

CMAAE Newsletter

COLLABORATIVE MASTERS OF SCIENCE IN AGRICULTURAL AND APPLIED ECONOMICS ISSUE No. 12, DECEMBER 2008

Program Director's Desk

Dear Readers,

Welcome once again to this December 2008 issue of our electronic newsletter. This is the 12th issue of our newsletter series. It's always our great pleasure to keep you abreast with the progress we are making each time as a program. The program has continued to attract many applicants both within its operational domain and outside the region. That is to say that, the program's demand has out-stretched to the other parts of Africa and even beyond. CMAAE position itself as an agent of change in the region. In building the region's capacity to conduct quality research, CMAAE training goes along way in producing researchers who are well conversant with the region's problems hence best suited for prescribing good policy measures. I encourage all of you to keep in touch with our website for regular up-to-date information/news and related research activities and opportunities. We endeavor to satisfy your needs and will really appreciate to get your feedbacks on the program's impact through our on-line feedback or response system. On behalf of the Program Management let me take this opportunity to wish you all a Merry X-Mas and a Prosperous 2009. Enjoy reading the rest of the newsletter. **Willis Oluoch-Kosura, PD**

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Shared Facility for Specialization and Electives 2008 closes in Pretoria

The SFSE is one of the program's core activities. The third cohort students, totaling 52 successfully completed their third semester at the SFSE at the University of Pretoria. The third semester began in August and came to a closure on 30th of November 2008. The semester was dubbed a success by both the lecturers and the students. The inaugural lecture during their orientation week at the SFSE was given on August 6 on "The Changing Context and Prospects for Agricultural and Rural Development in Africa" by Hans Binswanger, one of the foremost Agricultural Economists. This was then made available to all the departments for distribution purposes, since it covered key ingredients for Africa's rural development. While at the SFSE the students benefited from lecture series and seminars by re-known scholars such as Hans Binswanger, and reputable organizations like the World Bank Institute (WBI). In addition, field visits to complement the lectures in the students' fields of specialization were also organized. During this period, all students prepared and presented their research proposals in the graduate seminars. The seminars are meant to aid students refine their research topics in readiness

for presentation upon return to their mother universities after completion of the SFSE. Past experiences have shown that these seminars significantly impact on the students' ability in conducting their thesis research. All the previous cohorts have applauded the graduate seminar series. The students also selected from an expanded range of elective subjects in the four specialized study areas. Students' distribution in the four areas was as follows; Agriculture and Rural Development (9); Agricultural Policy and Trade (20); Agribusiness Management (19); and Environment and Natural Resources Management (4). The students also studied a mandatory course in Institutional and Behavioral Economics. This is an innovative course that is designed to enable students to better adapt more conventional analysis to the political and economic realities of the region and to be able to understand and contribute in addressing the institutional failures in the countries in the region.

2008 SFSE Photos



Photos taken at different sessions during the 2008 SFSE at the University of Pretoria

International events and partnership initiatives

The program continues to explore all channels of marketing at its disposal, and all this have proved to be effective. In June 2008, during the Alliance for Green Revolution in Africa (AGRA) international conference in Nairobi, the Program Director (PD) made a presentation on the contribution of CMAAE in building capacity for the African Green Revolution. The conference provided a good platform for the PD to network with other participants and to market the program. In his presentation, he underscored CMAAE's vision of Africa's Green Revolution. At the same time, representation of the Program at the American Agricultural Economics Association Meeting in Orlando FL in August 2008 enabled networking with potential collaborators in the CMAAE activities, such as engagement in retooling workshops; staff and students exchange programs and external

examinations (reviews). In particular discussions were held with the Kansas State, Cornell and Hohenheim Universities about possible future collaboration. A Memorandum of Understanding for the collaboration has already been signed with Hohenheim University. At the same time, the event provided an opportunity for the PD to have a fruitful meeting with the Bill and Melinda Gates Foundation (BMGF) representatives to establish the way forward for engagement with the CMAAE program. In November 2008, the PD was invited to the Gates Conference in Nairobi, where he made a presentation on CMAAE's role in alleviating poverty among smallholder rural agricultural households. These invitations are indications of the recognized importance of the program to the regional economy.

