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# AFRICA GROWTH AND OPPORTUNITY ACT (AGOA) AND AFRICAN AGRICULTURE

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## AFRICA GROWTH AND OPPORTUNITY ACT (AGOA) AND AFRICAN AGRICULTURE

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### ABSTRACT

AGOA directs the President of the United States to convene an annual meeting between the U.S. government and representatives of eligible African countries and to prepare an annual report to Congress on U.S. trade and investment policies with sub-Saharan Africa (SSA). Currently, Angola, Gabon, Nigeria and South Africa- accounted for the bulk (84 percent) of U.S. total imports from SSA. Since the passage of AGOA, the business climate has improved for non-agricultural exports and growth in these sectors has made relatively low direct benefits to Africa's poor. Consequently, expanding AGOA's application to African agriculture would have a significant impact on reducing hunger and poverty and therefore, on improving overall conditions in SSA. As a result of inadequate technology availability to increase agricultural output in order to take advantage of AGOA after meeting domestic needs, it is necessary to encourage a synergic approach to farming such as the African integrated farming system. Secondly, the paper posits that integrated agriculture will be cost effective in reducing the high cost structure of agricultural production in the SSA. AGOA should encourage and support African countries in the establishment and enforcement of effective laws, rules and regulations governing international trade and marketing. In conclusion the paper urged the U.S. government to adopt a comprehensive African policy, including a strengthened AGOA, increased development assistance, increased emphasis on agriculture and rural development, and a vigorous response to famine and civil conflicts.

Keywords: Africa, AGOA, United States, Agriculture

### INTRODUCTION

The Africa Growth and Opportunity Act (AGOA), included in the Trade and Development Act of 2000, was passed by the U.S. Congress and signed into law by President Bill Clinton in May 2000. The primary objective of AGOA, authorized until 2008, is to encourage increased trade and investment between the United States and sub-Saharan Africa (SSA) through the reduction of tariff and non-tariff barriers to trade, expansion of U.S. assistance for regional integration, negotiation of mutually beneficial and reciprocal trade agreements, promotion of private sector engagement and democratization. AGOA directs the president of the United States to convene an annual meeting between the U.S. government and representatives of eligible African countries (the U.S.-Sub-Saharan Africa Trade and Economic Cooperation Forum), and to prepare an annual report to Congress on U.S. trade and investment policies with SSA. Presently, 37 of the 48 sub-Saharan African countries are AGOA- eligible based on specific criteria, including continued progress toward establishing a market-based economy, rule of law and economic policies to reduce poverty

Supporters of AGOA argue that it creates a policy environment for the USA to engage Africa in trade relations similar to those extended to other regions, thus aiding fledging African economies to develop. Opponents of the legislation are of the view that AGOA is fundamentally flawed because it is based on questionable "trickle-down" economic theory and lacks an institutionalized role for civil society. Some opponents still argue that AGOA imposes stringent eligibility requirements in spite of the fact that nearly 80 percent of sub-Saharan African countries have already been granted AGOA eligibility status.

In view of the fact that crude oil dominated all imports from SSA, totaling 64 percent of the total value of imports, followed by platinum group metals (7percent), apparel (4.5 percent) and diamonds (2.5 percent), it is quite essential that the SSA takes advantage of AGOA to develop its agricultural sector for improved export to America. Currently, Angola, Gabon, Nigeria and South Africa- accounted for the bulk (84 percent) of U.S. total imports from SSA. Meanwhile, U.S. exports to SSA rose by 17.4 percent from the year 2002 at \$5.9billion to \$7billion. On the other hand, SSA accounts for less than 1 percent of overall U.S. exports and less than 2 percent of U.S. imports. Since the passage of AGOA business climate has improved for non-agricultural exports and growth in these sector has made relatively low direct benefits to Africa's poor. Currently, one third of Africa's population is undernourished, and nearly half live on less than \$1 a day. Most of the poor live in rural areas and depend largely on agriculture, which accounts for 35 percent of SSA's gross domestic product, 40 percent of its exports and 70 percent of its employment. Consequently, expanding AGOA's application to African agriculture would have a significant impact on reducing hunger and poverty and, therefore, on improving overall conditions in SSA. The International Food Policy Research Institute estimated that a 1 percent increase in agriculture productivity would raise the income of 6million African people above \$1 per day. A \$1 increase in agricultural production generates about \$2.32 in economic growth. Thus, expanding market access and lowering trade barriers for African agricultural products through AGOA will have the greatest impact, not only on the poorest people in SSA, but also on national economies.

