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**IMPROVED PRODUCE,
CASH CROP AND SPECIALTY PRODUCTS,
AND OTHER COMMODITY MARKETING
IN AFRICA:**

Strategy, Design and Marketing

Prepared for:

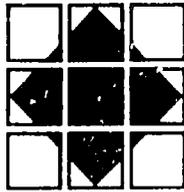
AFR/MDI

Agency for International Development

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February 1991



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Established 1977

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February 1991

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Acknowledgements

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I am particularly pleased to be working with The Pragma Corporation. Jacques Defay, President, has listened to my proposals and been open-minded. Mohammad Fatoorechie, Head, Agriculture and Rural Development Division, gave me a free hand and strong support, not to mention benefit of his creative thinking. Aaron Bornstein and Elizabeth Pancake were unfailingly helpful and understanding of my demands, providing all assistance possible. To them, and all the very supportive staff at Pragma, I say thanks.

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February 1991

PROJECT DESCRIPTION

This project assessed demand, production and market potential for vegetable, fruit, speciality products and other produce in selected African countries. Our approach sought to identify ways and means to improve the access of private sector producers, processors and other related businesses to improved marketing arrangements and technologies (for production, processing and marketing through joint venture arrangements, management and technology contracts). In most cases, the initial assessment was based on domestic, regional and international export demand composition and requirements. The project incorporated a range of activities, including: a general assessment for all countries involved in the project; examination of specific products (for example, passion fruit) in one country; selected mission supported activities and export marketing arrangements in these countries; and analysis of new legislation (Clean Air Act and Farm Bill) and resulting institutional and legal changes in the U.S., which may create new opportunities for agricultural production in Africa.

Background

Other Agency for International Development project studies, specifically the Agricultural Policy Analysis Project II (APAP II), clearly indicate that current and potential cash crops can be competitive in world markets if sufficient attention is given to production of marketing costs. In addition, country-specific strategies or crop specific production plans must examine national policies and institutional arrangements, as well as international market prospects. APAP II's research indicated that the countries that have been most successful in staying competitive in world markets are those which have paid the most attention to basic marketing principles. An important element is the need to invest in improving productivity and quality of the relevant product. In addition, the study also revealed that agricultural producers wield significant political power.

Other elements must also be kept in mind. Production in Africa is largely by smallholders; thus, the critical question is: How can producers become involved in the agribusiness/agro-processing system? Swanberg (1990) has addressed this question and indicated that the process involves six elements: technology choice, environmental adaptation, comparative advantage, vertical integration, agribusiness development and the learning curve. Two of these elements merit additional comment. In environmental terms, factor endowments in Africa are far more restrictive than Asia or Latin America, such that a wholesale transfer of technology (the Green Revolution, for example) from other regions is futile. However, certain environments, with the adaptation of imported technologies that are low input and low cost, combined with improved local production systems, do hold potential. The arid and semi-arid lands (ASAL) produce commodities that have been little studied; we lack an in-depth understanding of their markets, both regional and international, and what

comparative advantages these commodities possess in these markets. The comparative advantage becomes clearer when the basic product is transformed into a semi-processed or manufactured good (i.e., agro-processed). Where the processed-form markets have been identified, the demand for the dryland commodities has been extremely strong.

For these and other reasons, this project began with the assumption that any number of agricultural commodities and agribusiness related processed products are capable of being produced in selected African environments, if potential demand is correctly assessed. Obviously, the initial expansion of production of such commodities can be beneficial for the developing African country in terms of increasing income and employment in agriculture. One problem, however, is that very few data are available to establish effective demand--on which to base potential agribusiness development activities and determine the potential for the production of these products in African countries.

In addition, certain potential demand commodities need to be analyzed in terms of their possibilities for expansion or improvement without direct production assistance from the Agency for International Development. Instead, the Agency would provide assistance for market analyses, technical advice to existing production operations, and/or assistance to African intermediate financial institutions that are currently funding such products.

The Africa Bureau's Market Development and Investment (AFR/MDI) Office initiated this project to meet its need for data, to identify potential commodities for expansion and marketing, and to select opportunities for investment that would appeal to United States investors. MDI is working to incorporate the private sector into the process of improving rural living standards (especially with agribusiness developments such as contract farming) in developing African countries, by attracting private sector resources to investments that will raise levels of rural employment and increase agricultural production. The private sector expects its capital and technical investment to be profitable. MDI, therefore, requires a means to identify potentially profitable investment opportunities to the private sector.

Project Activities

As part of this objective and related initiatives underway in MDI, this project undertook a disparate set of activities. Using data from the United Nations (UN) Food and Agricultural Organization (FAO), it established a database and did a rapid assessment of crops that have agribusiness potential, for each of 43 countries in Africa South of the Sahara. The project conducted a study of passion fruit in Kenya to assess its potential for expansion and the market demand for passion fruit products in Europe. It also assisted in a product survey in Botswana and the development of a mission plan to improve the output of agribusiness activities. A similar effort was a reconnaissance of Ghana and The Gambia with an agribusiness industry leader to develop joint venture marketing of selected products. Finally, the project sponsored an analysis of new legislation in the United States that may create opportunities for production of products in Africa to meet new market demand.

Specifically, this legislation includes the Clean Air Act Amendment of 1990 (to accompany S. 2830) and the Conference Report of the Food, Agriculture, Conservation and Trade Act of 1990 (to accompany S. 1630).

