



PRESENTATION BY
PRESENTAZIONE DI

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AT THE FORUM
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***“DEVELOPING AFRICA:
AN OPPORTUNITY FOR EUROPE, ITALY AND SICILY”***

***“LO SVILUPPO DELL’AFRICA:
UN’OPPORTUNITÀ PER L’EUROPA, PER L’ITALIA E PER LA SICILIA”***

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Opportunities and constraints for Agro-industrial development in Africa

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Outline of presentation

- Structural developments of African agriculture
- African agricultural trade patterns and trends
- Medium term projections of African agricultural trade
- Patterns of agricultural policy support in Africa
- Reasons for low African agricultural productivity
- Market opportunities for African agriculture
- Africa can develop: Potential in the Guinea Savannah zone
- How to commercialize African agriculture

Some African agricultural structural developments and facts

- Agriculture in LDC Africa accounts for a declining but still large share of GDP, and in some SSA countries it has increased over time rather than decline as is normal in growing economies
- Share of economically active population in agriculture in total economically active population is still very large (35-80 percent) and had not declined much in the past 30 years
- The bulk of the food insecure people in Africa are in rural areas
- Commodity dependence is still very large in agricultural exports

In Africa agriculture still accounts for a large share of exports

Share of agricultural exports in total exports of goods and services				
	1969-71	1979-81	1989-91	2002-04
North Africa	24.5	7.3	4.2	3.7
Sub-Saharan Africa: LDC	65.5	43.4	38.6	32.4
Sub-Saharan Africa: Other	37.4	25.5	20.7	23.5
Africa	46.8	29.6	25.1	23.4
Share of agricultural exports in total merchandise exports				
	1969-71	1979-81	1989-91	2002-04
North Africa	33.4	11.8	8.3	6.0
Sub-Saharan Africa: LDC	65.6	54.4	46.0	32.5
Sub-Saharan Africa: Other	52.1	34.2	26.2	19.3
Africa	58.8	44.7	36.9	26.3

Despite large agricultural sectors, food imports make up a large share of total imports and export earnings in Africa

Share of agricultural imports in total imports of goods and services				
	1969-71	1979-81	1989-91	2002-04
North Africa	20.4	4.8	3.5	3.4
Sub-Saharan Africa: LDC	38.4	22.2	19.6	15.1
Sub-Saharan Africa: Other	33.5	20.9	21.4	15.9
Africa	33.3	18.5	17.3	13.2
Share of agricultural imports in total merchandise imports				
	1969-71	1979-81	1989-91	2002-04
North Africa	23.9	24.2	23.0	17.5
Sub-Saharan Africa: LDC	21.5	22.2	25.9	27.3
Sub-Saharan Africa: Other	17.4	14.8	14.2	18.1
Africa	20.6	20.3	22.4	23.7
Share of food imports in total exports of goods and services				
	1969-71	1979-81	1989-91	2002-04
North Africa	14.4	18.3	13.2	9.9
Sub-Saharan Africa: LDC	37.6	28.2	30.2	34.9
Sub-Saharan Africa: Other	14.1	8.7	6.8	11.1
Africa	24.1	18.8	17.9	20.9

Africa has diversified the destination of its agro-industrial exports

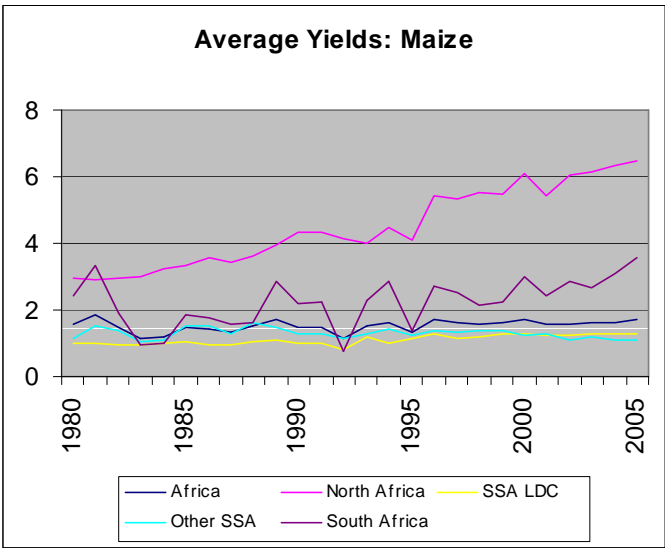
Pattern of agro-industrial exports of Africa 1992-2004 (figures are percent shares of exports from a region to a destination at the column, except where indicated otherwise)