Continuing Students' progress

More than 80 percent of the first cohort of CMAAE students has completed the requirements for the degree. The second cohort is progressing on well with thesis research. More than 50 percent of this group has already handed in their theses for external examination. To echo the words of the Mid-Term evaluation team, substantial progress has been made on implementing the CMAAE training. A tracer study for the CMAAE graduates is planned for 2009/2010, to establish their experience, job satisfaction and employers' satisfaction with their performance at work. This will help in designing any future changes in the CMAAE curriculum and its delivery and will feed into setting up the stage for the next phase of the program implementation. Projections have also been made on the third cohort with respect to thesis research. It is expected that by mid 2009, more than 60 percent of this group would have completed their theses. The program is always committed to ensuring that students conduct research with lots of ease. By the time of going to press, the secretariat had finalized processing of thesis research grants which were to be given to students once their research proposals have been approved by the respective departments.

Fourth cohort admission

Large numbers of qualified applicants have been received by the accredited departments, indicating a high demand for the program in the region. However, due to resource constraints, the current accredited departments' are only allowed to accommodate a maximum of fifteen (15) students each. There is hope that more students will be absorbed with time with more support from donors and well-wishers, given the good will the program has received so far and expansion of the SFSE capacity or modification towards virtual learning in the long run. New stude-

nts admitted in all the accredited departments' commenced learning with the exception of students admitted to University of Pretoria. This is due to differential in their academic calendars- with Pretoria scheduled to begin classes in February 2009. By the time of going to press, reports from the departments regarding student admissions stood at; Bunda (16), Egerton (20), Makerere (7), Nairobi (20), and Zimbabwe (10). Some of the students, through the secretariat, have successfully secured funding assistance from donor organizations such as DAAD, ACBF and The William and Flora Hewlett Foundation.

CMAAE roots to strengthen teaching capacity in the region

The CMAAE recognizes and appreciates the role and dynamics of agricultural economics in the region. The discipline currently plays an integral role in African economies since it addresses the problems of the rural people and the institutions needed to solve them. With most of the inhabitants of the continent living in the rural areas, and deriving their livelihoods from agriculture, the contribution of agricultural economists is therefore critical. There is therefore need to raise the bar in terms of the quality of training and instruction so as to produce quality graduates who are capable of effectively addressing the sector problems. To achieve this, the program invests in staff development through retooling workshops and instructors workshops. In the current year, 2008, the program held one instructors workshops where core course instructors from all the accredited departments explored and identified

strategies to efficiently and effectively deliver the program curriculum for quality program implementation. Among some of the activities that the instructors engaged in include: review of the original peer reviewed course curriculum to establish the background of the curriculum; review of the adjusted curriculum, and discussion of reports from each department's experiences regarding delivery and pedagogical issues of the curriculum, as well as comments from the external examiners and students. Instructors have hailed the workshops as unique and beneficial and have also indicated that comments from students provide an opportunity for improvement and effective course delivery. The next instructor workshop is planned for January 2009. Similarly the next retooling workshop is planned for January 2009.

Linkages between CMAAE and Global/Regional Development Initiatives

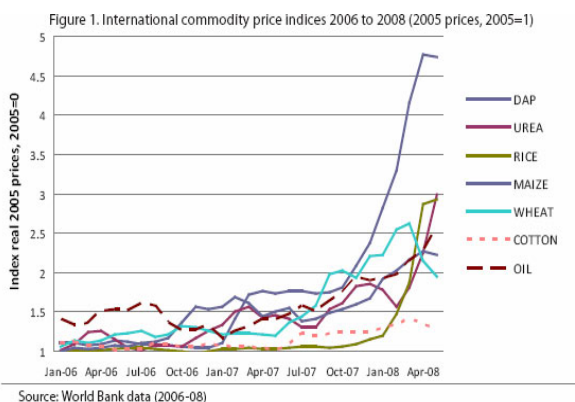
CMAAE and the Millennium Development Goals (MDGs): CMAAE contributes directly to the achievement of 5 of the 8 MDGs through training professionals (Agricultural and Applied Economists) who are well conversant with the issues affecting the agricultural and related sectors in Africa. This is done by imparting knowledge (through training, research and outreach) on how to practically tackle the issues/challenges in their respective countries. CMAEE aims at directly contributing towards attainment of the following MDGs: eradication of extreme poverty and hunger; promoting gender equality and empowering women; combating HIV/AIDS, malaria and other diseases; ensuring environmental sustainability and developing a global partnership for development. CMAAE further indirectly contribute to the other remaining goals (2,4 and 5) through reducing poverty and improving governance (by teaching a compulsory course on Institutional and Behavioural Economics).