Output

The project generated four reports, each of which is related to the activities outlined above. This report summarizes two other dimensions of the effort. Missions often need assistance in developing a strategy to incorporate agribusiness activities into their portfolio. Accordingly, a consultant went to Botswana to provide guidance and input with the Botswana Private Enterprise Development (BPED) project. The first section of this report constitutes the major portion of his work on strategy and design. Once opportunities are identified and production of export commodities possible, marketing contacts, channels and contracts will be needed. The last section of this report chronicles a trip to Ghana and The Gambia that had as its purpose the linking of production with export markets. The specific objective was to sign a contract for a commodity. Having achieved this, we considered the trip a success.

Note: The reports that follow are preceded by brief introductory comments--in italics--from the Project Coordinator.

STRATEGY AND DESIGN

The consultant who prepared the following two reports was responsible for assisting the mission identify its options in the agribusiness sector of Botswana and for suggesting Project Identification Document (PID) design elements for the proposed Botswana Private Enterprise Development Project (BPED). The USAID general strategy for its portfolio is designed to address Botswana's major development problems: skills development, employment generation through the private sector, increased smallholder agricultural production, and related policy dialogue. The proposed BPED project sought to build upon past USAID efforts in skills development (Botswana Workforce and Skills Training Project [BWAST] I & II) and to address the PID design problem by taking advantage of the best available opportunities for agribusiness as of late 1990.

Economic Environment for the Project

At its independence, Botswana was one of the poorest countries in the world. In the past 20 years, Botswana has achieved an overall economic growth rate that is among the highest in the world. Economic growth has averaged nearly 13 percent per year, resulting in a five-fold increase in per capita GDP. The primary source of this phenomenal performance has been the successful exploitation of the country's diamond resources. The diamond mines are owned and operated by Debswana, a joint venture between the Botswana Government and the De Beers Corporation. Today, Botswana is the world's most important exporter of diamonds.

Sound economic policies have also contributed substantially to Botswana's economic successes. Botswana has maintained a generally open economy and stable macroeconomic framework, as well as promoted private sector investment. While the government plays a

significant role in the economy, it has avoided severe price distortions and has not created a network of inefficient parastatals. Monetary and fiscal policies have been generally marked by caution and prudence.

In the last five years, Botswana has further gained from the sharp deterioration of the South African rand (in which most of the country's imports are denominated) against the U.S. dollar (in which diamonds and other mineral exports are denominated). This terms-of-trade windfall has generated huge foreign exchange and budgetary resources. These resources have been used to expand and begin diversification of Botswana's economy. Direct government investments, through budgetary expenditures and the Botswana Development Corporation's (BDC) leveraging of private sector investments, and generous co-financing and capital-subsidizing arrangements--such as the Financial Assistance Policy (FAP), which subsidizes unskilled labor costs--have fueled a strong expansion in the sectors of manufacturing, construction, and commerce.

Despite these increased investments, government surpluses and holdings of foreign reserves have continued to grow. Current foreign exchange reserves held in the Bank of Botswana represent almost nearly three years of import cover: almost \$3 billion. That Botswana has been unable to absorb its large resource gains as rapidly as they have accumulated is demonstrated by the government's inability to spend nearly 20 percent of its most recent development budget, and by the large excess liquidity in the banking system. This liquidity is absorbed by the Bank of Botswana, at artificially high interest rates that are

nonetheless negative in real terms, in its role of "depositor of last resort."

Botswana's excess liquidity problem reflects both a strength and weakness. The strength is policy-related. Botswana has largely avoided the temptation of countries undergoing commodity booms to waste resources through unsustainable consumption and inefficient investment, setting off inflationary pressures and difficult-to-reverse increases in real wages. The Government of Botswana (GOB) has realized that the quality of investment, private and public, is as important as the volume of investment. The Bank of Botswana has succeeded in sterilizing excess foreign exchange revenues, averting an explosion in the money supply that would have set off very high rates of inflation. The government-fixed prices of scarce resources such as electricity and water have been kept at their real opportunity costs. While public expenditures are increasing at a worrying rate, the GOB is aware of the problem and is committed to maintaining a prudent approach with regard to its diamond windfall. A related problem is the current need for mineral revenues to meet recurrent expenditures. Senior GOB officials believe that if this disturbing trend continues, reserves will be rapidly depleted and the overall economic situation weakened. Hence, there is a strong need to develop the nonmineral sectors.

The excess liquidity problem also reflects fundamental weaknesses in Botswana's economy: overdependence on diamonds, lack of diversification, limited manpower and managerial capacity, and basic economic dualism. Efforts to expand productive rural employment opportunities have advanced very little. While the current economic boom has

generated nearly 20 thousand new jobs per year during the past few years, the vast majority of Botswana's population remains rural, poor and dependent on the cattle economy--reflecting Botswana's pervasive economic dualism. The rural population, especially women and young junior secondary school leavers, remains largely untouched by the boom. Given a rapidly increasing population (3.4 percent per year) and environmental degradation in the rural areas, rural poverty and unemployment will continue to be major issues of concern.

In the long run, the challenge facing Botswana is how to reinvest financial resources effectively in order to convert the diamond windfall, which should last at least another 40 to 50 years, into sustained prosperity, while at the same time ensuring that Botswana actively participate in their own development. The Botswana Private Enterprise Development (BPED) project is designed to focus on alleviating the constraints to economic development and equity posed by Botswana's limited absorptive capacity. Its goal is to promote productive private investment in the nontraditional labor-intensive sectors of the economy. At the same time, it seeks to improve the overall policy environment in which private-sector led growth can occur.

