

Food Product Marketing: the Principal Cash Source of Farmers in Burkina Faso – Largely Ignored by the Policy Makers

By Gil Ducommun¹

This article presents the main results of a research report² on “farmer’s food product sales, urban markets and policy options in Burkina Faso”.

Farmers in Burkina earn a much larger part of their cash income from the sales of food products than from cotton. Food production for the market has a vast growth potential. The mobilisation of this potential through an investment credit system and the organisation of the markets would be an effective contribution to the fight against rural poverty. However, the current policies ignore this potential and the development of domestic market. A policy of industrialisation in the agri-food sector is recommended in order to reduce unemployment.

I Objectives, financing and partner institutions

The research project TASIM-AO (Transition from subsistence farming to a market-oriented, intensified and sustainable agriculture in West Africa), implemented from 2001 to 2005, had set out four objectives: study (1) the sales of food products by farmers, and (2) the attitude of farmers regarding marketing; (3) analyse the

cereal value chains; (4) make policy suggestions with a view to intensify and commercialise food production and to improve food supply to urban areas.

Two hypotheses provide the starting point of TASIM-AO: (1) the fast growth of urban food markets of 5-6% per year can serve as a driving force for agricultural and rural growth; (2) farming households have the potential to increase their food crop production and sales to an extent that satisfies the increasing demands from urban areas, provided necessary policy adjustments are made.

The initiative of this research project was taken by the Swiss College for Agriculture (SCA/SHL), and it was implemented in collaboration with the Study Centre CEDRES, which is part of the University of Ouagadougou (Economic and Management Sciences). The project was co-financed by SDC (Swiss Agency for Development and Cooperation) with an amount of CHF 529'000.- (55% of the total cost), while the remainder was financed by SCA (40%) and by CEDRES.

2 Methodology

Village-level surveys about the commercialisation of food products and its evolution over time were undertaken in three agro-ecologically different regions: Dédougou, Fada N’Gourma et Kaya. Structured interviews were conducted with 180 farm households per region, 20 per village. The data of all the 540 farms were tabled using Excel and statistically analysed with the software SPSS. For the study of the cereal value chains, semi-structured or structured interviews were conducted with traders, retailers and transporters in the three regions and in Ouagadougou. In the capital also eight food processing enterprises were analysed.

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² Ducommun G, Cecchini H, Ouedraogo S, Bengaly A, 2005: *Commercialisation vivrière paysanne, marchés urbains et options politiques au Burkina Faso, Rapport final de synthèse du projet de recherche TASIM-AO, HESA Zollikofen, CEDRES Ouagadougou.*

The full documentation of TASIM-AO can be downloaded at www.shl.bfh.ch; click «TASIM-AO» under «Quick Search».



Figure 1: Burkina Faso, study regions of the TASIM-AO project

Further, the cereal imports of Burkina Faso (1992-2002) were compiled and analysed.

For the elaboration of strategic recommendations a series of policy discussions were held with thirty representatives of commercial, political and administrative circles. The research team also undertook an analysis of current agricultural and trade policies and reviewed literature on the respective topics.

For the analysis of the results, the 180 farms of each region were grouped into four quartiles (Q) comprising 41 to 45 farms each. With this number statistically significant averages and means can be obtained. The quartile 1 (Q1) comprises the farms with least sales, Q4 those with the highest sales. A group 0 (G0) contains farms without any food product sales. Within Q4 a sub-group with those farms that sell the most was created, D10 (10% decile) with 17-18 farms.

3 Farmers' food product sales

The variation regarding commercialisation of food products between the farms is substantial, indicating a strong differentiation of the family farm sector. (See table 1 next side)

The annual food product sales by the farms of Q1 in all the three regions are around 22'000 FCFA (CHF 52). In Q2 the three averages vary between 65'000 and 85'000 CFA (CHF 153 to 200), in Q3 between 170'000 and 250'000 CFA (CHF 400 to 588) and in Q4 between 520'000 and 920'000 CFA, i.e. CHF 1'220 to 2'160. The farms of D10 (the 10% of the producers with the highest sales) market on average 750'000 CFA (CHF 1'760) worth of food products in Kaya and 1.5 million CFA (CHF 3'525) in Dédougou and in Fada N'Gourma.