This paper will on the basis of the above scenario discuss the opportunities of increasing agricultural output and improving the value adding strategy to meet the expected standards of packaging for the U.S. market. The paper is structured into three sections with section one being the introduction, section two discusses integrated farming system as a cost effective model to increase agricultural output. Section three proffer recommendations to address the U.S. agricultural subsidies on the ability of SSA exporting agricultural products to U.S.A.

#### INTEGRATED FARMING SYSTEM

Over 2billion people of SSA are supported by agricultural system characterized by modern technologies brought about by the Green Revolution. These systems utilized good soils and usually have reliable access to water, and are close to the roads, markets and supplies of inputs. However, these systems are not applicable to all the rural farmers living in rain-fed, undulating and mountainous areas, which are largely untouched by modern technology. These situations are quite evident in the poorer countries of the SSA with little foreign exchange to buy imported inputs. Their agricultural systems are complex and diverse, and are located in the humid and semi-humid low lands, the hills and mountains, and the dry lands of uncertain rainfall. They are remote from services and roads, and they commonly produce per unit area only one-fifth to one-tenth of the food as farms in the industrialized and Green Revolution lands (Pretty 1995). As a result of inadequate technology availability to increase agricultural output in order to take advantage of AGOA after meeting domestic needs, it is necessary to encourage a synergic approach to farming rather than encouraging isolated farming, such as crop, livestock etc farming.

An integrated farming system will ensure that sustainable use of natural renewable resources are encouraged where animal feed is grown and fed to the animal, while the animal excreta is recycled on the farms in ways that minimize the use of imported inputs including energy. The strategy of integrated farming has some challenges such as:

- Credit
- Land distribution
- Inadequate resources/high pressure on natural resources

- High population pressure
- Lack of technology/wrong technology transfer.

Integrated farming are basically encouraged for rural poor and it starts small with ducks and chickens; then a few goats are kept for milk or fattening and to slaughter for a day of sacrifice; next a milking cow; then a bullock for ploughing in cooperation with another one-buffalo family; then two bullocks. These can be used to plough the fields of others- a very lucrative business in the planting season. With this approach a step by step approach of integrated farming could bring a family out of poverty. Integrated farming has proved to have pulled poorest households out of poverty especially when it routed through women and supported with adequate and right institutional credit and technical interventions. A good example is the “Bangladesh experience” where small scale rural poultry production lifted millions of women out of absolute poverty (Jensen 1996) as the poultry enterprise gave a 35% increase in household income and family food intake was increased (Jahangir Alam 1997).

A more integrated approach arising from the group that had been moved out of poverty seems to have been a good strategy to meet the market demands of some of the products for the U.S.A markets. These are in the production of cereal grains for livestock feed, production of exotic crops such as horticultural products (flowers and fruits). Production of cassava in an integrated farming is another crop that could become important for the market. In all these integrated farming, the aim is to promote low cost production by using local materials and using low cost technology to package for developed market such as AGOA.

The African integrated farming system must be developed in order to use the locally available “alternative” resources. An example is the strategies for sustainable livestock production that produces manure as a valuable fertilizer for crop production, horticulture (flower) and fruits production for exports. Many small scale farms do not have all the components of integrated farming system. However, exchanges do take place via the market or village institutions or the community supported agricultural business. Alternatively, enterprises can be established which for instance collect produce and package for the international market such as the AGOA market. The beneficiaries of this integrated farming system are the farm family and the society in general. Women will benefit if there is close integration within the farming system. Firewood, the collection and use of which is done by women, can be replaced by biogas when livestock are confined and the existence of commercial production will lift the income generating capability of the rural farming. The integrated farming will give empowerment to farmers who may be economically “poor” but who are “rich” in knowledge of local resources.

#### SONGHAI CENTER- A GOOD EXAMPLE OF INTEGRATED FARM

A very good example of integrated farming system is the Songhai Center in the Republic of Benin in West African. It is a model for the world. Songhai Center is a living testimony to the saying “give a man a fish, he eats for a day; teach him to fish, he eats for a lifetime”. It is a proof that traditional and modern methods can work hand in hand. The Songhai Center initially seems to be a modest organic farm. The crops are based on local resources--- papayas, cashew, ginger, citronnelle, sunflowers, palm, corn, soy beans, and mushrooms. Insect larvae and earthworms are grown to feed the animals--- turkeys, chicken, quail, rabbits, goats and sheep. Catfish and tilapia are cultivated in manmade ponds and lakes that grow specifically chosen plant life.