	Region of destination	EU25	NAM	MENA	LAC	Africa	Asia	ROECD	ROW	China	JPN	India	Total (mill \$)
Region of origin	Primary agricultural products												
MENA	1992-94	49.1	3.4	29.6	0.7	0.4	7.3	5.1	1.5	0.1	1.6	1.2	3619
	2004-6	36.3	2.5	39.4	0.5	2.6	6.9	3.3	6.8	0.2	0.4	1.1	7913
Rest of Africa	1992-94	68.9	9.0	4.6	0.1	2.7	4.7	2.8	0.4	0.8	4.0	1.8	6067
	2004-6	50.5	8.0	7.4	0.4	14.1	5.6	4.0	2.5	1.8	2.9	2.8	13970
	Processed food												
MENA	1992-94	41.7	4.3	31.6	0.8	1.1	2.2	1.4	4.9	0.1	11.9	0.0	2293
	2004-6	28.6	5.0	46.6	0.3	6.3	5.9	2.0	1.8	0.4	2.5	0.5	8096
Rest of Africa	1992-94	65.5	4.0	1.4	0.2	7.6	5.6	1.1	0.0	0.1	14.5	0.0	1847
	2004-6	45.0	7.3	3.5	0.3	31.0	2.9	3.0	1.6	0.5	4.7	0.1	8511

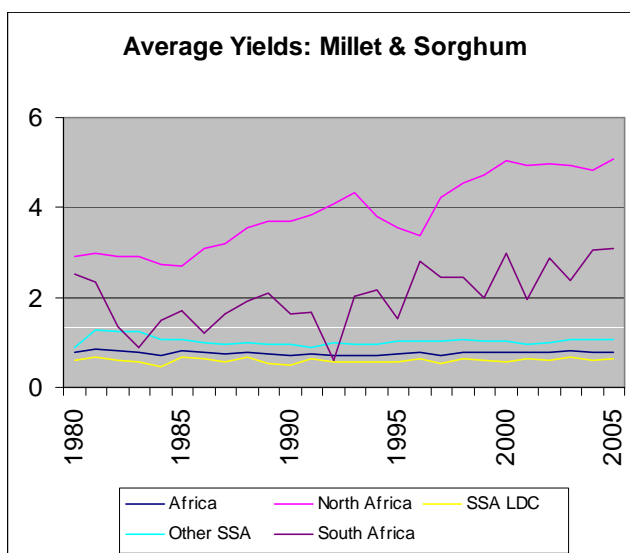
Africa has diversified the origin of its agro-industrial imports
Pattern of agro-industrial imports of Africa 1992-2004 (figures are
percent shares of imports of a region from the origin of the row,
except where indicated otherwise)

Countries of import origin	Primary products				Processed food			
	MENA		Africa		MENA		Africa	
	1992-94	2004-6	1992-94	2004-6	1992-94	2004-6	1992-94	2004-6
EU25	26.8	15.8	33.4	14.2	26.8	32.3	33.4	37.0
NAM	23.0	14.9	21.3	15.5	23.0	7.0	21.3	4.4
MENA	8.2	12.7	0.5	2.1	8.2	18.3	0.5	4.9
LAC	9.7	22.2	10.7	17.0	9.7	9.5	10.7	9.1
Africa	2.1	4.2	6.8	19.9	2.1	1.5	6.8	25.0
Asia	10.9	6.7	16.6	16.6	10.9	12.5	16.6	11.4
ROECD	10.6	8.4	2.3	4.3	10.6	12.5	2.3	4.3
ROW	0.8	7.0	0.0	1.3	0.8	2.2	0.0	0.3
China	3.1	2.1	6.2	2.3	3.1	2.0	6.2	2.2
JPN	0.0	0.0	0.1	0.2	0.0	0.2	0.1	0.2
India	4.9	6.1	2.1	6.6	4.9	2.1	2.1	1.0
Total imports (mill \$)	13151	24539	2443	9874	13151	20620	2443	10559

