



Presentation to High- Level Meeting on African Agriculture in the 21st Century

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Session 2

Integrating African Agriculture into Global Markets

Session Focus

Promote the transition from a commodity-oriented export agriculture to an export agriculture focused on value addition

Support the economic and social challenges of transformation of subsistence agriculture to a more market-oriented system

Session 2

Integrating African Agriculture into Global Markets

Parallel Session 2.1

- Moving African agriculture up the value chain

Parallel Session 2.2

- Integration of small farmers into global supply chains



Session 2

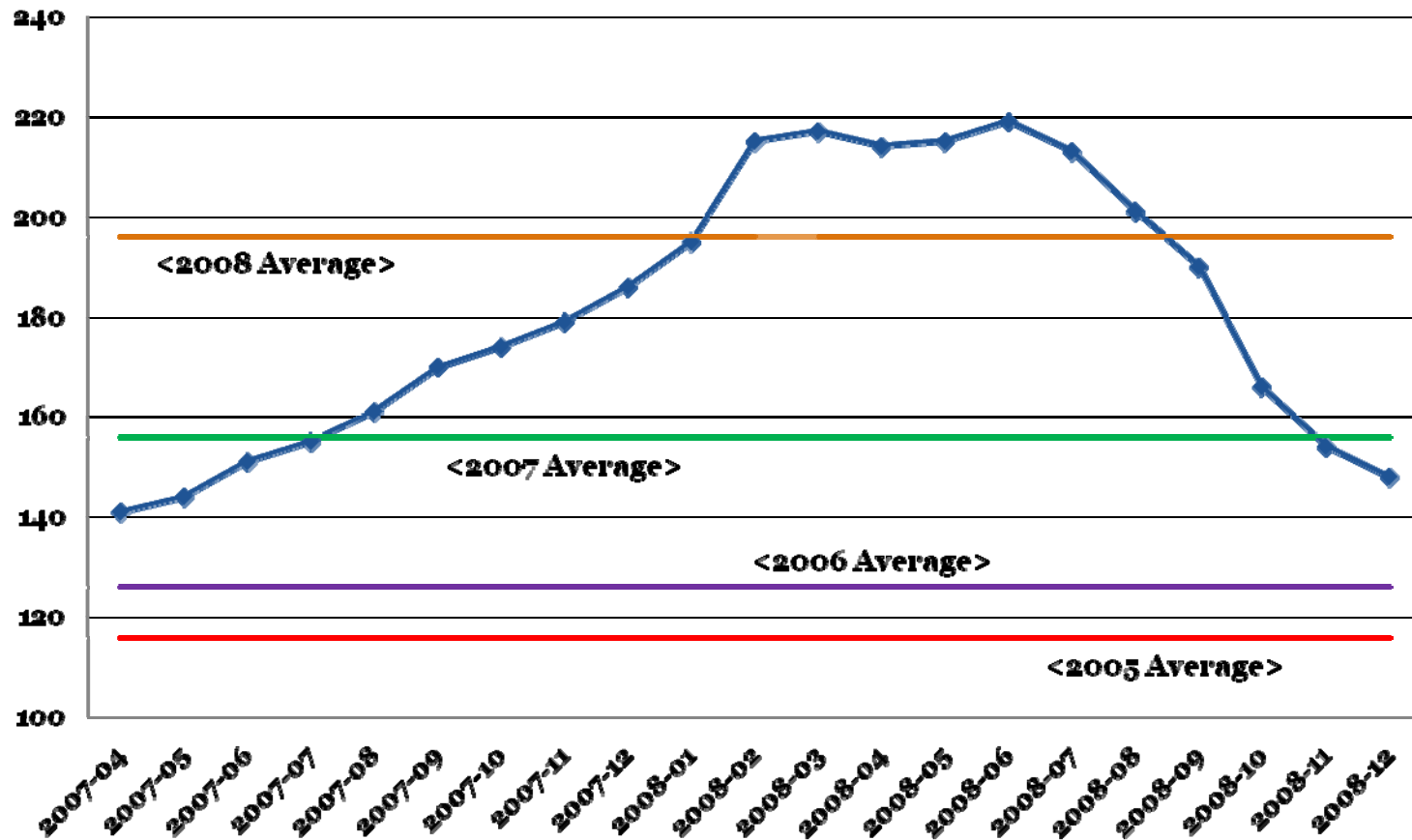
Integrating African Agriculture into Global Markets

