LIBERALIZATION AND INTERACTIONS WITH THE MARKET: A SURVEY OF SOME EXPERIENCES OF RURAL PRODUCERS IN DEVELOPING COUNTRIES

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This paper presents the results of a survey of some experiences of small rural producers in developing countries in their interaction with the market in the context of increasing liberalization and globalization.

There has been increasing interest in this subject in recent years. On the one hand, many international agencies, policy makers and academics have been advocating a closer integration of rural producers and the agriculture sector of developing countries with the market, both local and global. This is believed to be a vital (even necessary) route for the rural population to get out of the cycle of poverty. On the other hand, there are two increasing concerns. Firstly, barriers against market access remain strong, especially in developed countries (which maintain massive domestic support in agriculture), and these limit the export opportunities for the developing countries' agricultural products. Secondly, despite continued protectionism in rich countries, developing countries have increasingly liberalized their agricultural imports, and opened themselves to the risk of cheaper imports competing with and often displacing the products of local farmers.

EXPERIENCES AND CASES FROM AFRICA AND ARAB REGIONS

Cases of Cheap Imports Affecting Livelihoods

Ghana and Food Crops

Agriculture accounts for over 40 per cent of Ghana's GDP and employs most of the labour force. Economic reforms began in 1983. As part of the reforms, the government removed food price controls, raised cocoa prices for producers and boosted extension services. The situation was less favourable for food crops. Removal of subsidies from fertilizer and other inputs has resulted in dramatic decline in the use of inputs, in particular of fertilizer. With the exception of cassava and millet, yields did not improve in the past decade (IFAD 2001c).

IFAD's operations in Ghana are guided by its Country Strategy which targets smallholders with emphasis on women and other vulnerable groups and has three main thrusts: (i) improving food security and arresting environmental degradation in the northern savannah areas; (ii) assisting resource poor subsistence farmers in the southern, central and western regions; and (iii) enhancing income generating activities. Since 1988, IFAD has financed 12 projects in support of its strategy, covering community and commodity-based approaches to agricultural development, rural finance and micro-enterprise development, and rural infrastructure, including the Smallholder Rehabilitation and Development Project.

Among the underlying causes of poverty and food insecurity identified in the northern region of Ghana are the increasing international competition depressing domestic and external output market prices on the one hand, and on the other, the removal of input subsidies and high inflation in the costs of inputs. (IFAD 2001c).

During an interview with the author, the IFAD Country Portfolio Manager for Ghana remarked that a successful effect of IFAD's support has been the building of small irrigation schemes with small dams that have assisted rural farmers to cultivate rice and off-season vegetables such as tomatoes and onions.

However, the tomato farmers have faced a significant constraint in their ability to market their produce, as a result of competition from cheap subsidized tomato products from the European Union countries, especially Italy. A tomato processing plant in an IFAD-supported project area had to be abandoned as it was no longer profitable. The plant faced competition from cheap Italian tomato concentrate.

This problem was also reported in an Italian newspaper as well as in a paper by Christian Aid. These accounts are presented below.
According to another IFAD official, in an interview with the author, local onion production is adversely affected by the surge of imports of onions from Europe. Onions which are viewed as not having a good enough quality for Europe are sent to countries in Africa such as Ghana and Senegal.

Competition from subsidized Italian tomato paste

According to a report in an Italian newspaper (Cadaluna 2003), local Ghanaian tomatoes do not reach the tables of consumers as imported Italian canned tomatoes have flooded the local market.

In 1968, a tomato cannery was built in Pwalugu with state support in Ghana's Upper East District. It employed 60 permanent staff and 100 temporary workers. It was located in a fertile tomato-growing area to provide incentives for subsistence farmers to increase their produce and to support the local agro-industry.

In 1989, the Pwalugu cannery was closed due to the structural adjustment programme introduced by the World Bank and IMF. The closure was part of a policy for government withdrawal from the economy on grounds of efficiency. The cannery was producing about 100 tons of tomato concentrate daily before it closed. Its closure deprived the tomato farmers in the region of a regular purchaser. Demand was reduced, and in particular the farmers were no longer able to sell their surplus in the harvesting season.

