

Micro-level impacts of private sector investments in the agriculture and food sector in Sub-Saharan Africa

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Background

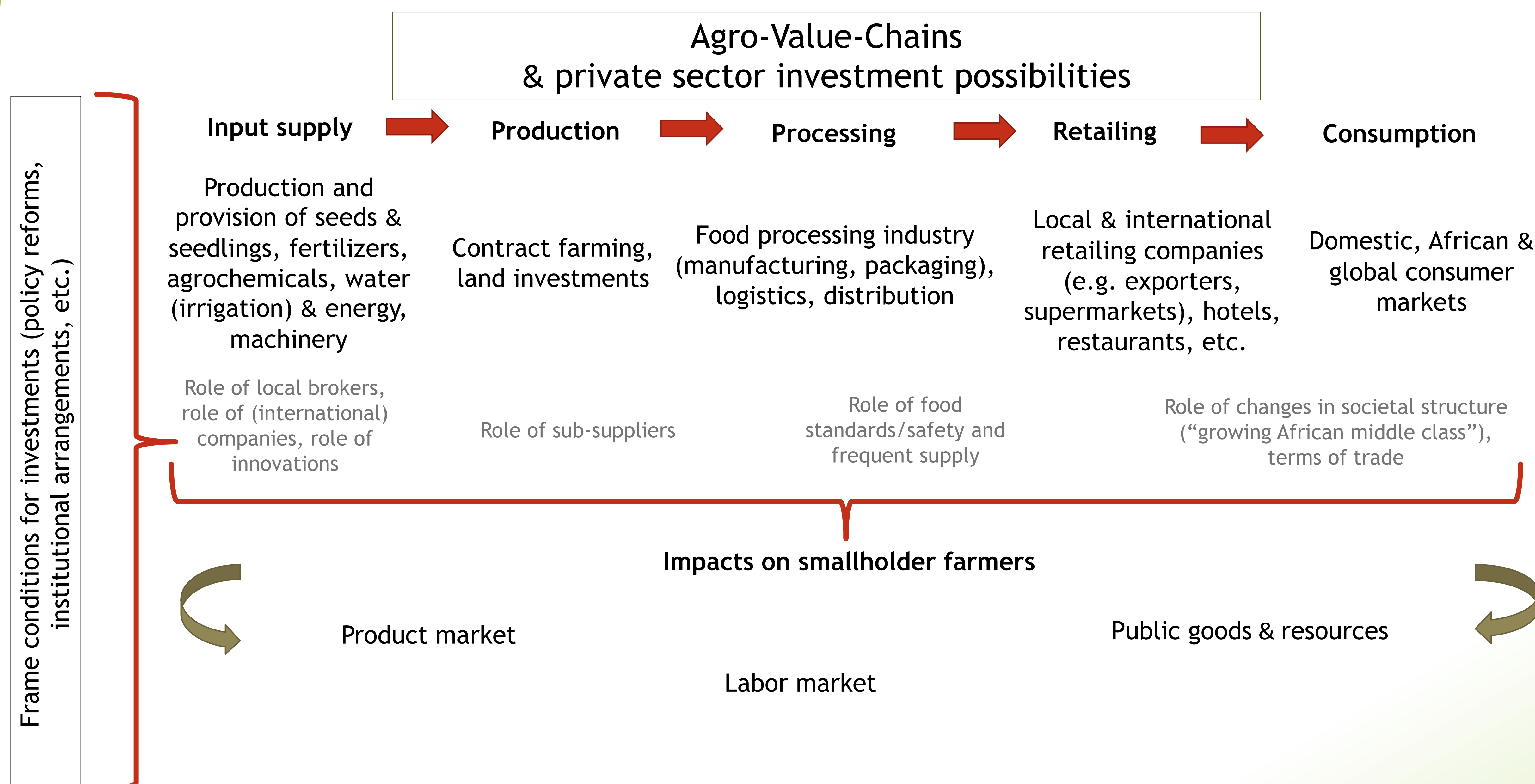
The agriculture and food sector in Sub-Saharan Africa is undergoing a profound transformation. Trade liberalization and improvements in logistics have spurred massive investments by foreign and domestic private investors. This trend includes a rash of changes, including growing export orientation, the consolidation of processing and retailing along with related organizational and institutional changes. However, the role of private sector investments in addressing societal problems is still a controversial topic of discussion. On the one hand the private sector is seen as key to rural transformation and poverty alleviation. On the other hand, criticism stretches from complaints about negative consequences such as exploitation of smallholders and environmental damages to worries about the exclusion of smallholder farmers from such investments.

Method and Data

Against this background, our study aims to analyze what kind of scientific evidence exists regarding the impacts of private sector investments on smallholders along the agricultural value chain.

- We exclusively review studies on Sub-Saharan Africa using primary data collected since 2000.
- The subsectors of interest include horticulture, grains, palm oil and tropical beverages (tea, coffee, cocoa).
- To identify relevant papers, we used prevalent online search engines (e.g. Google Scholar, AgEcon) and applied the snowball method.
- Our conceptual framework includes all parts of the agro-value chain and encompasses potential impacts on the product and labor market as well as impacts on public goods and resources.

Conceptual Framework



Study Outcomes

- Our review finds a strong research focus on the production level; in particular contract farming.
- On the production level, benefits for smallholders mainly arise via labor and product market channels.
- Results indicate:
 - Higher and more stable incomes of contract farmers and employees. However, contracts are often biased to better-off households.
 - Improved access to technology and finance and a higher adoption rate for agricultural innovations.
 - Higher output prices and price stability for contracted farmers.
 - New employment opportunities, especially for women, but poor working conditions.
 - Negative ecological impacts due to intensive use of chemicals.



Conclusion

- The review identifies severe research gaps on other levels of the value chain.
 - Research gaps especially concern the seed and fertilizer sector and the processing industry.
- Little is known about the impacts on public goods and resources such as infrastructure, land and water.
 - ❖ Research must diminish the production focus and include all parts of the value chain.
 - ❖ Further research on institutional arrangements is required.
 - ❖ Entrepreneurial capabilities of farmers should be recognized in order to strengthen their role in rural development.

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