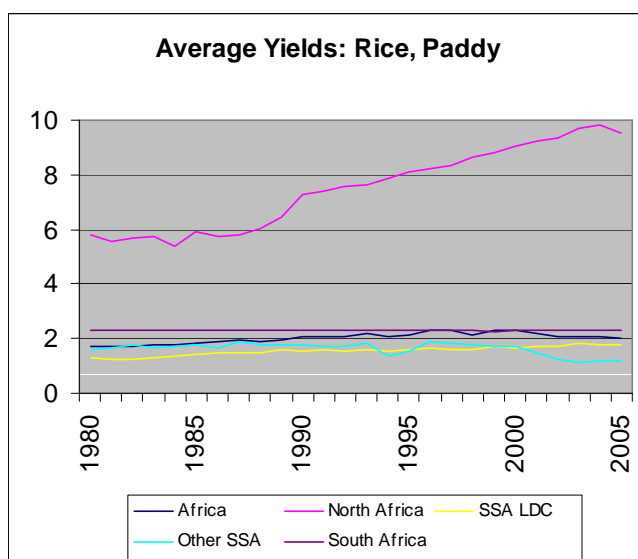
Yields have stagnated in most Africa for all products
(Trends in maize yields)



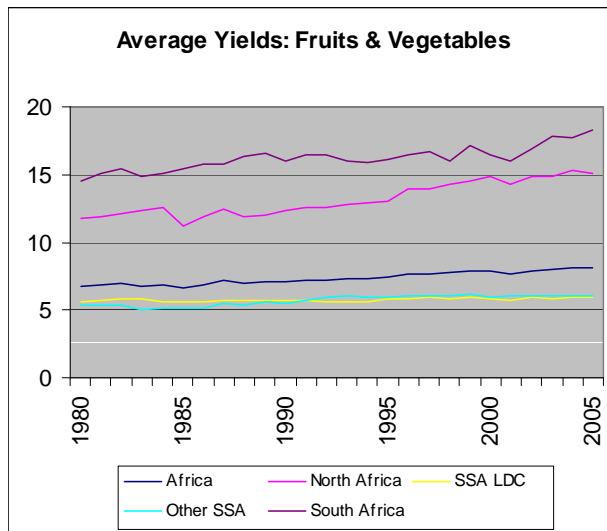
Yields have stagnated in most Africa for millet and sorghum



Yields have stagnated in most Africa for rice

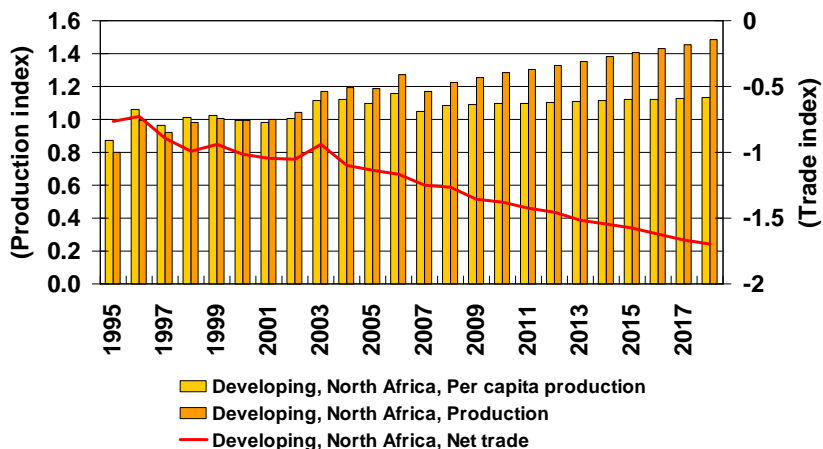


Yields have increased slowly or stagnated in most Africa for fruits and vegetables