Meanwhile, the policy of import liberalization, also encouraged by the IMF and World Bank, opened up Ghana's market to subsidized tomato products from EU countries. The EU provides annual subsidies for tomato processing in southern Europe, averaging about 372 million euros. (Christian Aid, 2002). Ghana has become Africa's largest importer of tomato concentrate, with imports of over 10,000 tonnes per year. As a result of the increased imports, the demand for local tomato has declined and tomato farmers selling their produce on the roadside for whatever price people will pay has become a familiar sight in the tomato-growing areas (Christian Aid 2002).

Urban consumers' preference for cheap imports

According to the IFAD Country Portfolio Manager for Ghana, urban markets in Africa are facing import surges of rice, wheat and milk. The imported rice and wheat are increasingly being preferred by urban consumers to the traditional crops that are being cultivated by rural producers such as sorghum, millet and cassava.

In order to improve the farmers' income, it is important to pay greater attention to develop more linkages between the commodities produced by the rural farmers to the urban markets. Consequently, in IFAD's programme in Ghana to improve roots and tubers, more focus is being given to the aspects of processing and marketing in future, including promoting new uses for the farmers' produce. For instance, there are opportunities to use cassava flour to make bread with wheat. In addition, IFAD is also looking at marketing opportunities for the use of millet flour in bread and cookies, and the use of cassava for feed and starch.

Problem of cheap imports of maize and soya

Research by Christian Aid also found that in Ghana, cheap imports of maize and soya have caused problems for farmers and traders in the country. Maize imports come primarily from the US where farmers are highly subsidized. The imported maize is not consumed directly but is sold to livestock farmers and feed processors. Consequently, the demand for and the price of locally produced maize are reduced. Due to the subsidies, the imported maize can be up to a third cheaper than local maize. (Christian Aid 2003)

Local maize processors claimed that they were doubly affected. In addition to suffering from the effects of cheap subsidized imports, the export of maize to neighbouring countries pushed up the price of locally produced Ghanaian maize. According to Christian Aid, the argument seems to be that immediately after the maize is harvested, it tends to be exported, in particular to Mali, Burkina Faso and Niger, accelerating the price rise as stocks run out. This shortens the time in which it is economic for local processors to buy local maize.
Farmers hoping to sell soya to local processors for turning into animal feed also found they were being undercut by cheap imports. Ghanaian farmers had no problems selling soya in 2001, and in many cases made considerable profit. However, by 2002, imports had increased and local farmers found themselves without a market. At the time of the research, the 2003 harvest was starting while around a third of the 2002 harvest remained unsold. This resulted in many of the local farmers unable to repay their loans. Local soya processors also found themselves without a market, as imported soya tends to be ready-processed. (Christian Aid 2003).

Senegal: Tomato and Poultry

The tomato industry

Tomato cultivation was introduced in Senegal in the 1970s. The country was producing about 73,000 tonnes of tomato concentrate by 1990 and was a significant exporter to its neighbours. It was the 23rd largest tomato producer in the world.

Tomatoes were sold by producers to state-owned tomato-paste factories and tomato production was the best paid activity available to rural households in the early 1990s. Due to unfair competition from the EU (which is the world's second largest producer of tomato concentrate), by the 1996/97 growing season, Senegal's production fell to less than 20,000 tonnes. (Faizel Ismail 2002; Christian Aid 2005)

Prior to 1994, high tariffs and quotas were used selectively by the government to protect and promote domestic industries. In 1994, in order to comply with the conditionalities of the World Bank and IMF under structural adjustment loan agreements, Senegal opened up its economy. It gradually reduced tariffs between 1994 and 2001 from an average of 36 per cent to 14 percent, with the highest tariffs falling from 70 per cent to 42 per cent. Import quotas and licences were eliminated altogether. (Christian Aid 2005)

The once integrated and stable industry was weakened by the lowering of tariffs on EU triple-concentrate tomato imports, accompanied by the privatization of Senegal's tomato-paste factories and the withdrawal of government support for farmers. The EU's exports of tomato concentrate to Senegal increased from 62 tonnes in 1994 to 5,348 tonnes in 1996 due to the increased access to Senegal's market. Since then, there has been a stagnation in Senegal's tomato processing industry with declining prices of tomato concentrate and a lack of credit and investment resources available to processors. (Faizel Ismail 2002; UNCTAD 2002: p160)

