Kraus and Friedland. The best recent books are by Cohen, Gut-

Policies that seek to curtail urban demands by crippling their organized expression are only partially successful, however. Direct attacks on labor movements are open to reprisals; in moments of economic stress, labor movements can join with their urban constituents, paralyze cities, and create the conditions under which ambitious rivals can displace those in power. And attempts at co-optation still leave open the chance for wildcat actions; during moments of economic crisis in the cities, workers can and have acted on their own, and elite-level champions have been willing to come forth to lead them.

Thus governments face a dilemma: urban unrest, which they cannot successfully eradicate through co-optation or repression, poses a serious challenge to their interests as employers and sponsors of industry. Their response has been to try to appease urban interests not by offering higher money wages but by advocating policies aimed at reducing the cost of living, and in particular the cost of food. Agricultural policy thus becomes a byproduct of political relations between governments and their urban constituents.

The relationship between urban unrest and agricultural policy is an immediate one. When the Busia government of Ghana was overthrown in 1972, one of the first acts of the new military government was to publicly champion Operation Feed Yourself, a package of programs designed to secure greater food production and lower urban food prices. The Easter Rebellion in Liberia in 1979, which ultimately led to the overthrow of the Tolbert regime, eventually produced a basic change in agricultural policy. A central issue in the

kind et al., Jeffries, and Sandbrook and Cohen. The interchanges between Berg and Meeks are important. See also the debates between the devotees of the labor aristocracy thesis of Fanon, Arrighi, and others and the adherents to the more classically Marxist position. The debate is aptly summarized by Sandbrook (1977), among others. One of the leading scholars of the political role of urbanites, Joan Nelson, has found that both social scientists and policy-makers tend to overstate the radical tendencies of urban dwellers in the developing areas. Nelson does stress, however, that although the urban poor may not participate militantly on behalf of radical platforms, they do enter the political arena in pursuit of immediate, concrete economic gains (Nelson, pp. 138ff). Nelson also stresses that food prices are a central interest, and that urban demands for low-cost food result in policies deleterious to agrarian populations (ibid., pp. 343ff).

rebellion was the urban cost of living, and in particular, the government's announced intention of raising the price of rice. The immediate results of the rioting were the arrest and detention of opposition groups which had sought to capitalize on urban discontent, and a Presidential decree revoking the decision to raise rice prices and proposing instead a series of producer subsidies designed to elicit greater rice production.[2] President Tolbert was later overthrown; the changes in agricultural policy remain in effect.

This pattern also pervades policy-making in Nigeria. Following the defeat of Biafra in 1970, worker unrest, long suppressed during the civil war, led to widespread work stoppages. In response, the government convened the Adebo Commission, which in August 1971 gave an award of 12 to 30 percent wage increases to all members of the public service, and publicly called for "adjustments . . . to be made to wages and salaries in the private sector" (Nigeria 1975b, p. 16). Workers in the private sector enthusiastically championed the extension of "Adebo" awards beyond the public services. The results were across-the-board wage and salary adjustments.

Coupled with higher levels of government spending in the early 1970s, this increase in wages and salaries led to further price rises and to renewed demands for wage increases. The government convened another commission. Basing its recommendations on the need to adjust wages and salaries to rising price levels, the commission recommended "substantial salary increases for most grades of workers in the public service, ranging in most cases from 8 percent to more than 100 percent" (ibid., p. 17). Reporting in September 1974, the commission backdated its awards to April 1974. "The resulting arrears, paid between January and February 1975, pumped a vast sum of money into circulation" (ibid., p. 75).