African Agriculture 2008

Some Key Observations

World food prices remains high by historical standards

FAO Food Price Index (1998-2000 = 100)



Source: FAO World Food Situation Portal on line

The Current food-price crisis led to refocusing on African agriculture

- **Dominant economic sector in many African countries**
- **Essential role in poverty reduction and economic development**
- **The recent decline in world food prices should not be taken to conclude that the fundamental longer-term challenges have become less important.**

The current food-price crisis highlights the need to modernise African agriculture

African Agriculture: Reasons to be Concerned

- **Low productivity**

- In 2006, the African average cereal yield was only 40 per cent of the Southeast Asian average

- **Food availability went down**

- Since 1990, food availability per capita has declined by 3 per cent in SSA in sharp contrast to Asia and Latin America

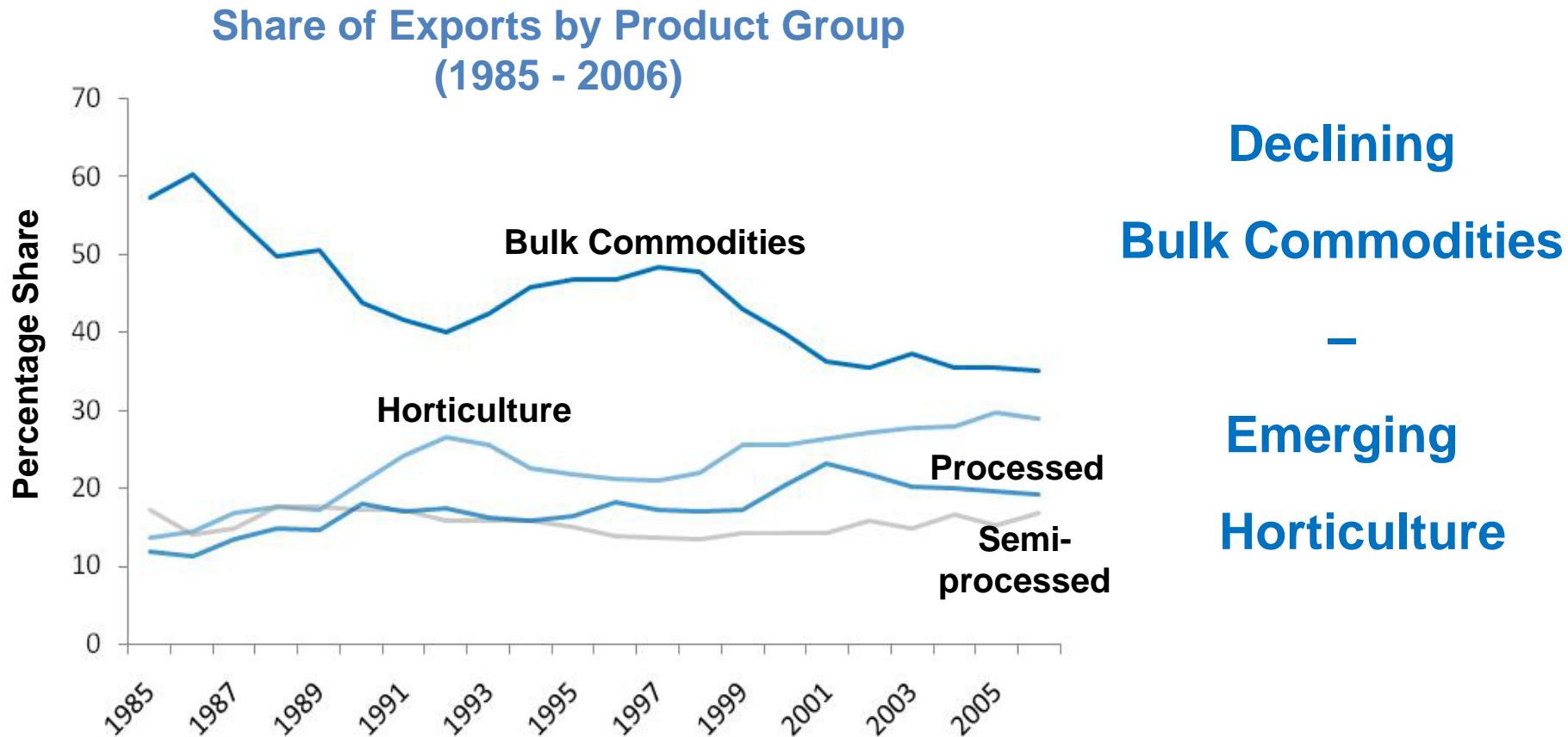
- **Africa's agricultural exports declined**