The Environment for Private Enterprise

The environment for private enterprise in Botswana is very positive due to two basic factors. First, Botswana's economy, as demonstrated by central bank holdings of nearly three years of exchange reserves (\$2.8 billion) and continued fiscal and balance of payments

equilibrium, is financially one of the healthiest in Africa. Second, the Government pursues free market policies, encouraging the private sector to take the lead in economic growth.

Perhaps one of the strongest incentives for foreign investment in Botswana is that the Government has liberal laws governing foreign investment it follows scrupulously. Foreign exchange controls by the central bank are extremely limited. Profits and legally acquired funds may be converted into foreign currency or repatriated freely and without difficulty. Investors may also borrow locally up to four times the amount of capital they bring into the country. In addition, corruption in the civil service and the private sector has not been a problem.

In general, while the GOB prefers not to be a partner in private enterprise, it encourages local as well as foreign investments in projects. The parastatal Botswana Development Corporation (BDC) often provides local equity capital for approved projects when local entrepreneurs fail to come forward with sufficient funds. The long-term goal is for the shares in companies owned by the BDC to be purchased by individual citizens. A step forward in the process was taken in 1989 with the establishment of Stockbrokers Botswana, which functions as a clearing house for local shares. At present, only six companies are listed, but the stock market has increasingly gained acceptance.

The GOB has encouraged private investment in several ways. The Financial Assistance Policy (FAP), a plan whereby newly formed or expanded productive activities

may receive financial assistance from the Government, is available for both citizens and foreign investors. The Government also is sponsoring a package of even more lucrative incentives for export-oriented businesses that locate in Selebi-Phikwe. Over the past six years, the Trade Investment Promotion Agency (TIPA) in the Ministry of Commerce and Industry (MCI) has sponsored a number of trade and investment missions to Europe, the Far East and the United States. Recently, it published a first-class brochure on the advantages Botswana offers to foreign investors. TIPA was established in 1984 to provide "one stop" service for investors: provision of information about domestic and export markets, assistance in registration of their firms, and acquisition of industrial licenses. Other sources of assistance to potential investors are the implementing entities of the BPED Project, BDC, and BOCCIM, as well as the Selebi-Phikwe Regional Development Project.

The Government of Botswana has never nationalized nor expropriated an industry or property owned by a noncitizen. By law, the Government cannot take over any property without providing appropriate and prompt compensation. It has no restrictions on reinvestment and/or repatriation of earnings and capital. Royalty payments and other such similar payments may be made outside Botswana upon presentation of appropriate documentation to the Bank of Botswana (i.e., the central bank).

Botswana has relatively few rules and regulations governing foreign investment. However, like many countries in Africa, the long range goal of the Government is ownership of, or at least participation in, businesses restricted to very large projects or projects that are

of a sensitive and strategic nature, for which some Government control is absolutely necessary. Since independence, the Government has insisted on being a partner only in major mining projects.

Where indirect participation is deemed necessary for the success of a desired project, the Government will participate through parastatals, such as the Botswana Development Corporation, in certain categories of business. It will do so when:

- o it is in the best interest of the state that an economic rent be transferred to Government as a share of returns to equity instead of being charged as simple royalty;
- o the project has been identified as profitable and economically beneficial but, despite active promotion, has not been undertaken by the private sector or would not be without Government participation;
- o the investment will add to the skills of the local workforce, produce products which can be substituted for imports, and/or generate additional business opportunities; and
- o the project would give considerable economic or rural development benefits, but little or no financial return.

Although the Government does participate in certain industries, it is not involved in direct managerial influence or control.

Some of the problems identified as limiting the success of Botswana's efforts to attract foreign investment include: bureaucratic delays in providing residence and work permits for expatriates; relatively high corporate taxation (currently at 40 percent); limited availability of housing and schooling for expatriate personnel; and relatively high wage levels by less

developed country (LDC) standards. These and other problems are being addressed by the Government of Botswana, and will receive the attention of BPED policy advisors, in a serious effort to boost the level of foreign investment coming into the country.

On the whole, the environment for private enterprise is among the best in Africa, and the Government continues to improve it through a dialogue with the private sector and principal donors. Thus, BPED will operate in a favorable setting and work through channels that are in accord with the principal objectives of the Project.

Relation to BWAST I AND II

The Botswana Private Enterprise Development (BPED) Project builds upon USAID's past efforts; it closely relates to other projects undertaken by USAID/Botswana, particularly the Botswana Workforce and Skills Training Project (BWAST) I and II. A closer look at the BWAST Projects and BPED show a ladder type of relationship, one project leading to the next.

The BWAST I project was designed to help the Government of Botswana alleviate shortages of skilled manpower and to provide assistance in employment generation in the public and private sectors. The project provided short- and long-term training for Botswana in the public and private sector. BWAST II continued to expand upon the efforts undertaken through BWAST I, but concentrated upon increasing the number of trained Botswana in

positions which foster employment generation and increased in-country training for the private sector employees.

BOTSWANA PRIVATE ENTERPRISE DEVELOPMENT

Potential for Agribusiness

Project Implementation Document (PID) Background

Prior to independence in 1966, Botswana ranked among the poorest countries in the world, with an annual per capita income of U.S.\$60-70. While its largely inhospitable climate limited agricultural production to local needs in certain areas of the country, on the whole, the population relied on livestock raising, especially cattle, as its primary economic activity. Much of this was at a subsistence level. In addition, mining jobs drew a substantial number of males to neighboring countries, including South Africa, Mozambique and (as it later became known) Rhodesia.