Both commissions, in dealing with the problem of urban discontent, introduced a new emphasis in the government's policies toward urban radicalism: an increasing determination to deal with the problem not only by increasing urban incomes but also by curing its apparent cause—the rising cost of consumer items. As the Adebo

2. See the accounts in *Africa*, No. 94 (June 1979), and *African News*, April 27, 1979, and June 8, 1979.

Commission stated: "It was clear to us that, unless certain remedial steps were taken and actively pursued, a pay award would have little or no meaning and could indeed make matters worse. Hence our extraordinary preoccupation with the causes of the cost of living situation" (Nigeria 1971, p. 9). And as part of its effort to confront the causes of the rising cost of living, the commission went on to recommend a number of basic measures, among them many proposals designed "to improve the food supply situation" (ibid., p. 10).

In June of 1975, following the overthrow of the Gowon regime—whose unpopularity was caused in part by its apparent inability to deal with rapidly rising consumer prices—the new government of Nigeria appointed a task force to investigate the problem of inflation. This body, too, pinpointed the need to increase food supplies and reduce food prices as a key element in any attempt to assuage the demands of the urban working population. (See Nigeria, 1975a and 1975b.) Largely in response to the recommendations of this commission, the government of Nigeria adopted a series of highly publicized policy measures to increase agricultural production. This mixture of policies, which will be discussed further below, was commonly referred to as Operation Feed the Nation.

Agricultural policy is thus derivative. It is devised to cope with political problems whose immediate origins lie outside of the agricultural sector. Pricing policy finds its origins in the struggle between urban interests and their governments; and in the political reconciliation of that struggle, it is the rural producers who bear the costs: they are the ones who bear the burden of policies designed to lower the price of food. African governments attempt directly to alter food prices in two major ways: through the manipulation of trade policies, and through the operation of government-controlled marketing institutions.

COMMERCIAL POLICY

An exchange rate is the rate at which one currency can be exchanged for another. When a government appreciates the value of its currency—for convenience, we may call that currency the "dollar"—then the holders of dollars need pay less in order to secure a

given amount of another currency. In effect, the government increases the worth of its "dollars." Following official measures to appreciate the value of a national currency, citizens then find that the price in "dollars" of foreign goods is lower than before. Foreign goods appear to be cheaper. Consumers can import them at a lower dollar price from abroad; and producers, unless the government gives them tariff protection, find the price of goods sold by their foreign competitors to be lower than before the government's action.

For various reasons to be discussed in later chapters, governments in Africa, as in other developing areas, maintain overvalued exchange rates. In order to facilitate certain kinds of imports, they appreciate the value of their currencies above a level that would be warranted under free-market conditions. As a consequence, they reduce the domestic price of food. They do so by maintaining an overvalued exchange rate and by failing to adopt a structure of protective tariffs that would compensate for the resultant lowering of the perceived price of foreign food supplies. They also do so by allowing food to be imported when the domestic price exceeds the world price, and by banning its export when the opposite holds true.

Examples of these measures may be found everywhere in Africa, but some of the most apposite came as part of the anti-inflation policy package devised in Nigeria. One example concerns wheat. A World Bank mission to Nigeria in 1978 reported that imports of wheat had risen dramatically in the late 1970s. One reason, it noted, was that the price of bread had been fixed since January 1974. Urban incomes were rising, and as people became better off, they tended to switch to the consumption of bread prepared from wheat flour. The result was a rising demand for wheat. Moreover, the report continued, "at current exchange rates, wheat can be imported much more cheaply than it can be produced locally. Wheat can [also] be imported duty free" (IBRD 1978b, p. 12). Rice offers another example. Following the recommendation of the anti-inflation task force set up following the displacement of the Gowon regime, the Nigerian government reduced the duty on rice from 20 percent

to 10 percent; with rising domestic prices, demand shifted to foreign sources, and given the overvaluation of Nigerian currency, imports rose over 700 percent. As the World Bank report concluded: "The overvalued exchange rate is consumer biased. The massive importation of rice and wheat keeps the price of these and substitute commodities lower than would occur under restricted imports or a lower exchange rate" (IBRD 1978b, p. 38).