Table 1: Food product sales per farm, average per category of farms (Franc CFA)

| Region | Category | Q1 | Q2 | Q3 | Q4 | Average | D10 |
|-----------------|----------|--------|--------|---------|---------|---------|-----------|
| - Dédougou | | 21'450 | 82'320 | 204'580 | 699'680 | 247'130 | 1'068'010 |
| - Fada N'Gourma | | 22'460 | 78'810 | 250'540 | 912'580 | 316'100 | 1'308'100 |
| - Kaya | | 21'130 | 64'650 | 176'830 | 520'520 | 194'940 | 749'080 |

Q1 etc.: see section 2 (methodology)

CFA Francs (CFA) 1000 = CHF 2.35

The differentiation between the farms becomes evident also in the fact that the farms of quartiles 1 and 2 together make up only 20% of the total agricultural sales (including cotton) in the region of Dédougou, while those of quartile 4 realise 55% of the total sales volume. In the regions of Fada N'Gourma and Kaya, the differentiation is even more marked: the top quartile of the farms realised 70%, and 65%, of the sales respectively.

If we consider only the sales of food grains (cereals, pulses, sesame) the very unequal potential of the farms becomes even more obvious:

The results of these investigations allow to draw the following conclusions:

1. 35 to 40% of the producers are substantially oriented towards the food market. Family agriculture is moving towards increasing integration into markets. These dynamics took place although the instability of the food markets were not conducive for an upswing, as opposed to the conditions for cotton
2. Classical cash crops – cotton, groundnut, (sesame) – are no longer the main market crops. A producer can easily replace cotton or sesame with maize,

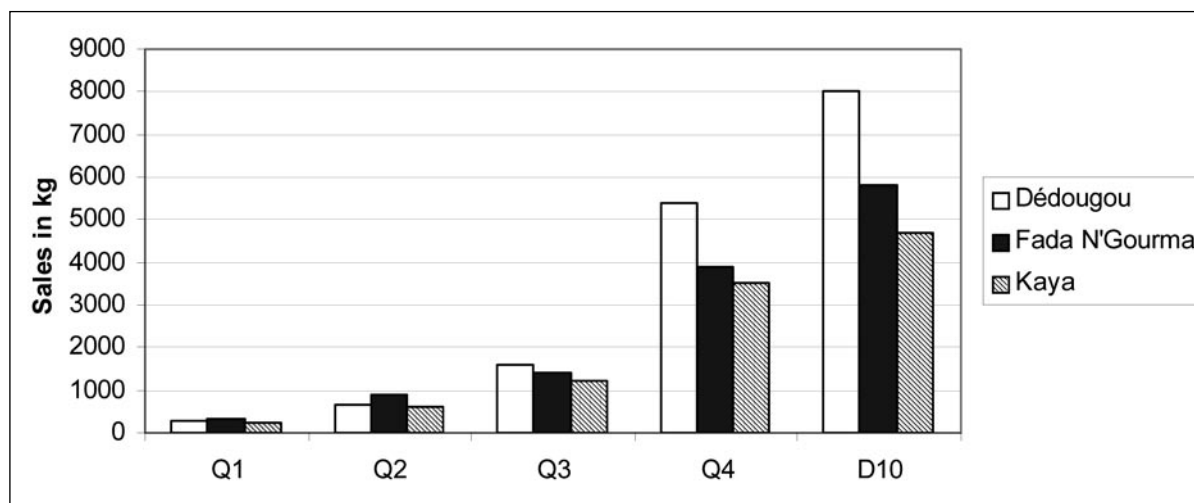


Figure 2: Sales of food grains per category of farm units (kg)

In Q1, the average sales vary between 250 and 350 kg and in Q2 between 600 and 900 kg. A good part of these households are probably deficit in cereals, in the sense that they buy more than they sell. In Q3 the average sales reach 1.2 to 1.6 t, and 3.5 to 5.5 t in Q4. Within this last quarter of farms, the D10 (17 units) market between 4.7 and 8 t on average.

sorghum, rice or vegetables as commercial crops. The food crops have become cash crops. Family agriculture in Burkina Faso nowadays cannot be defined as subsistence farming any more, even if more than half of the food production is for home consumption.

3. For their cash income, the farms of Q1 and Q2 depend either on cotton or various side income sources. If they have no such income, these families live in deep poverty or depend on financial transfers of family members.
4. Extrapolation to the national level shows that the annual food sales of all farmers total at least 200 to 220 billion CFA francs, three times more than cotton sales.

At the conceptual and policy level, it is thus necessary to revise the perception of family agriculture: it is dynamic, it transforms subsistence agriculture into a commercial sector, and it depends for its monetary revenue much more on traditional food crops (grains, fruits, vegetables and animals) than on cotton. National development and poverty reduction policies do not take these facts sufficiently into account. We will get back to this later.

4 An unexploited production potential

The availability of labour and arable land at the 540 farms studied, suggest that 60-80% of the farms could easily increase their commercial food crop production, thereby moving on to the next higher quartile.

Only for the move from Q3 to Q4 in the region of Dédougou there is a problem of area: there may not be sufficient land available due to high population density.