Since independence, however, Botswana's economic growth has been one of the most rapid in Africa and the world, often exceeding 12 percent per year. Current per capita income exceeds U.S.\$1,700 per year, and the Bank of Botswana's holdings of foreign exchange reserves is some \$US 2.8 billion, equivalent to 29 months of imports.

The source of this spectacular achievement is mining and, more specifically, diamond mining through the Government of Botswana's 50-50 venture with DeBeers of South Africa. Botswana's diamond exports in 1989 accounted for \$1.41 billion and diamond revenues currently provide over 60 percent of the Government's total revenue. The mining sector as a

whole provides for 88.2 percent of exports (1988 figures). In spite of some government opinions to the contrary, it would appear that diamond production and revenue from diamond flows to GOB coffers will continue at near current levels for most of the 1990s.

Diversification Needs

Unfortunately, mineral revenues have not yet easily found their way into productive investments that would promote self-sustaining growth in the non-mineral sectors of the economy. It has been estimated that 50 percent of the households in rural areas--where nearly 80 percent of the population seeks to earn a living--are below the poverty line. Furthermore, 46 percent of these rural households are headed by women.

The major challenge facing Botswana's policy-makers is to use the large resources available from diamond exports efficiently and effectively, so as to promote sustained economic growth at acceptable levels, and to help ensure a more equitable distribution among the poor. This would include using resources to diversify the economy while maintaining sufficient reserves to buffer against future possible exogenous shocks due to drought, a decline in commodity revenues, or geopolitical uncertainties in the region.

Diversification is the key to spreading benefits to a greater number of the country's people. A principal development problem facing Botswana is identifying constructive, productive private and public activities that will promote the growth of the non-mineral

sectors and increase income earning opportunities. The rural sector faces increasing pressures on the land and natural resource base, brought on by drought, a strong and culturally entrenched cattle industry, and a rapid population growth rate throughout the country.

Cattle raising and accumulation long has been the traditional means of livelihood for most rural families. Off-take rates have been low for a variety of cultural reasons. Diversification will not be an easy task, but the effects of the 1981 - 1987 drought have made families dependent on cattle more amenable to change.

In viewing development strategies based on crop alternatives, there are limited opportunities to develop fruit, vegetable, and produce schemes for export markets, primarily because of ecological constraints. The key constraint is unreliable water supplies. Annual totals for the country are low and drought is a persistent problem. Even in irrigated areas, which are also subject to drought conditions, there are serious infrastructure problems, including power supply, refrigeration and storage, plant disease and transport. Diversification promises improvement, but not a green revolution. For these types of crops, it makes more sense to develop local markets and establish improved market-to-town infrastructure, especially wholesale produce markets in regional urban centers.

Export and import substitution opportunities do exist, however, for a number of rural products, including leather and hides, wood products, jam from nontraditional veld fruits,

and service exports related to rational wildlife tourist development (i.e., ones with low impact and high fees).

The overall conclusion of the USAID-funded Strategy for Future Development of Agriculture, dated May 26, 1989, is that the future of agricultural development in Botswana lies in diversification, particularly in a wider diversification of agricultural products, uses of natural resources, technologies of agricultural production, and markets. It is noted that most of the resources of the Ministry of Agriculture currently support the traditional cereal crops and livestock.

Major issues pertaining to the livestock question are beef prices and land use. Worldwide beef prices are expected to drop slightly in real terms over the coming years, though how such prices in the European Economic Community (EEC) will be affected is unclear. However, the future for beef is further clouded by environmental concerns over the land degradation caused by Botswana's poor management of land and livestock resources, particularly overgrazing. The future level of Botswana's EEC beef quota could reflect these environmental concerns or, possibly, a general decision to reduce access by Lome Convention beef exporters to European markets.

The weather causes additional uncertainty over Botswana's future prospects. Two years of good rainfall have been experienced after seven years of drought. While agricultural production should slowly approach levels achieved in past years, and thus short-

term agricultural growth can be achieved as long as good weather trends hold out, Botswana's agriculture sector remains constrained by the dearth of arable lands and lack of large-scale irrigation potential. Over the long term, Botswana will have to continue to focus on technological improvements based on research and extension, exploration of the limited irrigation potential that does exist, and on ensuring that agricultural incentives, such as relative prices, are maintained at appropriate levels. While growth beyond production levels of recent years may occur, large scale production increases most likely will not be feasible.

Nontraditional Alternatives

In addition to the traditional production of sorghum, millet and maize, available information demonstrates that groundnuts is an economically profitable crop and that sunflower has potential as a fallback crop.

With regard to irrigated farming in the Tuli Block, analysis shows that on larger farms, the privately profitable crops (in order of profitability) are potato, wheat, tomato, cabbage, cotton, and maize; on smaller farms, potato, cabbage, and tomato are all privately economically profitable crops and labor intensive as well. However, more data are needed on the cost of providing water and other infrastructure in order to assess the overall economic profitability of the scheme.

The potential for expanding and diversifying the use of forestry resources is not being

realized. Further, there is evidence of abuse and mismanagement. The export of raw logs and import of finished timber and wood products show evidence of such mismanagement. Domestic markets for forestry products need to be established and expanded, so that value added and employment opportunities found in the processing of logs are retained in Botswana.

Fish also remains an underutilized rural resource. It is estimated that the annual yield could be increased fivefold, involving some 20,000 people on a part-time basis. Fish smoking may be a promising way to add value as well as preserve the catch. Improved extension and training appear to be the major needs.