Besides sometimes encouraging the importation of foreign crops when domestic prices lie above world market prices, governments sometimes ban the export of food crops to prevent local prices from rising to a higher international price. In December 1974, for example, the government of the Sudan imposed an export duty of 20 percent on meat and meat products, thereby making it unprofitable for domestic producers to sell on the growing Mideast market and lowering the price to domestic consumers. In Kenya, both the Kenya Meat Commission and the Kenya Cooperative Creameries are compelled by government regulations to offer their products on the internal market at prices well below the world price for meat and dairy products; the same is true for the Kenya Tea Authority. These agencies lobby strenuously to be freed of such controls; they are nonetheless compelled to supply the domestic market at prices below the world price and to suffer the resultant loss of profits (Gray; *Weekly Review*, December 1, 1978; interview, August 1978).

The manipulation of protective measures can strongly affect the economic fortunes of domestic producers. Again, one of the most striking illustrations comes from Nigeria. Seeking to improve urban diets by promoting the production of poultry, the government of Nigeria encouraged the development of new, high-yielding varieties of yellow maize to be used as feed. The government enlisted the assistance of the International Institute of Tropical Agriculture (IITA), a Nigerian-based, internationally supported agricultural research institute. The IITA, in an expensive, ingenious, and innovative program conducted in collaboration with the Nigerian government, developed a new variety of maize that was widely accepted by local farmers and promised to dramatically increase local feed supplies. By 1977, the IITA effort moved out of the pilot stage and

began to be incorporated into the agricultural programs of several of the states of Nigeria; 2,500 villages were targeted to receive stations providing the new varieties and supporting technical assistance.

Then the government reversed itself. In April of 1977, in an effort to lower urban food prices by cutting the production costs of poultry, it removed all barriers to the importation of yellow maize. With protection removed, the overvaluation of Nigeria's currency meant that U.S. number one corn could be imported at 150 *naira* a ton, over 100 *naira* a ton below the local costs of production. Local farmers who had adopted the IITA package found that they could no longer sell their maize at a profit, given prevailing prices in the Nigerian market. As a result, the experiment was devastated (interviews, July 1978).

OFFICIAL MARKETING CHANNELS

An alternative method of reducing prices is for the government to intervene directly in the market for food. In accord with policies analogous to those imposed on the producers of export crops, the governments of some countries have created legalized monopsonies in the form of marketing boards for foodstuffs. These agencies buy produce at officially mandated prices and sell food products through price-controlled channels in town. Examples of such government agencies would be the National Agricultural Marketing Board (NAM Board) in Zambia, the Maize and Produce Board in Kenya, and the National Milling Corporation (NMC) in Tanzania. Similar bodies are found throughout the countries of the Sahel (Club du Sahel; Center for Policy Alternatives).

Both the NAM Board and the NMC provide substantial subsidies to urban consumers. In 1973, for example, the NAM Board received credits of K13.5 million from the government treasury to support the official government maize price; in 1974, the programs cost the government K12 million (Dodge, p. 116). Although I lack similar figures for Tanzania, official sources freely acknowledge that the National Milling Corporation (NMC) operates at a loss, and that its efforts to maintain low retail prices are a major reason for this.

The Bureau of Marketing and Research of the Tanzanian Ministry of Agriculture commented in 1977: "Retail prices for the main cereals have not been increased for three years. . . . Although consumer prices are outside the scope of the Annual Price Review, the NMC's present precarious financial position indicates a clear need for a close examination of present cost and price structures" (Tanzania 1977a, p. 6). The tendency to incur debts in order to support low urban prices has also been noted in the countries of the Sahel (Club du Sahel).

In seeking to maintain low consumer prices, the marketing agencies attempt to increase urban food supplies. They do so by importing food from abroad and distributing it in the urban market. Government-sponsored food imports have become a regular feature of the agricultural cycle in Africa: as the planting season begins and domestic food stocks dwindle, African governments enter the world market in search of food. And by importing food, the marketing agencies in effect compete with the local farmers in supplying the urban market, thereby lowering the price of the farmers' products (see the discussion in Club du Sahel, pp. 40ff).