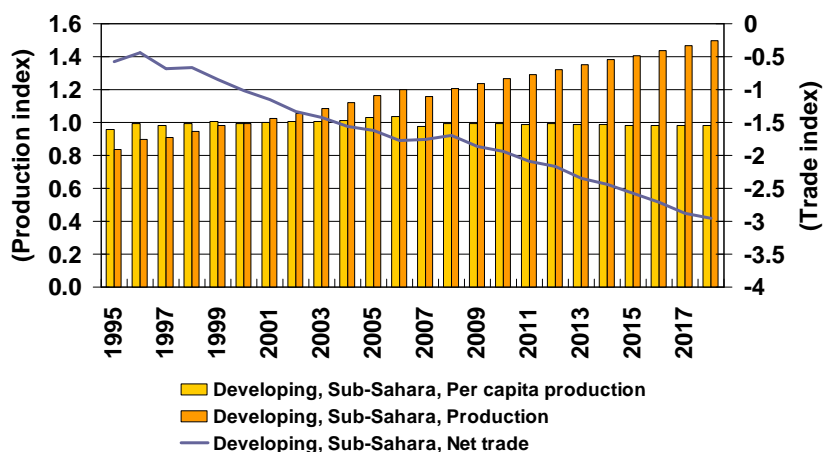


Africa is become more import dependent for agricultural products

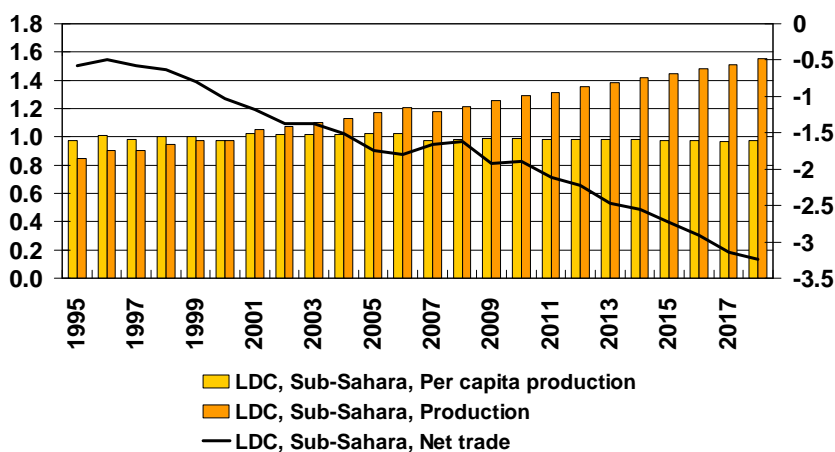
Medium term projections of agricultural production and trade. North Africa (Base 1999-2001 =1)



Medium term projections **Agricultural production and trade. Sub Saharan Africa** **(Base 1999-2001 =1)**



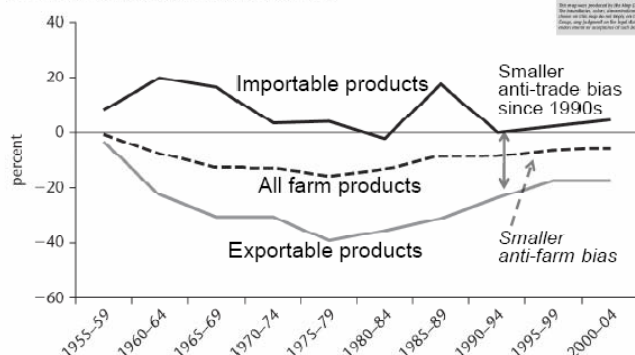
Agricultural production and trade **LDC Sub Saharan Africa** **(Base 1999-2001 =1)**



On average, Africa has had very large and sustained reforms since the 1990s

Figure 1.3. NRAs for Exportable, Import-Competing, and All Farm Products, 16 African Countries, 1955–2004

a. Unweighted averages across 16 countries



Source: K. Anderson and W. Masters (eds), *Distortions to Agricultural Incentives in Africa*. Washington, DC: The World Bank, 2009.

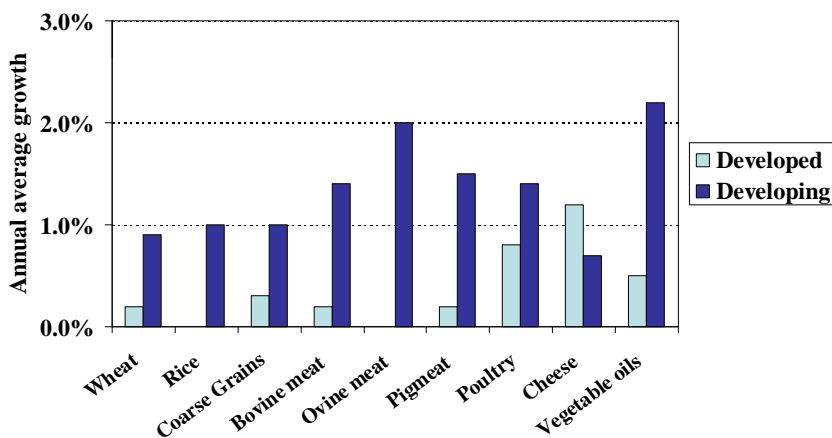
However, despite liberalization and structural adjustment programmes, production structure has not changed much in commodity dependent developing economies (mostly LDCs)