The availability of labour is generally not a problem, though there may be isolated incidences of scarcity. It has to be noted that the region of Dédougou benefited from loans for animal traction within the frame of cotton cultivation: labour productivity there is two to three times higher than in the other two regions. The Q4 farms in Dédougou are all well equipped (bullock cart, two or more bullocks, plough etc.)

We have found that Q4 farmers do not have more education than those in the other categories, and that the technical know-how is essentially available in the village (result of 40 years of extension services), and thus the potential for higher agricultural production is there and could be activated on a short term.

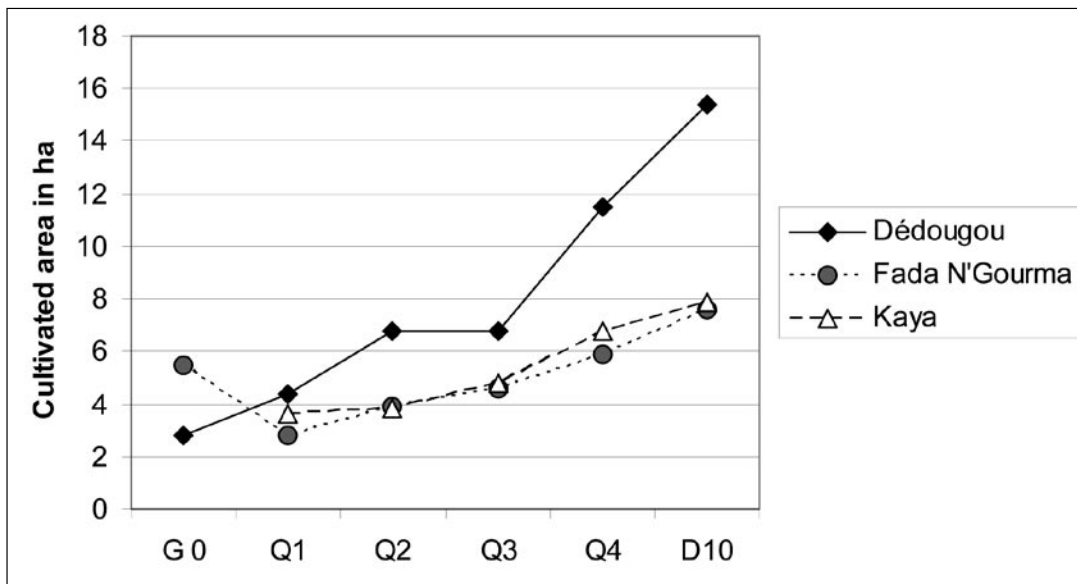


Figure 3: Cultivated area per farm category (ha)

Note: For G0, Q1, D10 etc. see section 2 (methodology)

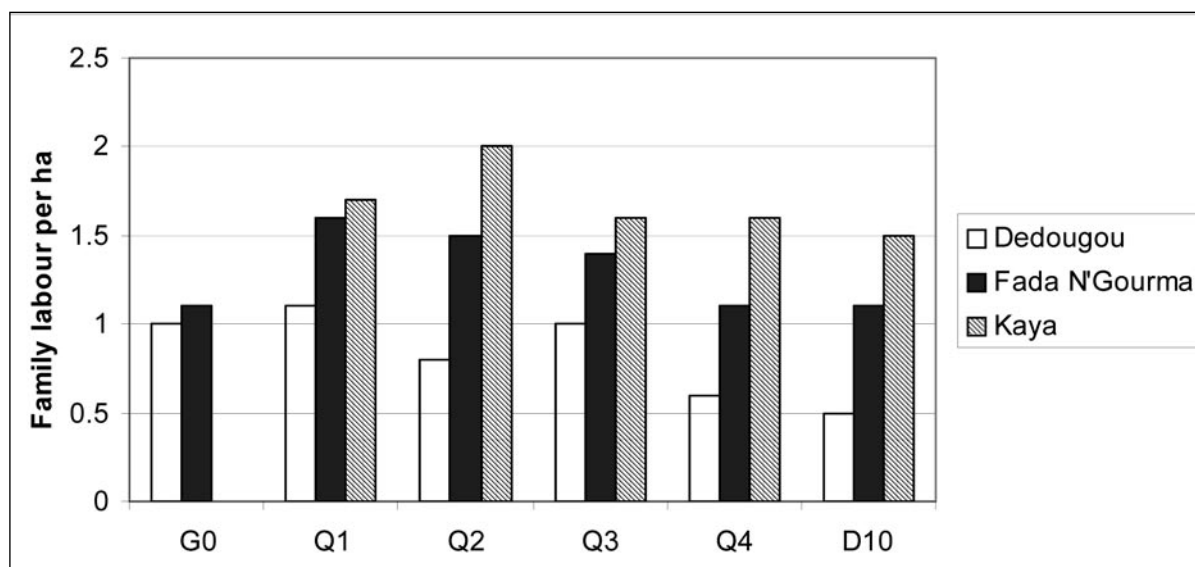


Figure 4: Available family labour per hectare

5 How to mobilise the production potential?

The farmers express decidedly that the factors which are most important for the volume of their food sales are the availability of means of production: bullocks and animal traction equipment, chemical and organic fertilisers, but also land and labour. The biggest constraint for the increase of food sales is the lack of financial means. The well equipped farms of Q4 put more emphasis on marketing problems: too low prices and difficulties with transport.