- Since the mid 1980s, the share of African products in world agricultural imports has declined from 5.4 per cent (1985) to 3.2 per cent (2006)

Promoting African agriculture is back on the national and international agenda.

World Agricultural Trade and Africa

Product Mix Exported from Africa




Source: United Nations / Comtrade.



African Agriculture: Challenges and Opportunities

- **World agricultural trade is no longer dominated by bulk commodities**
 - Global agro-food trade has moved downstream along the value chain
- **Africa has found it difficult to move into processed, higher value products**
 - No SSA country is among the world's leading exporters of processed food products
- **China and India: New markets for Africa?**
 - Already today, China and India account for 7 per cent of Africa's agricultural exports
- **E-Agriculture: Application of ICT for Agricultural Development (AEO 2009)**



The NEPAD Initiative: CAADP

the July 2003 Maputo Summit

- The pursuit of a 6% average annual growth rate at the national level in the agricultural sector;
- The allocation of 10% of national budgets to the agricultural sector;
- The exploitation of regional complementarities and co-operation to boost growth;
- The principles of policy efficiency, dialogue, review and accountability;
- The principles of partnerships and alliances to include farmers, agribusiness and civil society;
- The principles assigning the roles and responsibility of programme implementation to individual countries

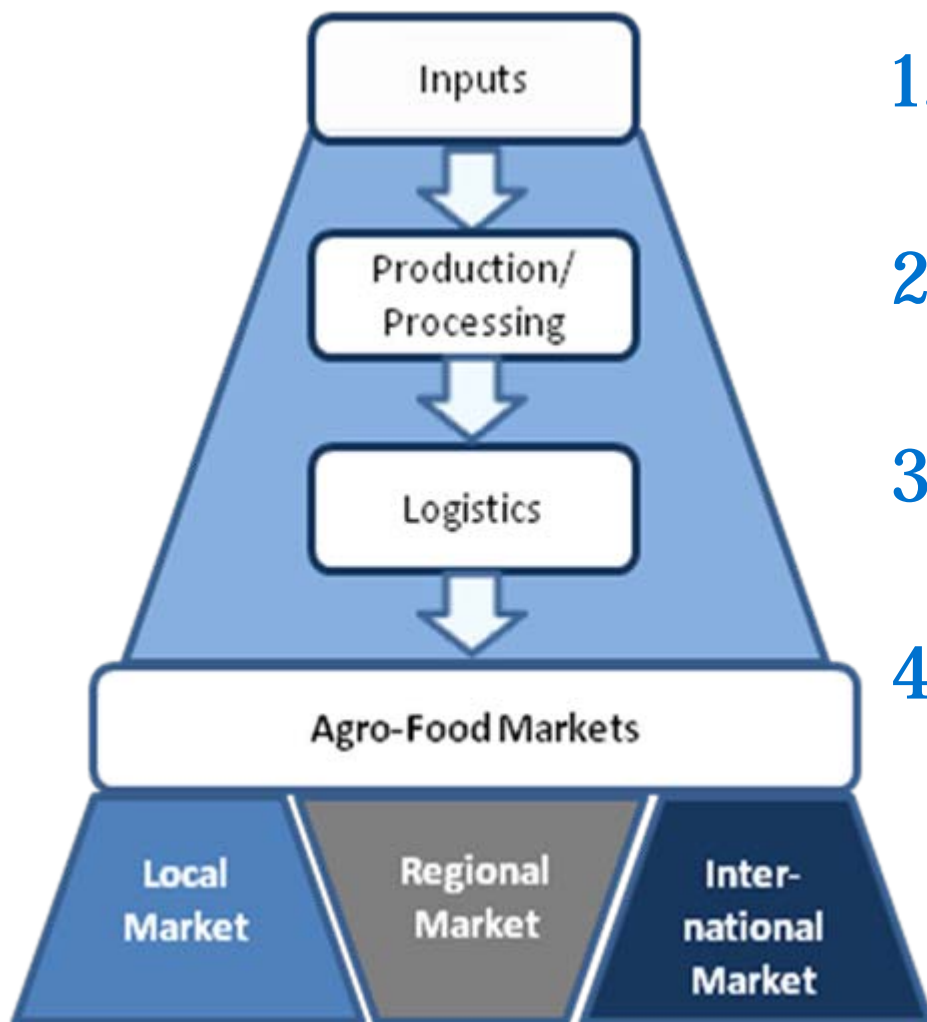


Parallel Session 2.1

Moving African Agriculture Up the Value Chain

Linking Smallholders to Markets:
What Perspectives for Africa?

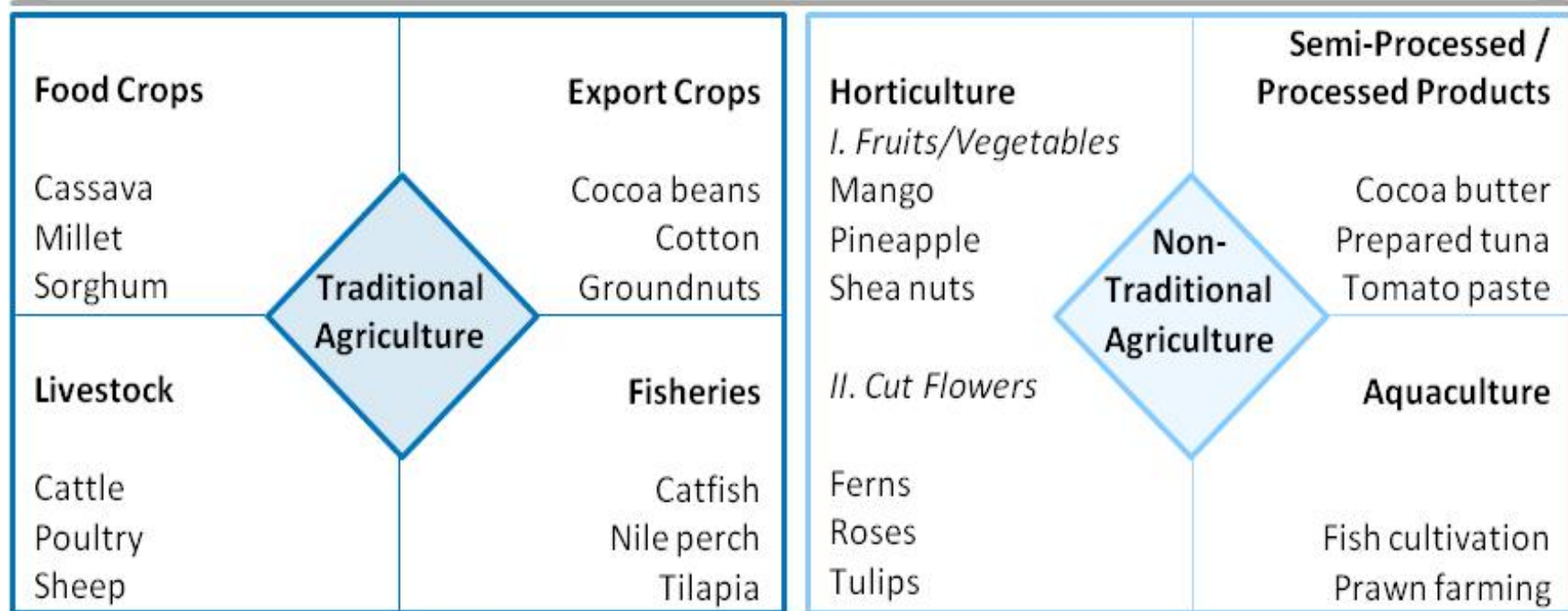
Linking Smallholders to Markets: *the Value-Chain Approach*