European commercial tomato farmers have easy access to credit and qualified labour compared to the Senegalese counterparts, and they are able to produce tomatoes more cheaply for the European processing industry. Moreover, in 1997 alone, the EU paid out US$300 million in export subsidies to tomato processors. This posed yet another problem for the farmers in Senegal that had managed to continue to grow tomatoes. The tomato-paste factories stopped buying their tomatoes as they found it cheaper to import the triple concentrate tomato paste from Italian processors and transform it into double-concentrate for the local market, than to buy local fresh tomatoes. As a result, prices received by local tomato farmers fell (from CFA50 to CFA25 a kilo during this time) and European tomato paste imports soared. (Christian Aid 2005)

The poultry industry

The poultry industry in Senegal plays a key role, employing around 10,000 people with an annual turnover of about CFA25 billion. In 1990, chicken consumption was 1.5kg of chicken per person and this increased to 2.5kg in 1997. By 2000, domestic semi-industrial farms were producing around a third of the country's total poultry meat, with smaller traditional farms supplying the remaining two-thirds. (Christian Aid 2005: p.17)

The government lowered tariffs on imported chicken parts from 60 per cent to 20 per cent in 2000. This led to an 11-fold increase in the volume of chicken meat imports between 1999 and 2003. Three-quarters of this, primarily in the form of frozen chicken parts, came from the EU (mainly Holland and Belgium). These were sold at half the price of the local equivalent. Between 1992 and 1999, there was a general expansion of poultry meat exports from 400,000 to 1 million tones resulting from the reform of the cereals sector in the EU.

Following the subsidies given to cereal farmers in Europe, the EU producer price for wheat, fodder and barley (which make up about half of the ingredients for poultry feed) dropped by around 50 per cent between 1990 and 2002. Consequently, the price of poultry feed in Europe fell by almost a third. Since poultry feed comprises 70 per cent of the cost of poultry production, the price drop made EU exports much more competitive. There was an exponential rise of chicken-parts exports to Senegal, from 1,787 tonnes in 2000 to 9,312 tonnes in 2003, which depressed the chicken prices in Senegal. (Christian Aid 2005: p.18).

Local chicken production dropped by a third, leading to around 2000 job losses and the closure of seven out of every ten chicken farms in Senegal. Hence, the livelihoods of many small farmers were destroyed and most industrial producers are out of business. Maize farmers were also hit by the collapse of the chicken industry as locally grown maize is mostly used for chicken feed. The collapse of commercial chicken farms as a result of European imports of chicken parts has cost maize farmers and their families around CFA7 billion in lost sales. In addition, imports of subsidized cereal meal and pellets from the EU have risen almost four-fold since 1993. (Christian Aid 2005: p. 18).

Mozambique and the Cashew Nut Sector

The cashew sector has historically constituted a significant part of Mozambique's economy, providing income to several million individuals across the country. In the 1960s, Mozambique produced as much as half the world's total cashew nuts.

The country's early success in the production of raw nuts was accompanied by a boom in its cashew processing industry. Mozambique became the first African country to process cashews on an industrial scale. There were 17 processors in 2000 using various levels of technology. (IFAD 2000).

Processing of cashew peaked in 1973 when 149,800 tonnes of cashew were processed for export. The industry has since declined dramatically and in 1999/00, Mozambique processed only 8,000 tonnes of raw cashew. In the case of cashew production, the peak was reached in 1973 at 240,000 tonnes and that level has not been reached since (McMillan, Rodrik and Welch, 2002).

In 1978, in an attempt to stem the decline in processed cashew exports, the government banned the export of raw cashew. The decade of civil war starting in 1982 gravely affected both the production and processing of cashew. By 1989/90, the country produced only 22,106 tonnes and its share of world raw cashew nut production dropped to 5 %. Since then, the range of cashew production has fluctuated between 22,106 and 66,510 tonnes, which is lower than in the early 1970s.

The industry used to be highly regulated. Following independence, the government banned the exports of raw cashew and set up the State Secretariat of Cashew, the central body controlling the cashew industry, as well as the Caju de Mocambique, the holding company for the stare-owned processing factories.