To increase employment opportunities and the demand for agricultural and rural products, the following areas of agribusiness should be investigated and feasibility studies arranged as needed:

- o expansion of meat processing capability;
- o tanning of leather and the manufacture of the products of leather;
- o food processing activities supplied by products of irrigated farming;
- o ginning, spinning, weaving and garment-making activities that improve the domestic demand for cotton;
- o vegetable oil products to increase the demand for oil seeds, such as cotton, sunflower, sesame, and safflower;

- o production of animal fodder; and
- o game ranching.

However, one caveat must be reemphasized. Considering Botswana's very fragile ecological conditions, further government and private investments in the expansion of existing commercial farming and irrigation schemes or in new schemes should not be undertaken without first conducting thorough financial, economic feasibility and environmental studies. Such studies should consider the project's effect on land and water resources selected. It makes little sense to construct a processing facility which may have to sit idle for substantial periods of time because a period of drought eliminates production of raw materials.

In this regard, the areas of crop research which should receive emphasis in the future include new crops, soil moisture conservation, and water efficient crops, which are economically profitable as well as drought tolerant.

Possible Initiatives

A number of agribusiness initiatives, which could involve American companies, have been identified by Market Development and Investment (MDI) with some Overseas Private Investment Corporation (OPIC) assistance. They include:

- o Heinz makes the Olivier vegetable oil in its plant in Kalaghad. MDI has been in negotiation with Mr. Bagshaw, the Heinz Botswana President, for over a

year about the contract growing of sunflower (and possibly groundnuts), using water harvesting techniques. The Ministry of Agriculture (MOA) has indicated it would loan extension agents to Heinz to run such a program. Don Anderson, consultant to MDI, has initiated sunflower trials in Pandamatenga and yields are excellent (1,600 kg/ha.). Employment could reach over 15,000 people, given Heinz demand for oil seeds.

- o Pioneer has expressed interest in the MOA seed plant. Negotiations are underway and, if the project proceeds, it could require several thousand hectares of contract seed growing. In addition, Pioneer has been asked to introduce date palm.
- o Algo Industries is interested in several joint ventures in textiles and rugs, and demand appears to be high. Lummus is opening an office in Botswana, and several thousand hectares of cotton could be grown in the Tuli Block area.
- o Livestock is Botswana's traditional mainstay. The Botswana Meat Commission (BMC), a parastatal, dominates the processing business. Ward Enterprises wants to tan hides and establish five satellite cut-and-sew operations with over 2,000 employees, regardless of who tans the hides, Ward or Bata.
- o A Mr. Brink processes beef and is looking at fattening to improve export quality. Sorghum could be grown for silage more easily than for grain. Mr. Brink would like to import the Silopress to make sorghum silage, bag it, and distribute to block grazing at the water holes. Sorghum for silage could be grown on several thousand hectares, creating employment for two people per hectare.
- o The cake and meal from sunflower, groundnuts, and cotton seed would go into the feed operation.
- o Tiro ya Diatla wants to expand its sweater knitting operation and wool carding.

The Botswana Private Enterprise Development (BPED) project is an appropriate tool to pursue these initiatives through advice (BDC, BOCCIM, and IESC) to the potential project promoters/investors, in serving as a source of funding for feasibility studies, and, if such studies are positive, in arranging equity and loan financing as justified by the feasibility

analyses (BDC).

Conclusions

Several conclusions can be drawn from the material presented above and from interviews held in Botswana:

1. The mining sector clearly dominates the economy of Botswana in terms of generation of hard currency as translated into GNP.
2. A vast majority of Botswana--some 80 percent--still live in rural areas where cattle raising is the primary economic activity. Most of these families are poor despite the relatively high per capita income--U.S. \$1,700--of the country. Migration to urban areas is accelerating.
3. Diversification has been identified as the key solution to the employment and income distribution problem in Botswana.
4. A key constraint to diversification in agriculture is the fragile ecology of the country; large areas are subject to drought, and infrastructure problems still exist.
5. Although a number of agribusiness and agricultural prospects have been identified, and research is being carried out, solid feasibility studies are required before financial commitments are made. Such studies would include an assessment of water demand and supply including alternative uses. The cooperation of the Ministry of Agriculture is vital in this regard.
6. The BPED project is designed to assist in proposed agribusiness ventures but must proceed cautiously. Considering the constraints discussed above, there are many impediments to making agricultural ventures succeed.
7. In any case, one should always keep in mind the keen competition from South Africa. A high percentage of foodstuffs in Botswana's urban markets come from South Africa, which has a solid agricultural resource base and weak currency, further encouraging its exports to a strong currency country such as Botswana.

MARKETING: GHANA AND THE GAMBIA

To be successful in supporting agribusiness means that not only must production be increased, through incentives, interventions and investment, but also that commodities must reach the market. For Africa, that market is often external. Products from agribusiness enterprises must be of world competitive quality, linked to an export-focused marketing system, and be capable of commanding high value/prices to compensate for the cost of transport and processing. These conditions limit the agribusiness commodities that can be successful, but the range is still great. The purpose of the trip, detailed briefly below, was to try to establish a marketing link between producers or producer organizations in Ghana and/or The Gambia to markets for select commodities in other regions, principally Europe.