There are three components to the development: crop production, animal husbandry and aquaculture. Everything is organically grown and easily grown. This model is based on minimal input and use of local resources, which make it accessible to the poor. It is also based on no soil degradation, no pesticides, no pollution and no waste. Waste from one component becomes input

for another component. For example: easy-to-grow larvae feed the fowl, fowl dropping produce bio-gas that is used by generators to create electricity for cooking and processing. Mangoes are dried and processed, and their peels are used for juice concentrates and for compost for other crops. Everything is used--- broken egg shells for calcium, citronnelle tea for an anti-malarial, and the red soil for making bricks for dormitories and classrooms, wastewater for irrigation.

Anaerobic bacteria from bio-gas are used to purify fish wastewater that, in turn, destroys water-borne diseases such as typhoid and dysentery. Tools, corn huskers and generators are all made from discarded machinery. Songhai however is much more than agricultural model. In a country where only 23 percent of the cultivable land is used, where the illiteracy rate is 86 percent and school dropout rates are high, where the life expectancy is 52 years, it provides an integrated farm settlement for the training of poor farmers and school drop outs. They learn to produce economically while enhancing the environment. Songhai Center offers a good opportunity for African farmers to form association of similar programs to produce for AGOA. It has been confirmed that such association exist in several locations in Africa such as in Nigeria, Togo, Namibia, South Africa, Tanzania, Uganda, and Chad.

Songhai has a nonprofit, charitable support group in California, Financial and technical support also is provided by the United States Agency for International Development (USAID). Consequently, with the assistance of USAID, the output of Songhai could reach the quality of AGOA if African Agriculture is encouraged to trade under the conditions of AGOA. “An economy for African had to be based on its own realities--- be they cultural, environmental, geographical” so said the Dominican priest Rev. Father Godfrey—the founder of Songhai Center.

#### WHAT THEN IS COMMUNITY SUPPORTED AGRICULTURE?

Community supported agriculture (CSA) is a new approach to growing, selling, buying, and consuming food. The CSA is practiced in the rural African farming but have not been so recognized. It is about relationship between farmers and consumer, between consumers and the land. It is about bridging the urban and the rural, the present and the future. CSA simplifies the relationship between people and the source of their food. Through CSA, a consumer buys directly from the farmer for a full growing season. The produce harvested goes directly to the CSA members each week. In Nigeria, it is called “better life” market. Besides great produce, CSA is also supported by Non-Governmental Organizations (NGOs) to provide the focal point for education and community building. Field days, work days, harvest festivals and celebrations provide the opportunity for urban families to share and learn together in a rural setting. Consequently, CSA is a veritable process of ensuring the marketability of produce in an organized way that will meet international standards.

#### AGOA AND THE NEED FOR SUBSIDIES ON AGRICULTURAL PRODUCTS

The objective of the Africa Trade development is to ensure that African businesses take greater advantage of opportunity to export to the U.S particularly under the AGOA. The export development arrangement focuses on selected sectors such as hand-woven textiles, industrially-produced apparel and textiles, processed cashews, shea butter and fresh and processed fish and seafood.

The listed items are agro-allied but not raw agricultural products. Export of raw agricultural products under AGOA is currently not possible because of the fact that production of agricultural produce has high cost structure in most SSA economies. The cost of farming is high because of lack of technology and the state of the art resources that reduce production outcomes at the least cost are quite not applicable on the small scale farms of the SSA. However, some countries within SSA such as Kenya, South Africa are exporting exotic crops and cut-flowers. It is important that

the SSA farmers form a formidable group to address and understand the trade tricks of the importing countries. It is important that people understand these issues and the ability of Africa to trade, is so critical to their development and their efforts to alleviate poverty. For a long time, Africa has focused on aid as a way to alleviate poverty. It is not that they do not need aids. Africa must know "how to fish". It is a shame to be "fed with fish" all the time. Consequently, we must be well prepared to take the world that had been opened up for us through this AGOA initiative. In order to take advantage of the initiative, the United States must come to assist in areas of trade capacity assistance, investment in the SSA economies such as building factories, encourage more product diversification etc.