When Mozambique entered into its first structural adjustment programme with the World Bank in the late 1980s (the 1987-1990 Economic Rehabilitation Programme), government control of the cashew sector began to be relaxed. In 1995, the Bank required the liberalization of cashew marketing and exporting in order for Mozambique to qualify for loan assistance. In addition, the Bank also recommended as a subsequent step that the government privatize the processing industry. According to the World Bank, the government did not follow this advice and privatized the industry before it liberalized cashew marketing. While the Bank outlined several policies for improving cashew production and increasing producers' incomes, it focused on eliminating the export tax on raw cashews. The Bank hoped that there would be sufficient competition at the marketing level to ensure that reducing the export tax would increase the export price and therefore the producer price. The Bank favoured an immediate and complete elimination of the tax, while the industry favoured a gradual and partial reduction. (McMillan, Rodrik and Welch, 2002)

Price reforms

The export ban on raw cashew nuts was lifted in 1991/92 and limited quantities of raw nuts were allowed to be exported. However, a 60% tax on the difference between the FOB and factory gate prices and a quantitative restriction of 10,000 tonnes were imposed. In 1992/93, the tax (on the difference between the FOB and factory gate prices) was lowered to 30%. In 1993/94, while the initial export quota remained fixed at 10,000 tonnes, additional quantities were auctioned off in 5,000 tonne lots to registered exporters. In 1994/95, the quantitative restriction was lifted and the export tax was reduced to 20% of the FOB value in 1995/96 and then 14% in 1996/97 and 1997/98. In 1999, due to domestic opposition, Mozambique's Parliament passed a Bill that increased the tax to between 18 and 22%, the exact amount to be determined each year, depending on market conditions. In both 1999/00 and 2000/01 seasons, the export tax was 18%. (McMillan, Rodrik and Welch, 2002)

Other measures included the raising of producer prices which were significant in 1987/88. Also at this time, the government announced that a minimum producer price would replace the fixed producer price as the liberalization programme progressed. The government continued to significantly increase the minimum producer price throughout the 1990s until 1998/99 when it was fully liberalized. During the period of the export ban, the government also fixed the "factory gate price" or the price processors paid for their raw nuts. Government control over prices paid by the processing industry for raw nuts was eliminated in 1991.

Marketing reforms

There were significant changes to the marketing system due to liberalization of the cashew industry. The state trading company was privatized in the late 1980s. Additional marketing channels opened up in 1991/92 when the ban on raw cashew exports was lifted. The rationing arrangement for export licenses was eliminated. (McMillan, Rodrik and Welch, 2002)

Privatisation

Privatisation of the holding company of the state-owned processing factories began in 1991. By the end of 1994, all the formerly state-owned factories had been privatized. The factories were sold to local entrepreneurs. The privatization move had local industrialists up in arms. When the World Bank President, James Wolfensohn, visited Mozambique, angry industrialists approached him claiming that the World Bank was responsible for the problems the industry was having procuring raw cashew. Wolfensohn authorized another study of the cashew industry which came out in favour of protecting the processing factories for some time. Following this, the government also commissioned two further studies, paid by the Bank.(Ibid)

Effects of liberalisation

An analysis of the distributional and efficiency consequences of the reforms was undertaken by McMillan, Rodrik and Welch (2002). The authors concluded:

" …Many of the textbook implications of export liberalization were indeed realized. Farmgate prices rose, raw cashew exports increased, and resources were pulled out of cashew processing. However, even under the most favorable assumptions, the magnitude of the benefits generated by these effects were quite small -- both in economic terms and in relation to the amount of time and energy that Mozambique's government spent on this question over the years. We estimate that the efficiency gains generated by the removal of the export restrictions could not have amounted to more than $6.6 million annually, or about 0.14% of Mozambique GDP. The additional income accruing to the farmers was probably no greater than $5.3 million, or $5.30 per year for the average cashew-growing household. These are puny amounts for a policy that was a key plank in the World Bank's reform agenda, and that became a serious bone of contention between the Bank and Mozambique, requiring the personal attention of both their presidents."

A significant fallout has been the impact on Mozambique's domestic processing industry. The industry processing cashew came to a standstill. Although accounts vary, most estimates put the quantity of raw cashew processed close to zero, in the early years of the new century. In 1997, the existing factories employed 10,000 workers and they began closing thereafter. By 2001, none of the highly mechanized factories were operational. Factory closures have exacerbated a severe unemployment problem. Interviews by CAFOD suggest that whole towns have literally shut down as a result of the closure of the factories. Many of the unemployed are women.

According to a BBC news report (on 4 September 2003), 10,000 people who were directly employed by the industry lost their jobs and another million nut collectors lost their income.