Background

Ghana began an Economic Recovery Program (ERP) in 1983 to reverse the drastic fall in Ghanaian living standards, evident in the decline of per capita GNP over the previous years. One of the objectives of this ERP was to restore productive economic activity. The Government of Ghana (GOG) took a number of measures to achieve these objectives, generally reducing the role of the state in the economy and eliminating state-owned production units. Among a larger set of changes, some specific, agriculturally focused measures were: elimination of price controls on almost all commodities; raising agricultural producer prices; permitting a flexible interest rate policy on credit; and introducing private sector foreign exchange bureaus. The response to these measures has been impressive, given Ghana's recent record. Gross domestic product (GDP) increased about six percent annually, inflation declined by about 100 percent, exports increased about 15 percent, the budget

deficit disappeared, and share of savings as a percent of GDP rose from about four percent to over 10 percent. These changes occurred in the period 1983 - 1987. Such relative success places Ghana in the forefront of African countries striving to restructure and revitalize their economy through the developmental dynamics of a free market economy.

Obviously, despite this initial success, not all problems have been solved. The public sector role in the economy is still present (even dominant), food crop productivity is lagging, debt burden is high, private sector investment is low, and the population growth rate is increasing. New initiatives are underway, within a larger set of changes, to improve incentives for productive private sector activities, especially exports. The most direct impact of these initiatives is on agribusiness. Within this context, the USAID/Accra strategy of accelerating productive private sector employment generation and the AFR/MDI goal of assisting the private sector link to improved production, processing, and marketing arrangements came together with the marketing component of this activity.

The situation in The Gambia is somewhat different, although the effect has been similar. Agriculture is the cornerstone of the economy. The Gambia adopted a series of economic policies, in the 1970s and early 1980s, which reduced farmer incentives and made obtaining services needed to increase productivity and raise incomes more difficult. Agricultural policy kept producer prices well below world market prices, and inefficient parastatal organizations monopolized input delivery and producer marketing. These policy and institutional problems were further complicated by poor soil and water management

practices leading to general natural resource deterioration. High population growth compounded the difficulties. The result was stagnation in the agricultural sector and throughout the economy.

Peanut production, the major cash crop, declined by 50 percent from 1975 - 1985 and cereal production stagnated. Real incomes fell by 16 percent. The government began accumulating a sizable debt, and the balance-of-payments deficit rose, leading to more borrowing and depletion of foreign exchange reserves. The key development problem over the short term was how to restore financial equilibrium to The Gambia, both internally and externally. The primary, long-term problem is to increase agricultural production and raise farmer incomes, with negative impact on the natural resource base (i.e., be sustainable). Here, the USAID/Banjul strategy is to support policy reform and to encourage the private sector to assume a greater role in the economy, especially in the diversification of the agricultural base. This strategy, combined with AFR/MDI's goal, also fitted well with the marketing component of this activity.

Marketing Activity

In November and December, this project sponsored, together with other projects in AFR/MDI, a mission to Ghana and The Gambia to explore possible links for both inputs and outputs from the agricultural production systems of the two countries. From this project, two marketing specialists visited the two countries over a two week period, November 26 -

December 7, 1990 (See Annex 2 - Trip Report). One of the specialists was to make contacts with producers, producer organizations, and commodity groups to explore interests in new, export-oriented marketing channels. The other specialist was a chief executive officer (CEO) of a United States grain company and knowledgeable about contract farming.

Assisted by USAID officials in Ghana, the team spent three days visiting companies and organizations (See Annex 3 - Institutions and Persons Visited). There was considerable interest in new channels, but, in the end, no contract was signed, neither for inputs (via a contract farming arrangement) nor for export marketing. However, good possibilities remain and should be pursued by other marketing ventures.

In The Gambia, the team was joined by consultants from other contracts in AFR/MDI. Together, this expanded team visited similar organizations as in Ghana, ranging from a women's cooperative group to dry grain producers. At the close of the trip, the team extended one day to hold discussions with Gambian officials and producer representatives.

Accomplishment

The trip resulted in one contract signed, for the export of sesame seed to European markets. Another promising possibility existed with a women's cooperative, but that could not be brought to fruition within the limitations of this trip.

Annex 1

Scope of Work

SCOPE OF WORK

ATTACHMENT 1

IMPROVED PRODUCE, CASH CROP AND SPECIALTY PRODUCTS AND OTHER COMMODITY MARKETING IN AFRICA

PURPOSE

This activity falls under the AFR/MDI Sub Project for "Improved Produce, Cash Crop, Specialty Products and Other Commodity Marketing in Africa"

The overall purpose of this sub-project is to assess demand, production and market potential for vegetable, fruit, specialty products and other produce in selected African countries. The approach is to identify ways and means to assist private sector producers, processors and other related product businesses to link to improved marketing arrangements and improved technologies for production, processing and marketing through joint venture arrangements, management and technology contracts, etc. In most cases the initial assessment will be based on the domestic, regional and international export demand composition and requirements.

Scope of Work

This activity will be focussed initially in Gambia, Kenya, Uganda Senegal and Ghana. However, other countries may be visited as becomes necessary.

The contractor will provide specialists/experts in Produce Production and Processing, Marketing, Agri-business and International Business/ Export Marketing.

The contractor will provide assessments of the vegetable, fruit, specialty products and other produce, production, processing and export marketing industry in each of the selected countries. Each assessment will be highly focussed on the potential for profitable business operations in the private sector. It will include the operational and financial structure of the industry(s), current technologies, cost factors, management capacity and marketing management. It will seek to identify the

elements which need strengthening e.g. technology, marketing, financial management, and recommend alternative means/solutions to improve business management and profitability.