CMAAE and the Comprehensive Africa Agricultural Development Program (CAADP): The primary goal of the CAADP framework is the restoration of agriculture led development that eliminates hunger, reduces poverty and food insecurity, opening the way for export expansion in Africa. To achieve this goal, the framework underlines the need for increasing capacity in agricultural science and agricultural and development economics, fields in which a significant shortage in capacity is acknowledged. To bridge the capacity gap, CAADP proposes reforming and restructuring Africa's academic and research institutions so that they can more effectively use their existing human resources and to improve the quality of services. The framework also underlines the need for training large numbers of staff in research and policy making in Africa. The design of the CMAAE program compliments the CAADP objectives since it emphasizes graduate training, and upgrading existing skills (staff) and facilities (curriculum, electronic connectivity, etc) to ensure quality training to adequately equip graduates with the necessary skills to tackle various policy issues, or to prepare them for advanced academic pursuits. These activities are currently focused on the member departments in the region, with the ultimate aim of eventually expanding throughout Africa.

The Global Fertilizer Crisis and Africa

Political and media attention has rightly been focused on recent increases in food and energy prices and their impacts on consumers and national economies, particularly poor consumers and poor economies but much greater increases in fertilizer prices have received much less attention in industrialized economies. It is no doubt that the impacts of these fertilizer price increases on many African countries is very damaging. The effects on food security, poverty, and long term economic growth cannot be overemphasized. In the many African countries that are heavily dependent on agriculture the impacts of high fertilizer prices and scarcity will extend beyond farmers to affect consumers, export earnings from cash crops, exchange rates, and the whole economy.

Fertilizer price increases : Fertilizer prices have risen dramatically in the last two years, more than oil and staple and cash crop prices (see figure 1). The scale and significance of these price increases is even more dramatic when fertilizer price changes are compared with changes in the prices of the crops they are used to produce.



Causes: There are a number of reasons for these dramatic increases in fertilizer prices. Demand has increased as a result of higher food prices and increased use in bio-fuel production. Supply has been affected by increasing energy costs (which are particularly important in producing nitrogenous fertilizers), the introduction of export tariffs on some fertilizers (for example by China in April 2008), and capacity limits in expanding production to meet rising demand – particularly for phosphate rock. These influences have to be seen in the context of large shifts of funds into commodities, particularly into commodity index funds. These shifts have been encouraged by the fall in the value of the US dollar and low US interest rates, with the development of new commodity index investment instruments and funds (Masters, 2008).

Consequences: Fertilizer producers have generally posted large increases in profits as prices have risen more than costs. Impacts on fertilizer traders and importers are more ambiguous and often negative. Traders with large stocks gain if increasing fertilizer prices allow them to increase sales prices of existing stocks. They may suffer from reduced sales volumes if higher prices lead to reduced demand by farmers however, and they may also find it difficult to raise the working capital to buy more expensive fertilizer stocks. The general uncertainty in fertilizer and other commodity markets, and the potential for this to increase the likelihood of political interventions, also increases traders' and importers' risks.

Farmers are hurt by high fertilizer prices in terms of both the *profitability* of fertilizer use and the *affordability* of its purchase. Fertilizer price increases generally decrease farm incomes and fertilizer profitability, unless cost increases from higher fertilizer prices are more than offset by revenue increases from higher crop prices. With already low and variable returns to fertilizer use on staple crops in most countries in Africa (Meertens et al, 2005), the recent increases in fertilizer prices mean that either fertilizer use and food production will fall, or food prices must rise dramatically for continued profitable fertilizer use in food production.

High fertilizer prices pose even greater problems regarding farmers' ability to purchase fertilizers, i.e. affordability. Fertilizer use by most smallholder farmers in Africa has been severely limited by lack of access to savings or credit for purchasing fertilizers, even at the fertilizer prices prevailing in the last few years: high fertilizer prices will make it unaffordable for many of the few farmers who could previously afford it.