	Ratio of the value of production of exportables to the total value of agricultural production (percent)			Ratio of the value of production of importables to the total value of agricultural production (percent)		
	1980-82	1989-91	2001-03	1980-82	1989-91	2001-03
Africa (24 ctries)	23.1	22.1	21.8	24.7	25.7	25.0
Latin Am. Carib (11 ctries)	48.1	52.8	48.0	45.0	43.8	41.8
Oceania (3 ctries)	45.8	39.3	37.1	8.4	9.5	12.6

Reasons for low productivity and factor market distortions in African agriculture

- Institutional lack of productive credit and capital (due to declines in interlinkages between factor markets in last two decades)
- Lack of adequate non-farm rural income opportunities
- Lack of insurance and safety nets, necessitating large rural household investments in self insurance and diversion from productive investments
- Lack of appropriate price signals (low transmission from world markets, and very high marketing margins due to low marketed volumes and inadequate infrastructure)
- Public expenditures for agriculture have fallen (in SSA from 7.4 percent of agricultural GDP in 1980 to 6.5 percent in 2004)
- ODA to agriculture has declined Although total ODA to LDCs increased from US\$12.4 billion to US\$23.4 billion between 1999 and 2003, the share received by the agricultural sector declined from 19% to 15% during the same period
- African states themselves have not prioritized agriculture in their development strategies and policies. Policies still effectively tax agriculture much more relative to non-agriculture.

Are there new opportunities for agriculture in Africa? Growth in food demand in the next decade will be higher in developing countries



Considerable opportunities exist for both domestic and intra-regional trade in food products among LDCs in Africa.

Intra-African trade in food products, 2002-2004 average

	Africa's imports from:			Africa's net imports from
	World	Africa	Intra-trade	World
Products	(million \$)		(%)	(million \$)
Cereals	3678	166	5	3431
Live animals	87	13	14	11
Meats	366	15	4	252
Dairy products	941	30	3	833
Sugar and confect.	704	142	20	-54
Oils and fats	1480	101	7	1026
Oilseeds	311	44	14	119
Beverages	290	48	16	-475
Vegetables (incl rts tbrs)	1020	124	12	526
Fruits and nuts	232	61	26	-1201
Other foods	948	227	24	-387
Total	10057	970	10	4080

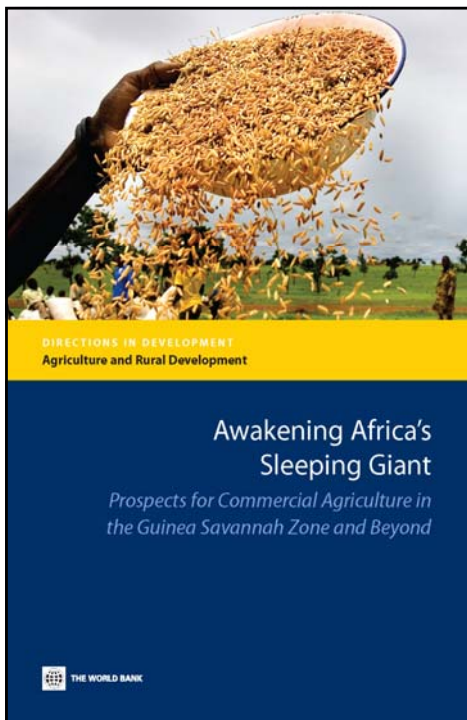
Regional Economic Agreements (REAs) have not increased the share of Intra-African trade in agriculture (shares of exports/imports of group with Africa)

	1996-99	2002-05
Agricultural Exports		
AMU	23.0	27.1
COMESA	44.5	34.7
ECOWAS	25.1	24.5
ECCAS	56.3	27.2
SADC	30.7	27.6
EAC	41.7	37.4
CEN-SAD	27.9	30.5
Africa	29.6	27.4
Agricultural Import		
AMU	32.2	24.3
COMESA	28.2	23.8
ECOWAS	17.4	16.3
ECCAS	21.8	16.7
SADC	28.2	22.3
EAC	25.6	14.8
CEN-SAD	29.2	21.6
Africa	26.0	20.6