From the viewpoint of the owners of the processing factories, the export tax reduction is the primary reason for the industry's failure. Critics of the World Bank claim that owners who purchased the processing factories from the government in 1995 required a period of protection in order to rehabilitate the factories following the civil war and the period of government operation. Without a ban on exporting raw nuts or a prohibitively high tax, the processing factories could not obtain enough raw cashew nuts to operate. According to one source, the policy "effectively stimulated the export of raw nuts to India, starving the local processing industry of its raw material" (Panafrican News Agency, 1999). When the factories were privatized, there was an implicit assumption that the constant supply of quality nuts had existed in the past would continue.

As McMillan, Rodrik and Welch (2002) observed, whatever the reasons for the failure of the industry, it is clear that without an increase in the supply of raw nuts, there will be no vibrant processing industry in Mozambique. However, for various reasons, output response to increase in producer prices has been disappointing, and this is also true in much of the rest of Sub-Saharan Africa (UNCTAD, 1998). According to McMillan, Rodrik and Welch (2002): "Inadequate attention to economic structure and to political economy seems to account for these disappointing outcomes."

Swaziland and Sugar

Although Swaziland produces sugar at less than half the cost of the EU, it is unable to compete with EU confectionary imports that increasingly dominate its market and that of neighbouring countries (ActionAid 2002)

Sugar production amounted to about half a million tonnes in Swaziland and the industry plays a crucial role. A significant proportion of this is produced by small-scale growers. According to ActionAid, over the period 1995-6, sugarcane growing accounted for 53 per cent of agricultural output and 34 per cent of total agricultural wage employment. In addition, Swaziland also has a sizeable sugar manufacturing industry. In the period 1995-6, sugarcane milling contributed 37 per cent to total manufacturing output and 22 per cent to total manufacturing wage employment. Sugar exports comprised 22 per cent of total exports for the period 1995-6.

As an ACP country, Swaziland had an annual import quota into the EU of approximately 117,000 tonnes and relatively little EU sugar is exported to the country. "Nevertheless, subsidized dumped EU sugar products (primarily confectionary products) are seriously undermining the Swazi sugar processing industry. For example, the Sugar Daddy factory used to produce sugar confectionary products for the South African market, providing 300 jobs for local people. However, in recent years the South African outlets have increasingly switched to buying cheaper, subsidized EU sugar confectionary imports and in 2001 the Sugar Daddy factory was forced into liquidation" (ActionAid 2002).

EU industrial users of high priced internal sugar such as confectionary producers also receive an export subsidy to enable them to sell processed sugar goods on the world market. According to ActionAid, the dumping of EU sugar products has led to the loss of some 16,000 jobs in the Swazi sugar industry and 20,000 jobs indirectly linked to the industry, such as packaging and transport.

Kenya: Wheat and Rice

Wheat

According to ActionAid (2002), wheat farmers in Kenya have been adversely affected by cheap imports of wheat flour from Egypt. It is believed by the Kenyan cereal growers' organization that subsidized wheat originating from the US and possibly also the EU has been used to manufacture flour in Egypt which has then been exported to Kenya at cheap prices, contributing to a drop in local Kenyan producer prices and discouraging domestic wheat production.

One of the top destinations for EU wheat is Egypt and it is also the second largest market for US wheat exports. The US and EU supplied Egypt with almost four million tonnes of wheat in 2000-01. According to ActionAid (2002: p16): "Available figures show significant quantities of this wheat were dumped on the Egyptian market because the reported selling prices were less than the cost of production in both the US and the EU."

Both Egypt and Kenya belong to the Common Market for Eastern and Southern Africa (COMESA), which allows its members tariff-free access for commodities as long as a minimum 45 per cent of the product originates in the exporting country. In 2000, the Government of Kenya became extremely concerned about increases in the volumes of cheap, duty-free wheat flour imported from Egypt. According to wheat industry sources, the flour was affecting the domestic market and undercutting local prices. The imports had a negative impact on Kenya's wheat farmers according to government officials.

The Kenyan press reported that local wheat farmers faced ruin as producer prices plummeted by 30 per cent. Millers threatened to shut down and refused to purchase locally grown wheat, as they could not compete with imported flour. As a result, the government invoked special safeguards on COMESA wheat imports, and placed a 60 per cent duty.

The Kenyan Cereal Growers' Association told ActionAid they are convinced that as Egypt's costs of wheat production are high, Egypt uses cheap wheat imports from EU, US and other countries to subsidize its flour exports to Kenya.