A key approach which will be used in developing recommendations is the use of joint venture arrangements/contracting to bring foreign companies in the same industry which can provide the missing capabilities and/or skills to assure a viable business. Another important element will be the use of outgrower and contract farming schemes. Opportunities will be sought to penetrate favorable export markets and specialty niche markets in EEC and the Middle East as well as regional markets. Potential joint venture links to specific U.S and European industries will be identified. To the extent possible, potential "down stream" and value added industries will also be evaluated e.g., processing, canning, drying/preservation and other byproduct businesses.

Special attention will be given to policy, institutional, infrastructural, financial system and business climate constraints which limit business viability.

Where appropriate, the contractor will recommend and conduct additional studies, assessments and evaluations needed to attract joint venture partners and/or provide the means for potential partners to conduct exploratory meetings.

Contractor will utilize existing studies and surveys to the extent available to design each assessment.

In coordination with the MDI technical officer and the S&T Project Manager, contractor will recommend an initial country assessment schedule which will be coordinated with the appropriate USAID.

Relationships and Support Arrangements

Contractor will operate under the general guidance of the MDI technical officer and the S&T Project Manager. All assessments will be carefully coordinated with the country AID mission. Contractor will assure close coordination with the designated USAID officer and appropriate government officials. However, it is expected that the contractor will work most closely with private sector firms.

Although the country USAID mission may provide voluntary support to the contractor, the contractor should be capable to carry out each assignment with no logistical, transport, administrative or other support in-country from the US mission.

Travel

Contractor is authorized to travel to target African countries, regional and international markets and to meet with potential joint venture partners, as well as to execute international travel arrangements for all potential partners.

Annex 2

Trip Report

TRIP REPORT
for
Mission to Ghana & The Gambia

Mr. Colom

- Nov. 26 Departure from Tampa to Washington D.C. - Met with Mr. Ken Swanberg, AID/AFR/MDI, Agribusiness Specialist, at airport.
Departure from Washington D.C. to London.
- Nov. 27 Arrive London at 9:00 a.m.
Departure to Ghana Arrive at 11:00 p.m.
- Nov. 28 Visited USAID/Accra - Met with Mr. Daniel Gyima, Private Sector Advisor. I requested support for the project.

Meeting with Mr. Joe Goodwin, Mission Director; Lynn A. Keeyes, Project Development Officer; Daniel Gyima. We discussed the Womens Specialty Crops Project (W.S.C.P.); they requested a briefing before my departure from Ghana and a list of all the contacts established during my stay.

Visited United Nation Development Programme (UNDP) and met Mr. Michael Nebelong. He recommended we ask other N.G.O.'s to participate in the implementation of the W.S.C.P. We talked about women and credit, and women's participation in the Ghana economic development.

Picked up Mr. William Cook at Airport.

Mr. Cook and Mr. Colom

- Nov. 29 Visited USAID/Accra - Met Mr. Joe Goodwin, Mission Director; Lynn A. Keeyes; David Gyima. Mr. Cook explained his presence in Ghana and his vision in what could be done with local production in the international market. Later, we were asked to produce a briefing and a list of visits before our departure from Ghana.

Visited the African Centre for Human Development. Met with Wilbert Tengey, Executive Director. He was very much interested in W.S.C.P. and indicated that his center is interested in working on this project. We discussed possibilities of producing specific vegetables, technology, marketing, cost factors, and existing available managerial capacity.

- Nov. 29 Visited Dr. Esther Ocloo, Director of Ghanaian Professional and Business Woman's

Association, and Owner and Managing Director of Nkulen Industries Ltd. She offered financial help and indicated that the organization is truly working with women's groups and were willing to help in the implementation of W.S.C.P.

Visited "The Ideal Women" magazine's office - Met Mrs. Kate Abbam Owner/Publisher. She is also the Executive Director of the International Association for the Advance of the African Woman, which involves over 16,000 women in diversified economic development projects in five different countries in West Africa. The most relevant project is the Smoke Fish project; this food is very popular in Ghana. She was very much interested in W.S.C.P. and expressed a willingness to use the existing human resources of all groups with which she is involved to further the development of W.S.C.P. She expressed difficulties in working with USAID.

Nov. 30 Visit Secretary of Agriculture, Commodore S.J. Obimpeh, Secretary of Agriculture. He was informed about W.S.C.P. before our meeting and requested an update before the implementation stage. He expressed positive motivation toward W.S.C.P.

Visit Ministry of Agriculture - Met with S.K. Dapaah, Director of Policy, Planning, Monitoring, and Evaluation. He expressed great support for W.S.C.P. and suggested very significant guidelines for the implementation stage. He also requested an update before implementation.

Dec. 1 Visited WEIJA IRRIGATION PROJECT - Met with Sam A. Acquaye, Director; Elizabeth Frimpong, Managing Director of WEIJA Women Horticultural Project; J. Kofi Frimpong, Chief Executive of Ghana Irrigation Development Authority. We visited more than ten horticultural projects and discussed possibilities of growing specialties such as pigeon peas. Agreed that WEIJA project would be the ideal place to start a pilot project. They are very much interested in this project and expressed great concern of long-term impact of programs on the farm workers' families.

Visited Mersk Steamship Lines - Met Ebenezer B. Mensah. Discussed transportation difficulties, prices, varieties of produce actually shipped out of Ghana, markets, and possibilities of cold storage availability at project site.

Dec. 2 Visited Farms in North Central Region, close to Beireku. Three of the projects are coordinated by African Centre for Human Development; others are privately owned. Met with Mr. Tangey and private owners and discussed short- and long-term impact of local development programs on the lives of farm families.