At the same time, higher food prices, while raising food returns from fertilizer use to some extent, have a negative impact on real incomes and savings of the many African farmers who produce less food than they consume – and this will further exacerbate their problems in affording fertilizer purchases without subsidies. However the ability of governments to afford subsidies is also undermined by high fertilizer prices.

The impacts of high fertilizer prices on different countries' national economies depend on the importance of agriculture in the economy, major crops grown, climate, and reliance on fertilizer imports. Fertilizer manufacturing countries can gain from higher export prices and/or impose export tariffs to reduce domestic prices, but this is not an option for African fertilizer importing countries.

African Agriculture in Focus, Cont...

These countries face increased fertilizer import costs and difficult choices. Unless fertilizers are subsidized, use is likely to fall, reducing food and export crop production, with increased food import bills and reduced export earnings. High food prices, likely food shortages and low export crop production would have very damaging effects on welfare, balance of payments and economic growth in some countries. There will also be high environmental costs of reduced fertilizer use.

There are strong welfare, economic, environmental and political arguments for encouraging continued fertilizer use despite the current high prices. There are also encouraging model forecasts that over the next 10 years both food and fertilizer prices will fall back to their 2007 and 2005 levels respectively. These models did not, however, predict the current high prices, and though rapid falls back to 2007 fertilizer prices are predicted for 2008/9, further price reductions will be much slower.

In the meantime African governments and fertilizer importers face the following major and immediate difficulties, which are likely to continue, though hopefully with diminishing severity:

- Global fertilizer supplies are tight and individual African countries are very small players in global fertilizer markets where suppliers prefer to sell large bulk orders

- Short term finance costs are very high

- If finance and fertilizers can be accessed, countries have to manage reduced economic returns

and increased fiscal and balance of payments constraints from large investments in high cost

fertilizer acquisition and subsidization

- Large scale subsidy programmes offer the best option for mitigating the impacts of high

fertilizer prices but are difficult to implement efficiently and effectively, and their costs are very difficult to control.

Action Required

Recent major commitments by international donors to increase investments in agriculture are very welcome. So, too, are ongoing negotiations - involving the international community, fertilizer suppliers, African Governments, NEPAD and the African Development Bank - to access fertilizer and financing. The outcome of these negotiations will be very important.

It is also important that there is greater clarity regarding the extent to which these extra commitments are actually new commitments of extra funds, rather than reallocations of funds previously committed elsewhere. Extra funds should also, as far as possible, be disbursed as grants rather than loans: countries' longer term fiscal, balance of payments and economic growth conditions will be adversely affected if repayment of extra cost of fertilizer purchases and subsidies adds to their debt.

There also need to be rigorous mechanisms for distribution of subsidized fertilizers. Rationing systems must direct subsidized fertilizers where they are needed most and will give the highest returns, with clear procedures and safeguards preventing subsidy diversion and corruption. There may, for example, be the need for a two tier system of subsidized fertilizer allocations, first to sub-sectors and then to users within these. It is essential that subsidy programmes do not undermine private sector distribution systems.

Long term challenges faced by high fertilizer costs must also be addressed. Greater investments should be made in research, extension and, where appropriate, subsidies promoting more integrated soil fertility management with greater use of organic materials, better soil health and more efficient and environmentally beneficial use of inorganic fertilizers.

Investments should also be made in developing public and private sector infrastructure and coordination mechanisms in fertilizer production (where appropriate), procurement, packaging, distribution and access.

As fertilizer prices hopefully fall in the long term, this will then provide a foundation for increasing both their use and their effectiveness in raising sustainable agricultural productivity.

Adapted from Future Agricultures Policy Briefings on Global fertilizer crisis, June 2008

Students' Corner



When I joined the CMAAE program in 2006 as part of the second cohort at Egerton University, I had a lot of expectations. After two years into the Programme, my expectations have not only been met but I have also enhanced my capacity to

position myself in the arena for designing and implementing agriculture for development strategies in Kenya and the Sub-Saharan Africa region in general. Overcoming poverty and other development challenges in SSA will need accelerated agricultural productivity growth, especially among the small holder farmers. With a larger percentage of our population still dependent on agriculture, the sector remains fundamental in the progression towards sustainable development, poverty eradication and wealth creation. There is therefore dire need to have a productivity revolution among the resource poor farmers in Africa and other developing countries. This calls for an understanding of the institutional framework, political and economic systems under which our small holder farmers operate. These systems are mainly responsible for stagnation in the growth of African agriculture over the years.

