

Reversing urban bias in African rice markets: A review of 19 National Rice Development Strategies



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ABSTRACT

Economic development in poor countries is often hampered by urban bias. Partly as a result of historical urban bias, African countries have become heavily dependent on food imports with concomitant risks for food security as witnessed during the 2008 food crisis. African governments now recognize that they should reverse urban bias by investing in agriculture in order to decrease food import dependency. However, they typically focus primarily on supply-shifting investments that may be insufficient to render domestically produced food competitive, particularly in import-biased food markets. We review the national rice development investment strategies of 19 African countries and argue that in order to reverse urban bias in African rice markets, more resources will need to be allocated to value-adding and demand-lifting investments.

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1. Introduction

In May 2008, world rice prices tripled in just a few months to reach 30-year, inflation-adjusted highs (Demont and Neven, 2013). Four months later, the price spike echoed in northern Senegal where it doubled the prices of two competing products on the market, i.e. imported broken rice and locally produced rice (Fig. 1). However, in September 2008 as soon as the fresh harvest from the hinterlands arrived on the market, local rice prices suddenly plummeted back—almost towards their pre-crisis level—and closed the year with a record price discount of 40%. What happened?

In April 2008, Senegal responded to the food crisis by launching an ambitious National Rice Development Strategy (NRDS). The NRDS aimed at achieving self-sufficiency in rice by 2015, notably by expanding area and encouraging intensification of rice production in the Senegal River Valley (SRV) (Diagne et al., 2013). The problem is that similarly to past programs, the NRDS overly relied on productivity and when rice farmers were massively bringing the rice surplus generated by the program to market, the market was temporarily flooded as there was no commensurate increase in demand for local rice, resulting in a steep decline of prices (Demont and Rizzotto, 2012). Three years later, despite the program, Senegalese rice production still only satisfies 39% of domestic demand (ANSD, 2011).

This classic “technology treadmill” effect (Cochrane, 1958) is not unique for rice production nor for Africa. Barrett (2008) argues that supply-shifting investments will only become profitable if there is a market for absorbing the surplus created. In poorly connected markets, increased production volumes might not reach broader markets, and local market flooding will cause adverse effects through rapidly falling prices. This may generate poverty-reducing effects for local rice consumers in the short run, but it may jeopardize farmers’ medium and long-run incentives to expand and intensify (Demont and Rizzotto, 2012). In better integrated markets, returns to increased output diminish less rapidly than in locally segmented markets characterized by more price inelastic demand (Barrett, 2008). But why was the temporary surplus not timely absorbed by consumers in times of food crisis?

The problem is that Senegalese policy makers faced the remaining effects of past “urban-biased” policies in their rice markets. For more than half a century, they had attempted to satisfy urban dwellers—their most important voters—through cheap imports of broken rice rather than through sustained investment in the domestic rice sector in order to feed urban populations with domestic rice. As a result, Senegalese consumers have become used to the look and texture of imported broken rice, have assimilated it in their consumption patterns and even have developed a marked preference for it; visualized in Fig. 1 by the price premiums they are paying for imported relative to local rice (Demont et al., 2013a).

Urban bias—a term coined by Lipton (1977)—is conceptualized by Bezemer and Headey (2008) as the systemic bias against agriculture and the rural economy in governments’ policies and allocation of developmental resources. Urban bias is believed to be

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one of the largest institutional impediments to the competitiveness of food sectors in developing countries around the world. In Africa, consumers have been gradually shifting their consumption patterns from traditional coarse grains (maize, millet and sorghum) to non-traditional grains (wheat and rice) due to urbanization. Urban working women have less time for food preparation and have a tendency toward “fast food” like rice (Reardon, 1993). Urban-biased policies contributed—and continue to contribute—to this trend by encouraging food imports and their focus on rice is primarily driven by a desire to satisfy the demands of growing urban populations for affordable food rather than as a goal to improve the livelihoods of rural producers (Moseley et al., 2010). Moreover, food imports are also an important source of income for the state (Laroche Dupraz and Postolle, 2013).

Since the 1960s, African appetite for rice has increased at an average annual rate of 4.4%, i.e. twice as fast as in the world as a whole, to reach a total consumption level of 20 million tons in 2009 (Rutsaert et al., 2013). Between 2000 and 2010, rice demand growth in Sub-Saharan Africa (SSA) attained 4.6% per year, i.e. nearly twice the 2.6% rate of population growth over that same period, suggesting not only an increase in the number of rice consumers, but also an increase in per-capita consumption (USDA, 2012b). Africa's rice sector has not been able to match this growth in demand and as a result it has become increasingly dependent

on imports (Seck et al., 2010). Since the sixties, the share of imports in rice consumption in sub-Saharan Africa has steadily increased by 2.2% per year to reach 43% in 2009 (Fig. 2). In particular, because of urban bias, rice markets in big urban consumption centers endowed with a port have become heavily import-biased and, as a result, urban consumers' preferences have become biased towards imported rice. With such high dependence on imports strengthened by import-biased preferences, urban-biased African countries are highly exposed to international market shocks. This has grave consequences for their food security and political stability, as witnessed during the 2008 food crisis (Becker and Yoboué, 2009; Laroche Dupraz and Postolle, 2013; Moseley et al., 2010; Seck et al., 2010).