Visited markets in three different areas of Accra. Looking for consumption habits, transportation, storage, marketing displays, and varieties of produce.

Meeting with USAID officers for briefing on one week accomplishments; Mr. Goodwin, Mission Director was not present. Present were Lynn A. Keeys, Project Development Officer, and Peter Brunet, Agriculture Specialist. Also present were Mr. B.K. Matlich, Director Agribusiness Hershey Foods, Dr. Thomas G. Herlehy, U.S.

Department of Agriculture, Mr. Cook, and Mr. Colom. Mr. Cook gave a detailed report of our activities and discussed possibilities of implementation by different plans - USAID, Non-Profit Sector, Private Sector, etc. He suggested a cooperative effort between all sectors.

Dec. 3 Depart ACCRA and arrived in Banjul (The Gambia) at 2:00 p.m.

Visited USAID/Banjul and met with the Acting Director and with Mr. Donald Drga, Agricultural Officer. We explained our objectives and presented our plan of action for the following week. The enthusiasm shown by all mission officers regarding the short- and long-term impact of W.S.C.P. in The Gambia was impressive. They suggested we take a look at the Catholic Relief Services Project, Women's Sesame Seeds Project, and gave us a list of local resources.

Mr. Cook, Mrs. Moncrief, and Mr. Colom

Dec. 4 Visited Moukhtara Holding Co. Ltd. - Met with Mr. Sayed Moukhtara, Director and main holder. This is a private farm exporter of vegetables. We explored private sector participation in W.S.C.P., government attitude and policy, marketing characteristics with emphasis on transportation and storage, and local and international competition.

Dec. 4 Visited Radville Farms Ltd. - Met Mr. Rahit Shah, Managing Director. Discussed workers' ethics and attitude, government policy and attitudes, and local competition and cooperation.

Talked to Mersk Steamline (Freightforward) - Met Mr. Hedeman. Discussed prices, ground transportation, and local cold storage.

Dec. 5 Visited Kafuta Farms (at Kafuta Region) Catholic Relief Services (C.R.S.) Project Sesame Seeds production - Met Mr. Salomon Owens, Project Supervisor. Learned project structure and stages of development. Able to see sesame seed oil production.

Visited C.R.S. Officer in Banjul - Met with Mr. Owens and four other extensionists working with women in the sesame seeds project.

Meeting at USAID/Banjul - Mr. Cook, Mrs. Moncrief, and Mr. Colom.

Dec. 6 Visited Citro Products Womens Farm at Sukuta region - Met with Miss Isatou Jack, Production Manager. This is a parastatal project (government, semi-private producing entity). They are having financial difficulties. They operate four horticultural women's projects. We discussed production of varieties access to inputs, credit, and transportation.

Visited Gambia Women's Finance Company, Banjul - Met with Miss Maratou Faal,

General Manager. Discussed credit for women and the possible involvement of their membership in the W.S.C.P.

Mr. Cook and Mr. Colom

Dec. 7 Visited C.R.S. Office Banjul - Met with S. Ownes, Project Supervisor; Michael Hastings, The Gambia C.R.S. Director, and five other extension agents, discussed possible development of the Sesame Seeds project from a N.G.O. (Non-Profit) to a for-profit corporation, owned by the extensionists and the producers.

Visited Secretary of Agriculture - Met with Mr. Ken B. Johm, Director of Agriculture, Department of Planning. We discussed the W.S.C.P. and he gave us names of local government and private resources to further our research. Very much interested in the project and our suggested implementation methodology.

Dec. 8 Meeting with USAID Agricultural Officer, Mr. Drga and other officers. Discussed possibilities of the project and briefed them on our findings and ideas for the future.

Depart Banjul and arrive London; on to Miami.

Annex 3

Institutions and Persons Visited

INSTITUTIONS AND PERSONS VISITED

1. Ghana

USAID - Joe Goodwin, Mission Director;
Daniel Gyima, Private Sector Advisor;
Lynn A. Keeys, Project Development Officer;
Peter Brunet, Agricultural Specialist

UNDP - Michael Nebelong

African Centre for Human Development - Wilburt Tengey, Executive Director

Ghanian Professional and Business Woman's Organization - Esther Ocloo, Director

International Association for the Advance of African Women -
Kate Abbam, Executive Director

Ministry of Agriculture - Commodore S.J. Obimpeh, Secretary;
S.K. Dapaah, Director of Policy, Planning, Monitoring and Evaluation

Weija Irrigation Project - Sam A. Acquaye, Director,
Elizabeth Frimpong, Managing Director of Women's Horticultural Project;
J. Kofi Frimpong, Chief Executive of Ghana Irrigation Development Authority

Mersk Steamship Lines - Ebenezer B. Mensah

Hershey Foods - B.K. Matlick, Director of Agribusiness

USDA - Thomas G. Herlehy

2. Gambia

USAID/Banjul - Acting Mission Director and Donald Drga,
Agricultural Officer

Moukhtara Holding Co., Ltd. - Sayed Moukhtara, Director

Radville Farms, Ltd. - Rahit Shah, Managing Director

Mersk Steamline - Mr. Hedeman

Kafuta Farms - Solomon Owens, Project Supervisor

Citro Products Women's Farms at Sukuta - Ms. Isatou Jack, Production Manager

Gambia Women's Finance Company - Ms. Maratou Faal, General Manager

**Catholic Relief Services (C.R.S.) - S. Owens, Project Supervisor;
Michael Hastings, Director; and five extension officers**

Ministry of Agriculture - Ken B. Johm, Director