

Regional Value Chain Approach to Agricultural Development in Africa

JOSUE DIONE

**Food Security and Sustainable Development Division
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OUTLINE

- **Key challenges for agricultural development in Africa**
- **Why a value chain approach?**
- **Why a regional-integration approach to value chain development?**
- **How to promote regionally coordinated value chains of strategic agricultural commodities?**



Challenges for Agricultural Development/1

- **Promoting broad-based economic growth, poverty reduction and food security**
 - **60-70% of the poor in Africa live in rural areas with livelihoods depending directly or indirectly on agriculture**
 - **60% of the total African labor force is employed in agriculture, contributing about 25% GDP**
 - **A significant proportion of non-farm urban employment is linked to agriculture (esp. women in the informal sector)**
 - **Urban poor spend 60% of their budget on food staples**
 - **Despite more than US\$ 25 billion of commercial imports and US\$ 2 billion of food aid, over 25% of the people are undernourished**
 - **Agricultural income multipliers of 1.5 to more than 3**



Challenges for Agricultural Development/2

- **Addressing the under-capitalization, low productivity and competitiveness of agriculture**
 - ❑ **Irrigation: only 6% of arable land against 40% in Asia**
 - ❑ **Fertilizer use: 22% of world average – 9% in SSA**
 - ❑ **Infrastructure: roads, energy, telecommunications, etc.**
 - ❑ **Under-developed and under-funded institutions of agricultural education, research and extension**
 - ❑ **Land productivity: less than 55% of world average yields for rice, 34% for maize**
 - ❑ **Labor productivity: less than 60% of that in Asia and Latin America**
 - **Share of global agricultural exports: fell from 15% in the mid-1960s to 5% in 2000**
 - ❑ **Food imports increasing at 3.2% per year since the early 1990s**



Why a Value Chain Approach? /1

- To address African farmer's disconnection from the input and product markets
 - Responding to domestic regional demand fueled by population growth, income growth and urbanization –esp. dynamic regional demand for processed products
 - Responding better to opportunities of global markets, esp. niche markets
 - Responding to farmers' need and demand for modern farm inputs and support services (esp. extension, financing)
- To maximize the contribution of agriculture to economic growth and poverty reduction – **Beyond the narrow perspective "agriculture = farming"**
 - Tapping inter-sectoral growth linkages to realize the full potential of on-farm and non-farm employment and income generation of the food and agriculture systems



Why a Value Chain Approach? /2

Food and Agricultural System Matrix

PRODUCTION AND EXCHANGE FUNCTIONS	COMMODITIES									
	Rice	Maize	Wheat	Cassava	Cotton	Cocoa	Dairy	Livestock	etc.	
Input Production	C O M M O D I T Y S U B S E C T O R	<i>AGRICULTURAL INPUT INDUSTRY</i>								
Input Distribution		<i>AGRIBUSINESS (Input Market)</i>								
Farm Production		<i>FARMING SYSTEM</i>								
Output Marketing		<i>AGRIBUSINESS (Output Market)</i>								
Output Processing & Product Storage		<i>AGRO -PROCESSING INDUSTRY</i>								
Transportation		<i>AGRIBUSINESS (Product Market)</i>								
Trade										
Wholesaling										
Retailing										
Consumption										



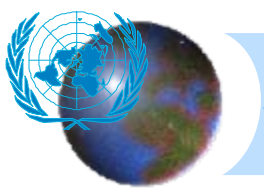
Why a Regional Approach to Value Chains?

- To address the fragmentation of African food and agriculture economy
 - ❑ Extremely fragmented regional economy along sub-regional and national lines – **sub-optimal economic space**
 - ❑ Fragmented market segments closed to each other but increasingly open to global trade outside of Africa
 - ❑ Constrained perception of investment and trade opportunities for African agribusiness communities
- To maximize the exploitation of regional:
 - ❑ Economies of complementarities and intra-African trade potential – **“Comparative” and “Competitive” advantage beyond national boundaries**
 - ❑ Economies of scale at all stages of the value chains
 - ❑ Economies of vertical coordination (transactions) among the productive/services sectors involved in value chains



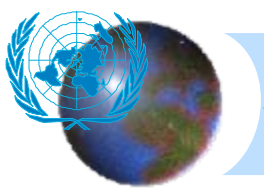
How to Promote Regional Value Chains/1

- **Focus on filling the gap in production and trade for **strategic food and agricultural commodities**:**
 - Of important weight in the African food basket and rural economies
 - Of important weight in Africa's trade balance through their contribution to export earnings or the import bill
 - For which Africa has significant unexploited production and trade potential
- **In essence, deliver on one of the main outcomes of the 2006 Abuja Food Security Summit:**
 - 9 continent-level strategic commodities: rice, maize, legumes, cotton, oil palm, beef, dairy, poultry, fisheries
 - 3 sub-regional-level strategic commodities: cassava, sorghum, millet



How to Promote Regional Value Chains/2

- **Build regional cooperation and public-private partnerships to articulate investment in the 4 pillars of CAADP around the development of the value chains of such strategic commodities:**
 - **Land and water**
 - **Rural infrastructure and trade capacities**
 - **Supply chains**
 - **Research, technology dissemination and adoption**



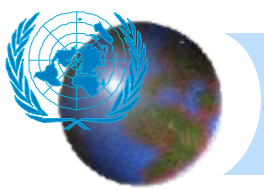
How to Promote Regional Value Chains/3

- **Deepen regional integration for the development of coordinated value chains of the strategic agricultural commodities by:**
 - **Moving market integration beyond national and sub-regional levels to encompass the global regional market -- **Common African Market****
 - **Mapping potential **regional production and processing belts** of strategic commodities (REC x Agro-ecological approach)**
 - **Creating an enabling environment for profitable and secure private investment in coordinated regional agricultural input and commodity value chains -- **preferential sub-regional/regional agricultural investment zones****
 - **Designing and implementing policies, legal and institutional frameworks, and PPPs to promote private investment in **regional agribusiness joint ventures** – investment codes, land policies, fiscal policies, etc.**



How to Promote Regional Value Chains/4

- Create/strengthen **sub-regional/regional agricultural research and education centres of excellence** to harness the best technologies and sustain innovation in strategic commodity chains
- Address the double disconnection of farmers from input and product markets through:
 - Promotion of regional agro-industry/agribusiness development
 - Innovative contractual arrangements linking farmers to agro-industry/agribusiness through networks of rural agro-dealers



How to Promote Regional Value Chains/5

- **In summary, glue CAADP pillars around regionally-coordinated value chains of strategic commodities for agriculture to yield its full potential in:**
 - **Enhancing food security (reliable and affordable supply)**
 - **Creating value-added and employment, especially for women and the poor (rural and urban)**
 - **Providing capital and inputs to other economic sectors**
 - **Creating demand for the non-farm sectors**
 - **Improving export performance (integration in the global economy)**

Thank you.