Urban-biased policies have left their footprint on some African rice markets; i.e. imported rice has established the quality standards against which domestic rice now has to compete. However, African rice often fails to compete with imports because of poor harvesting, threshing, drying and storing practices at the farm and outdated processing technologies and infrastructure which is insufficiently equipped for producing local rice at similar quality standards as imported rice (Seck et al., 2010). As a result, locally milled rice is generally of poor quality and mainly consumed in rural areas. It often tends to be contaminated with stones and dust. The consequence is that local rice is *differentiated* from imported rice and suffers from a bad image in cities (EUCORD, 2012). In addition, some consumers attitudinally prefer imported rice for reasons that go beyond quality, notably because of its additional dimension of “foreignness” that contributes to attitudinal liking for status-enhancing reasons (Batra et al., 2000; EUCORD, 2012; Opoku and Akorli, 2009).

Urban-biased African countries hence face major challenges in reversing urban bias in rice markets. By ignoring the integral components further downstream in the supply chain like processing and marketing, many of their past attempts solely based on *productivity* have failed (Chaléard et al., 2002; Demont and Rizzotto, 2012; Lançon et al., 2004; USAID, 2009b). One of the major challenges for Africa is therefore to produce sufficient and affordable rice that meets the preferences of its fast-growing and increasingly urbanized population; and which can compete with imported rice not only in terms of price, but also in terms of both *intrinsic* (cleanliness, homogeneity, sensory attributes, etc.) and *extrinsic* quality attributes (presentation, packaging, branding, image, etc.). The question now becomes how that challenge can be met.

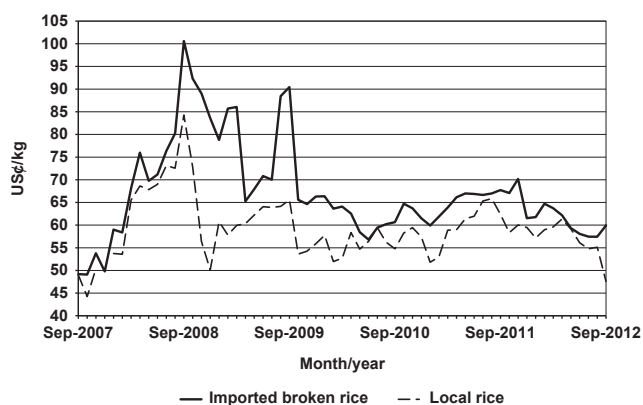


Fig. 1. Annual retail prices of imported and local rice in Saint-Louis, Senegal from 2007 to 2012 harvests. Source: CSA (2012).

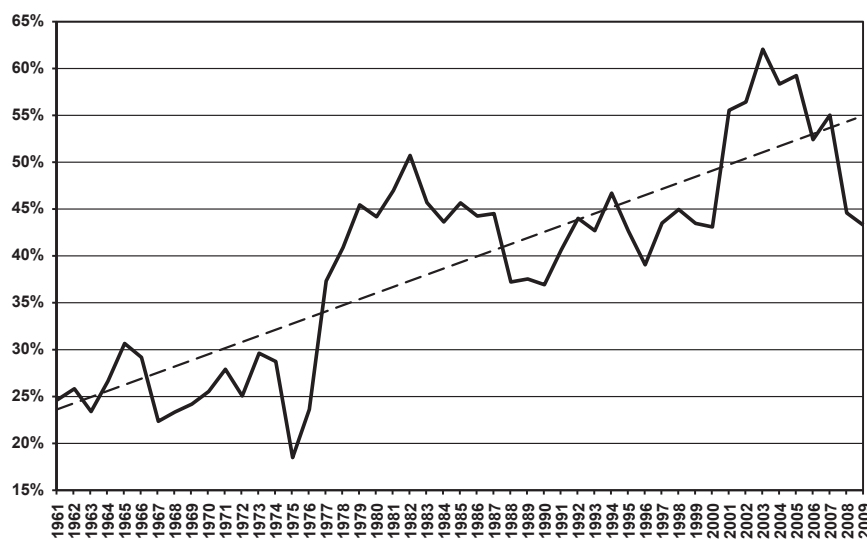


Fig. 2. Rice import dependency (share of imports in rice consumption) in sub-Saharan Africa, 1961–2009. Source: FAO (2013).

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