Rice

One third of the rice consumed nationally is produced by Kenyan farmers, including by 60,000 smallholders. The average annual income earned from rice production in central Kenya is USD$3,500, which is considered a decent living by national standards. (Oxfam, 2005).

The incomes of the rice growers have been affected by imports. Rice imports into Kenya come from Asia and the EU. Rice is imported in rough form into the UK from Asia and US, where it is then milled and re-exported around the world. Re-exports to Kenya have been on the rise since 1995, peaking at 22,000 tonnes in 2000. Consequently, Kenyan rice producers obtained only half the price for their produce in 2002 compared to what they received in 2000. In 2000, they received Ksh 28.32 per kg of rice, and this fell to 16 Ksh per kg in 2002.

West and Central Africa – Observations from IFAD Officials

In the course of the author's interviews with IFAD officials involved in the West and Central African regions, the following were some observations made:

"One of the problems faced in the regions is the impact of cheap imports. Cheap imported wheat and rice compete with local cassava production. Cheap rice imports come from South-east Asia especially Thailand and Vietnam while cheap wheat from Europe is dumped in the region. There are also cheap animal by-products from Europe such as beef, chicken parts and cheap fish. In Gambia and Senegal, there is a general problem with rice. We try to raise outputs but there is the problem of dumping. We try to introduce new rice varieties to increase yields but we have marketing issues to deal with. Subsidized rice comes from abroad at low cost. Poultry production is possible but faces competition from dumped chicken parts. For example, this problem exists in Cote d'Voire."

Near East and North Africa Region

In an interview with the author, an IFAD official working in the Near East and North Africa (NENA) department made the following observations:

"My experience in the region shows that it is not so much a generic 'globalization', in the sense of pressure towards market liberalization and integration at the global level that affects rural markets in most countries in the region. With few exceptions (like Sudan), the NENA is not a producer of agricultural commodities for the global market, but rather it produces for domestic, regional (Arab or African), and European markets first and foremost.

Indeed, even pressure for liberalization and related institutional reform here has come not only from international institutions normally associated with globalization (World Bank, IMF, WTO), but also from growing economic ties with the European Union. In particular, the prospect of integration into a free-trade Euro-Mediterranean space by 2010, which should be the culmination of a process of gradual integration and policy convergence initiated in Barcelona in 1994, is a major factor shaping rural markets and agricultural policy in the NENA.

Given the importance (and political sensitivity) of Europe's Common Agricultural Policy and the similarity of natural endowments between parts of the EU and countries on the Southern shore of the Mediterranean, integration into this free trade space will not be easy nor necessarily beneficial for NENA rural producers. However, where European channels for export of local produce (notably flowers, citrus, canned fish, etc.) have opened or improved, there are already signs that newly liberalized rural economies (notably in North Africa) may be orienting themselves towards production for export, rather than for the internal market. This is a phenomenon that very much deserves studying for a number of reasons, including the fact that it tends to bring with it a reallocation of assets such as land, water, and finance in favour of a private sector in which the poor or small farmers are generally under - or not represented. In some areas, notably parts of Algeria, this process is believed to have played a major role in the asset de-stabilization that has fuelled violence in some rural areas in recent years.

These considerations aside, it is also important not to forget that the NENA presents extremely different configurations of resources, policies, and institutions, and that neither global nor regional market integration will impact two countries in largely similar ways. For the most part (and despite some remarkable exceptions), the region is poor in agricultural resources, and some governments have traditionally invested very little in agricultural development. Though the latter is not true everywhere (and in some cases things have changed in recent years, partly to cushion the impact of government retreat from the economy and also to limit urban migration), it is still the case that many rural markets are and will be affected by integration more on the level of consumption than on that of production. Again, the way to study this phenomenon is not that of looking at the impact of WTO provisions and such, but rather of regional integration, including the impact of political events that have regional resonance (such as the current Iraq war).

Where integration opens up possibilities for finding external markets for local produce, local markets tend to be shortchanged in the process (and may be captured by imports from Asian or European producers). Poor and small farmers tend to be affected by this process mainly as consumers, since production for export is rarely their affair.