The marketing agencies also seek to lower the price of food by lowering the prices they offer the farmer. In Tanzania, for example, between 1971 and 1976, the government offered prices that ranged from one-fifth to one-half the world price (Tanzania 1977c, Table 2.4). And in Zambia, Dodge found that if maize producers had been able to sell on the world market instead of to the NAM Board, they could have nearly doubled the prices they received in 1970–1971 and secured prices 50 percent higher than they received in 1973–1974 (Dodge, p. 118).

To impose these prices on farmers, governments establish a bureaucratic machinery to control marketing in the countryside. The regulations make the government the sole buyer of the crop. The prices are then set by law, and farmers who market their products outside official channels are subject to legal action. To control maize marketing in Kenya, for example, and thereby control the price of maize, the government requires anyone seeking to move more than ten bags of maize within a district, or two bags across district lines,

to secure a movement permit. In this way it seeks to make the Maize and Produce Marketing Board the sole buyer of the vast bulk of the maize crop.

It should be stressed that government attempts to control the market for food crops have failed. By contrast with the market for export crops, the market for food crops is extremely difficult to control. Many export crops can be grown only in highly specialized areas, but food crops can be grown virtually by all farm families. And whereas export crops must be moved through a few special locations—ports, for example—food crops can be moved in many ways. Government policing of the marketing and distribution of food crops is therefore more costly. Moreover, export crops often require specialized buyers: persons with access to foreign markets or to very expensive means of processing. Food crops, by contrast, can be bought by almost anyone, and can generally be processed by the consumers themselves. As a consequence, food crops can more readily be diverted from official marketing channels.

There is strong evidence that these factors have rendered government efforts to lower the price of food in domestic markets less successful than efforts to lower the price of cash crops in export markets. In countries that have marketing boards for domestic foodstuffs, no more than 10 to 30 percent of the crops designated for government control actually pass through official channels (Kenya 1972; Temu, p. 172; also Jones 1972). Instead, the bulk of marketed production is distributed through "unofficial" channels. Furthermore, administrative controls have failed to restrain price increases. The urban consumer in Africa is suffering, and in large part because of increases in the price of food. (Tables 2 and 3 display the rise in food prices in Nigeria and Ghana.)

Clearly, the governments of Africa have failed to provide low-priced food by organizing the market for farm products. One consequence of this is that they have increasingly tried other methods, which we shall explore in the next chapter. Despite these other efforts, their marketing agencies remain in place. This is a testament to the power of urban interests. Given the political realities of contemporary Africa, it is extremely difficult for governments to

Table 2
Composite Consumer Price Indexes, Urban Areas in Nigeria, 1970–1976
(1960 = 100)

		Consumer price index	*Food component of index*
1970	March	145.2	154.0
	June	153.4	169.8
	September	155.0	172.4
	December	155.8	172.9
1971	March	166.5	194.8
	June	182.5	229.8
	September	177.4	216.6
	December	179.1	218.8
1972	March	184.7	227.8
	June	185.6	231.0
	September	173.6	204.0
	December	172.9	199.9
1973	March	182.6	211.7
	June	194.5	233.2
	September	189.6	221.4
	December	203.9	244.6
1974	March	206.2	246.8
	June	218.6	268.4
	September	219.6	262.1
	December	224.0	269.8
1975	March	259.2	322.3
	June	293.3	381.7
	September	303.7	398.3
	December	317.7	420.7
1976	March	336.7	451.9
	June	348.3	469.9
	September	355.3	466.3
	December	360.3	467.9

Source. International Bank for Reconstruction and Development. *Nigeria: An Informal Survey*. Lagos: Typescript, 1978, Table 3.