It is because of this reason that I recognize and applaud the approach undertaken by the CMAAE program. In the course of my training I have managed to gain analytical skills that go beyond the assumptions of mainstream economics, to recognize the role played by political economy,

sociology, institutions (both formal and informal) and other disciplines in shaping the decisions of economic agents. With such skills, the CMAAE students under the four areas of specialization are able to actively participate in the policy formulation, analysis and implementation that can help to navigate Africa out of poverty and development dilemmas.

A movement into high value agriculture, sustainable agricultural systems and increased productivity are some of the tools that will help fast-track development and economic growth. At the shared facility we managed to interact with fellow students and professionals from different economic and social backgrounds. This gave us an opportunity to understand different challenges facing agriculture in the Africa continent, which was a great eye opener. The visit by Dr. Akinwumi Adesina during the last half in the shared facility went a long way to encourage and inspire us. However, there is need to establish a strong mentoring programme within the CMAAE fraternity, to enable the students have more practical skills and better encounter with those already involved in policy and development issues in the region. Finally I would like to acknowledge the CMAAE secretariat for facilitation both during course work and research work, something that has enabled us to complete studies within the stipulated period of two years. Bravo CMAAE.

Daniel Kyalo Willy

**Graduate Research Assistant,
SUMAWA- Global Livestock CRSP project**

CMAAE enables one to achieve

I am a civil servant working for Agricultural Finance Corporation (AFC), a State Corporation as a Marketing Officer. Prior to 2008 I had stagnated in the position of a loan/credit officer for 17 years. I matriculated from University of Nairobi in 1992 with a Bachelor of Science degree in Agriculture. Efforts to get back to school were met by both financial and logistical obstacles. Having lost my father during the second year of college and being the first born I had to seek employment as a matter of urgency to take care of my ailing mother and young siblings. In 2005 I was invited for a postgraduate course at Moi University in Seed Science but I could not afford time due to the busy schedule of work with my employer AFC and inadequate finances. By 2006 I had despaired and resigned to pursuing part time courses in computer craftsmanship. During my annual leave in August 2006,

providence knocked my door. I was visiting Kabete campus of University of Nairobi just to reminisce about the good old college days. Then I saw the advert that changed my life. I went to see the Departmental chair Dr Nyikal. Well, I did not have much hope but it was just nice walking through the corridors of higher learning. Gosh! I was late to apply for the next class, but the professor promised to consider my application as long as I could submit it before the next committee sitting. In less than two weeks I received an admission letter and was to be in class by October 2006. It had never occurred to me that a Government institution could be that efficient. My employer AFC is a Government owned Development Finance Institution charged with delivery of credit to all farming concerns. AFC at that time did not have a supportive staff development policy for individuals pursuing higher education. **Continued on page 7**

Students Corner Cont...

If one had to pursue higher learning, you had to go for unpaid leave. This posed a challenge, especially being a family man. Efforts to seek assistance from the Directorate of Personnel Management (DPM) Kenya was met with a response that AFC, a Parastatal was an autonomous body operating with a budget which should include a training package for their staff. The only assistance DPM could offer was to approve the course as relevant to my employer prompting my employer to allow me to proceed on a paid study leave subject to surrendering of 20% of my salary as a cost sharing levy. The approval was given, but I still had to pay the University fee from my resources. I paid the first year fee after disposal of some of my personal assets. CMAAE sponsorship of the third semester at the University of Pretoria came as a blessing. The exposure to a different learning environment and the chance to be taught by the best in the field of study boosted my zeal to leave a mark. The support of the CMAAE in my research and writing of my thesis led my employer to assign me more responsibilities and placement in a position where I could pursue the study with ease. I look forward to graduating on schedule and pursuing further studies in the field of Agribusiness.

Call for Papers/Proposals

Call for submitted papers

African Economic Research Consortium (AERC) Conference on Agriculture for Development in Sub-Saharan Africa Nairobi, May 27-28, 2009- visit our website for more information on this.

For further information, please email us at cmaae@aercafrica.org

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