This said, one still has to look at the gender dynamics of the process. My impression is that women generally seem to be over-represented in the latter category, since they generally own little (or no) productive assets, and participate less in the private sector. However, it is also the case that women everywhere in the region are over-represented in the informal sector, which may offer new possibilities for income generation and unstable employment for them when market integration stimulates demand for rural production. The particular willingness of women to accept unstable work arrangements that leave them vulnerable legally and otherwise makes them ideal participants in these growing market configurations, although the phenomenon is not comparable in magnitude to the case of other areas in the world.

Related to this, it would also be worth looking at how market integration and relative liberalization impacts different typologies of organization of production in which the poor in general and women in particular may be over or under-represented. In some areas, semi-public and cooperative forms of organization are becoming a preferred realm of work for small farmers and also for poor women producers, while the formal private sector is still comparatively inhospitable to both groups. This fact seems to be creating a dynamics of self-perpetuation of market marginality among rural producers that identify with semi-public institutions. Again, the gender factor here is important. However, there is also a larger problem of lack of market institutions that are transparent and accessible to all, and that may ease the process of market integration of small producers and semi-public institutions (as well as their transition to full private enterprises).

Finally, an aspect of global/regional market integration that has major relevance in the region is that of integration of labour markets. Migration from rural areas is a phenomenon of very great proportions all over the NENA, sometimes with Europe as a goal, sometimes towards urban areas. The particular mix of urban-rural (or Europe-rural economies) that tends to result from this process also has important gender aspects, as well as a direct impact on the status of rural assets, natural resources, and social structures."

Innovative Experiences In Interaction with the Market

PhytoTrade Africa

PhytoTrade Africa (the Southern African Natural Products Trade Association) is a representative body for small-scale producers in the natural products sector. Established in 2001 with a grant from IFAD, the Association is operational in Botswana, Malawi, Zambia and Zimbabwe, and expects to also cover Mozambique and South Africa. Although its primary beneficiaries are poor rural producers, its membership base encompasses the full range of private-sector providers (NGOs and technical research institutions) to the natural products industry. (Phytotrade Africa 2003)

The association's overarching goal is to develop a long-term supplementary income source for poor rural people in the region, and to enable them to improve their livelihoods, from the sustainable use of natural products. Among the initiatives it has undertaken are the development of Fair Trade and Environmental Charters for all members to try and regulate the commercialization of natural products by members in a way that guarantees the provision of equitable benefits to rural producers, and the ecological sustainability of the production of natural products.

In the first year of operation, the Association's members developed export and local marketing contracts, including for the following products:

- Kalahari melon seed oil (supplied to international cosmetics companies)
- Baobab oil (supplied to regional cosmetics companies)
- Baobab fruit juice (for domestic sales in Malawi)
- Baobab fruit pulp (for domestic sales in Zimbabwe)
- Marula oil (supplied to international cosmetics companies)

- Devils Claw (for international pharmaceutical companies)
- Masau and Mazhanje fruit pulp(for use in jam, supplied to international Fair Trade buyers)
- Herbal teas (for domestic and international Fair Trade buyers)

One of the Association’s members earned USD 300,000 from the sale of marula oil in 2002, while the combined value of Devils Claw to its members was about USD320, 000.

Sao Tome and Principe and Aromatic/Organic Cocoa

Historically, cocoa has been a very dominant export crop for the small island state of Sao Tome and Principe, representing 95 per cent of all exports. Due to this high dependence and the serious fluctuation in the world price of cocoa, Sao Tome and Principe is a low income country. The price of cocoa dropped from USD450 per tonne in 1975 and USD 550 in 1980 to USD330 in 1985 and rose to 560 USD in 1988. The price then went on a downward trend and was USD 280 in 2001.

IFAD commissioned a study in January 2000, conducted by a French company, Kaoka, to analyze the feasibility of developing aromatic/organic cocoa in the Sao Tome and Principe. IFAD then financed a pilot project on aromatic/organic cocoa in the country.

Aromatic cocoa has a 2.7 per cent share of the world market, and approximately 800,000 tonnes were produced in 1998. The aromatic cocoa market is independent of the common cocoa market, and while the price premium for this type of cocoa varies, it can reach significant levels in certain instances. (IFAD 2003c).

A separate market exists for organic cocoa; annual world production amounts to about 10,000 tonnes and depending on the level of demand and the quality, the premium price it achieves is between 20 and 100 per cent above the price of common cocoa.

The objective of the pilot project with a target of producing 1,000 tonnes of aromatic/organic cocoa is the marketing of a highly valued category of cocoa which is relatively protected from the wild fluctuations of world market prices.