Table 3
Indexes of Retail Prices for Accra, Ghana
(1960 = 100)

	Local food prices	*All retail prices*
1960	100	100
1961	106	106
1962	117	116
1963	122	121
1964	137	134
1965	188	169
1966	216	192
1967	184	176
1968	201	189
1969	218	203
1970	228	208
1971	256	227

Source. Tony Killick. *Development Economics in Action*. New York: St. Martin's Press, 1978, p. 95.

terminate a program or to withdraw from the countryside a bureaucracy whose function is to secure lower food prices.

One major consequence of the persistence of these institutions is continuing conflict between peasant and bureaucrat in the rural markets of Africa. The peasants exploit the economic alternatives which the market offers in an effort to avoid the adverse impact of official policies. The bureaucrats seek to appropriate the peasants' products at the lower prices the state is willing to offer. Another effect is more subtle. Whereas at the level of official policy, the interests of the peasants and the bureaucrat are in conflict, at the level of unofficial practice they are often consonant, given the structure of the incentives to which the official policy gives rise. To put it bluntly, the policies offer joint gains through corruption. The bureaucrat can offer protection against the very policies he is mandated to impose: for a portion of the gains, he can help the peasant evade market controls. And the peasant, rather than attacking government policy directly, can often do better by seeking to become

an individual exception to it; he can do this by offering bribes. Within the pattern of conflict to which government market intervention gives rise, this style of accommodation between the bureaucrat and the farmer becomes an important means by which African governments evoke individual compliance with policies that are collectively harmful.

CONCLUSIONS

Urban consumers strive to protect and enhance the purchasing power of their incomes. They demand higher wages, and they amplify their demands in the face of rising prices. Because of the depth of their ties with urban industry, governments resist urban wage demands. But they join in the demands for lower food prices.

Starkly rendered, this is the essence of the political origin of African food policy. But there are other features of the situation which elude so sparse a rendering. Among the most important are elite interests. *Where the elite engages in the production of a food item, policies are not employed to depress its price.* In the case of rice in Ghana, for example, major rice farms are owned by high-level public servants, with the result that rice is sold at domestic prices that lie well above the world market prices, and urban consumers suffer accordingly (see Stryker). Moreover, while the general pattern of protection may be designed to favor the consumer, the actual implementation of protective measures may redistribute income from consumers to elite-level officials. In Kenya, for example, the government forbade the export of certain food items in order to maintain low domestic prices. Nonetheless, in practice, the world price often prevailed. These items simply disappeared from local markets, and it soon became obvious that the administrators of the crop authorities, in cahoots with officials of the border guards, were smuggling the items into the more lucrative world market (for example, see *Weekly Review*, February 9, 1979).

The power of elites and their impact on rural economic and social relations is a theme that we shall stress in later chapters. By examining it, we will move beyond an analysis based purely on the clash of interests between town and country in Africa. We will try instead

to show how government policy favors certain rural interests over others, and thereby recruits important allies in the rural sector. Government programs, we will argue, create and nurture rural clients, particularly among elite farmers, and thereby encourage patterns of collaboration that bridge the gap between town and country in Africa.

CHAPTER 3

The Food Sector:

The Use of Nonprice Strategies

The desire to promote the fortunes of industry and the need to appease the urban areas have led governments to adopt policies intended to provide low-priced food. As has been shown, however, the regulation of internal markets is difficult to achieve. Moreover, the importation of foreign supplies to depress local prices has become an unattractive option. Rising oil prices and demands from industry for imports of capital, machinery, and skilled manpower have intensified demands for foreign exchange. And given the overwhelmingly agricultural make-up of their countries, African governments have responded by promoting programs to reduce food imports by increasing domestic farm production.

This chapter focuses on the production strategies of African governments. It documents their efforts to directly engage in food production and to secure greater private production by subsidizing the costs of farm inputs. One important effect of these strategies, it argues, is their impact on the social and economic structure of the countryside: they confer benefits on the few and promote the fortunes of a small number of privileged farmers. A major reason for the use of these strategies is that they are politically fruitful. Their political attractions will be analyzed in Part Two.