Source: COMTRADE

Major challenges to reversing the productivity gap in African agriculture and enhancing trade

- Need much faster African agricultural productivity growth to deal with growing food dependence and stagnating overall growth
- Need to reflect on and implement new institutional ways to interlink credit and output-labour markets (producer associations, contracting, etc).
- In the short term, must emphasize more efficient use of existing technologies rather than expensive investments in new technologies. African agricultural productivity can improve considerably by better applications of existing technologies
- Need to invest so as to lower marketing margins and thus enhance producer returns
- Need to increase the use of insurance mechanisms for producers and rural safety nets, to release private productive capital.
- May need time bound infant industry type of protection or other support for selected agro-industrial sectors, perhaps on a regional basis, until infrastructure improves and marketing margins decline



Are there growth possibilities in African agriculture?
New study by World Bank and FAO, supported by Italian Cooperation says YES



A new opportunity area? African Guinea Savannah

- 800 - 1,100 mm rainfall
- 150 – 220 days season
- 7 million km² total area
- 0.5 million km² cropped
- 3 cropping systems:
 - Cereal - root crop
 - Root crop
 - Maize mixed



Examples of similar regions

Brazilian Cerrado

Pre-1970: Remote region, poor soils, low population, stagnant agriculture

1970s, 80s: Transformation led by public investments in R&D, infrastructure, credit; emphasis on large-scale systems

Post-1990: Private sector-led boom built on exports (soybeans, maize, cotton, cattle); reduced poverty

Northeast Thailand

Pre-1960: Remote region, poor soils, subsistence agriculture, high poverty levels

1970s, 80s: Transformation led by pursuit of cassava export opportunity; public support for private sector; emphasis on small-scale systems

Post-1990: Further intensification and diversification; falling poverty



1. **Farm-level production costs in Africa are often low compared to other regions**
2. **Africa's producers are generally competitive in domestic markets**
3. **Africa's producers are generally not competitive in global markets**
4. **Regional markets offer most promising opportunities for expansion over the short to medium term**
5. **Competitiveness of African countries is undermined by inefficiencies in domestic logistics**
6. **Smallholders have a critical role to play as source of competitiveness in Africa**

Scale of production

Farm size and commercial agriculture: Is bigger necessarily better?

Literature: Small farms more productive

Why have large farms survived?

Privileged treatment: Land access, Tax treatment, Input and output subsidies, Infrastructure

Alternatives to large farms

- Contract farming with smallholders
- Machine hire services by the private sector
- Effective producer organizations

Scale of production

Three exceptions

1. **Plantation crops.** When contract farming with small producers is too difficult
2. **Crops with stringent quality requirements.** Need for backward traceability
3. **Low population density areas (mechanization).**
 - Where immigration is politically infeasible and contract hire services do not emerge

Bottom line

- Little evidence to suggest that large-scale farming models are necessary or even particularly promising for Africa
- Smallholder-led commercialization likely to lead to more inclusive growth, with greater backward and forward linkages

Bright prospects

Five principal factors

1. **Rapid growth and strong demand prospects**
2. **Better domestic policy environments**
3. **Improved business climate**
4. **Increased incentives to invest in agriculture**
5. **New technologies for production and processing**

Constraints to be overcome

Compared to Brazil and Thailand

1. Tougher international competition
2. Exogenous shocks (HIV/AIDS, climate change, global markets)
3. Weak national commitment
4. Weak donor commitment
5. Lack of social cohesion, political stability, and bureaucratic capacity

Needed interventions

1. Policy reforms

- No backsliding on macro policies
- Eliminate remaining taxation of agriculture
- Land policies

2. Investments

- Research
- Education
- Infrastructure

3. Institutional changes

- Make markets work better for smallholders
- Access to finance

The road ahead

**Grounds for cautious optimism,
but many constraints remain...**

- **Start with bulk commodities**
- **Target domestic and regional markets**
- **Reduce logistics costs**
- **Pay attention to
land management**
- **Pay attention to
environmental issues**
- **Make the necessary
public investments**
- **Engage the private sector**