We conclude that the means to overcome the first bottleneck in agricultural production could be a **system of agricultural investment credit**, with loans for equipment with a repayment period of four to six years and an interest rate of 5-8% (thus subsidised). Such loans could in our view be best guaranteed through the social obligations of the credit taker towards the village and its ancestors (social relations, family honour, religion). Such credit would be available only to those farms that are insufficiently equipped and have at least two ha of surplus arable land, which allows an increase in revenue that is higher than the amount needed for debt servicing (a debt of for example 300'000 CFA with an annual debt service of 78'000 CFA, decreasing over time; the gross margin from 1 ha varies be-

tween 50'000 and 150'000 CFA). In case of disasters (drought, epidemic), the repayment period would have to be increased.

The mobilisation of the agricultural production potential also necessitates the **organisation of the food markets**. The producers cannot get themselves into debt and increase their commercial production without minimal guarantees for prices and sales. Instead of the semi-public agencies that operated from around 1960 to 1990, the establishment of collective agreements for each product in the form of annual contracts between the concerned actors (producer organisation, transporters, large and small traders, consumers) could provide a solution. The negotiations would be facilitated by the state and aim at the creation of efficient and flexible value chains with guaranteed minimum prices and margins.

6 A poverty reduction and growth policy

The second Poverty Reduction Strategy Paper of Burkina Faso (January 2004) is the most comprehensive document regarding national development strategy. For economic growth it relies on growth of exports, essentially of primary products, and neglects the development through the growth of domestic markets.

Based on our study, and taking into account the geographical location and the production potentials of Burkina Faso, and the global market conditions, we propose to the authorities, parties and NGOs of the country the following strategy for an effective fight against poverty, based on an economic growth that involves all population segments:

1. Reduce the efforts to foster growth of exports of primary products without suppressing it.
2. Develop a decentralised web of agri-food industries for mass consumer products for the domestic market. These would be small-scale industries mainly in the food sector that concentrate on domestic products: cereals, flour and bread, pasta, couscous and rolls, pasteurised «dolo» (sorghum beer), biscuits, pulp, canned fruits and vegetables, juices, syrup, dairy products, meat products and textiles. This first phase of industrialisation (10-20 years) would aim at the domestic market (import substitution) and allow to create the industrial culture and institutions necessary to move to a second phase: the export of industrial products (substituting the exports of primary products). Such an agro-industrial sector can at the same time absorb underemployed urban labour and open up new market opportunities and income to farmers which will motivate people to remain in the rural areas.
3. Establish a system of agricultural investment credit (see section 5).
4. Organise the agricultural markets through collective agreements with minimum price and sales guarantees (see section 5).
5. Reject the Economic Partnership Agreement (EPA) with the European Union (EU) which foresees free trade between African countries and the EU. On the contrary, introduce moderate protection of the agri-food markets in order to bring the price of imported products (flour, rice, milk powder, pasta, canned products) to the level of the real production cost in the countries of origin. Such an import tax would be named «compensation tax for agricultural subsidies» and would have to be authorized by

WTO as long as the agricultural production and export subsidies of the industrialised countries (and others) persist. These measures need to be designed with care to avoid an increase of the domestic prices beyond the level of the estimated prices in a global market without subsidies.

7 Conclusions

If we want that Africa develops in a way that creates jobs for people, and if we want to reduce the massive emigration of young people to Europe under undignified conditions, Africa has to be given the opportunity to do so. The IMF, the World Bank, the OECD (the industrialised countries) have to foster the generation of an international and national incentive framework that allows poor countries to industrialise and to increase their agricultural production. This framework will have to be kept up for 30 to 50 years, with progressive decrease of the protective measures in accordance with the pace of development of the agricultural sectors and (agro-)industries.

Without such a strategy, the rich countries confine the poor countries to the sector of primary products for export – a colonialist type of economy – without substantial local value and creation of employment.

Our propositions are in contradiction with nowadays' political mainstream. Anyhow, if the rich countries sincerely consider their own agricultural and industrial development over the last two centuries (1800 to 2000), they will recognise that they have massively protected their industries for a very long time, and continue to do so for certain industries and for the agricultural sector. It is time to grant to others what one has afforded oneself.

Note: This article is also published in French on the website of the Focal Point for Rural Development (www.sdc-ruraldevelopment.ch)