There are areas of infrastructural inadequacies which United States of America could look into and provide subsidies. For example is the area of uncompetitive production from some SSA countries arising from the issues of transport cost, inefficient and ineffective port and shipping arrangements- there are a number of supply constraints which could be facilitated by the U.S.A to help these economies become big players in the global market. Some critics of AGOA reform proposal assert that without the parallel removal of domestic U.S. agricultural subsidies and other trade distorting practices, AGOA will never be able to unleash the economic potential of the African agricultural sector. On the other hand World Trade Organization (WTO) multilateral negotiations could on the long run offer opportunities for industrialized countries to reduce their agricultural protectionism and trade-distorted subsidies in ways that could be important to Africa. While the trade concessions under AGOA are temporary and determined by the U.S unilaterally, WTO trade liberalization would be permanent and disputes would be subject to multilateral views. In fact, the current round of WTO trade negotiations are supposed to focus on developing-country concerns, including proposals for differential treatment of countries with special needs. If agriculture is liberalized, low-income food-deficit countries such as in the SSA will need transitional assistance.

#### CONCLUSIONS AND RECOMMENDATIONS

The paper has tried to amplify the AGOA as an opportunity the SSA should utilize to get out of poverty while requesting that agricultural products be listed as tariff line of products. Secondly, the paper surveyed the efforts of integrated agriculture and posits that integrated agriculture will be cost effective in reducing the high cost structure of agricultural production in the SSA. The following are recommendations for the U.S to assist the SSA use AGOA as a wealth creating opportunity for the citizenry of SSA. This is because U.S. exports more to Africa than to any country, about 1.5 times as much export to Soviet republics, twice as much to Africa as she does to Eastern and Central European countries. More importantly, Africa might in view of these recommendations expand their relationship with U.S.A. Therefore, in order to encourage the production, processing and transporting of more and better quality exports, the United States should support AGOA-eligible countries in the following areas:

- Technical training and capacity building in agricultural production, trade, processing, research and markets, especially for institutions serving smallholder farmers, small-scale rural businesses, co-operatives and marketing and transport organizations;
- Specialized technical training to increase African capacity to negotiate in the WTO;
- Infrastructure development, including the creation of modern packaging plants, increased investment in storage plants, regional bulk commodity management facilities, and value-added processing, as well as the enhancement of export product quality and phyto-sanitary standards;
- Improvement of transport and communication networks to reduce transaction and marketing costs related to agricultural trade, including support for efficient ocean freight

- and air freight systems, direct port-to-port linkages, and incentives to reduce handling charges for AGOA commodities;
- Market product and price information gathering, delivery and access to farmers, traders processors and policy makers;
  - Creating a comprehensive information database on U.S. and African agribusinesses to serve as a clearing house for specific inquiries regarding international trade, laws, contracts, etc;
  - Obtaining necessary capital is a major constraint to development. The U.S. government should press the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank to respond to the AGOA policy dialogue and bring significant new resources to help African countries attract more investment capital;
  - AGOA should encourage and support African countries in the establishment and enforcement of effective laws, rules and regulations governing international trade and marketing;
  - The U.S. government should establish an AGOA agricultural trade advisory team to facilitate communication between African and American stakeholders. The advisory team would include designers of U.S. and African governments, educational institutions, the private sector, including smallholder producer organizations, and non-governmental organizations.
  - Consumer preferences in the U.S. have increased demand for high-quality niche products and value-added products, such as year-round fresh fruits and vegetables, higher value horticulture and floriculture products, organic tea, raw cotton, cotton seed, spices, nuts, processed seafood and folk craft items. The U.S. should provide technical assistance for eligible countries to identify and access these niche agricultural markets, especially for products from smallholder farmers;
  - The U.S. government should provide tax incentives for U.S. companies to make trade, agriculture and infrastructure investments in Africa;

Most of these recommendations are being addressed. It is pertinent to mention that these changes have taken additional financial resources. This underscore why increases in development assistance are necessary to strengthen mutually beneficial trade that will help reduce hunger and poverty in sub-Saharan African.

In conclusion the U.S. government is urged to adopt a comprehensive Africa policy, including a strengthened AGOA, increased development assistance, increased emphasis on agriculture and rural development, and a vigorous response to famine and civil conflicts. It will be out of place not to touch base with the efforts African governments are pulling together- in the area of New Partnership for African Development (NEPAD), which is Africa's own comprehensive development policy. U.S policy including AGOA should be responsive to NEPAD.

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