1. Rediscovering the market
2. One label but many approaches
3. Making farmers fit for the market
4. Help smallholders and agro-food firms to engage each other

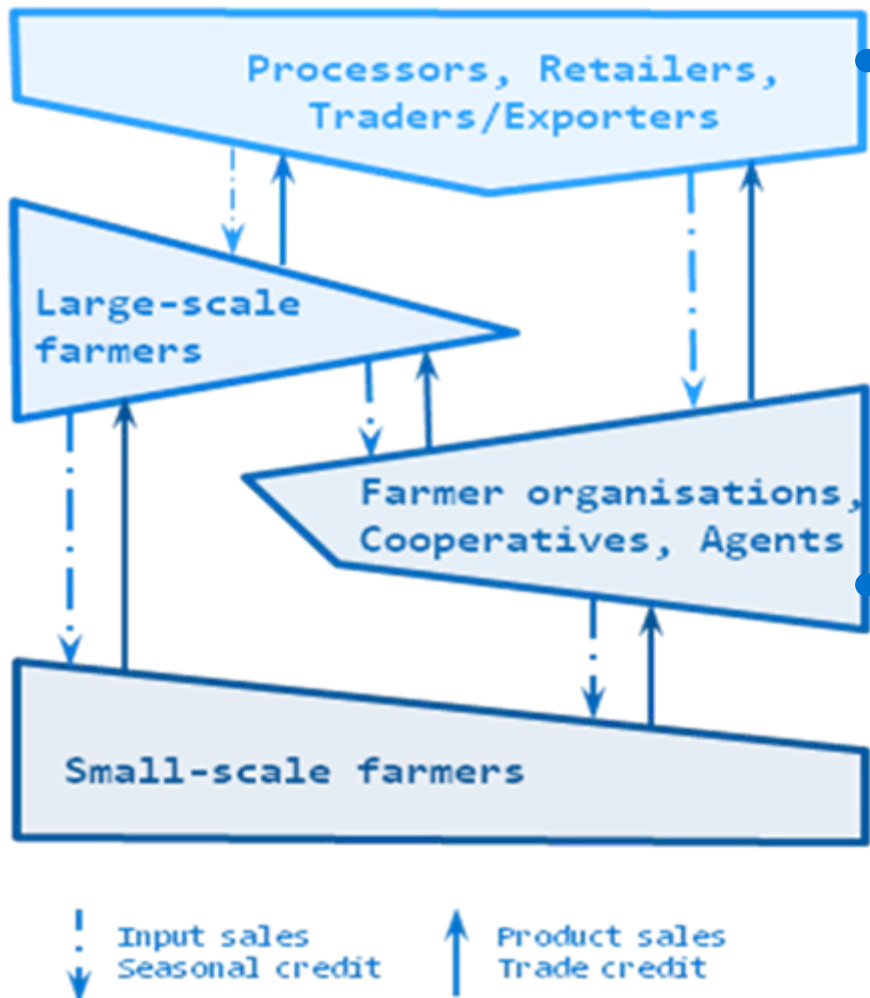
Rediscovering the Market: What does this mean?

The Agro-Food Sector



Source: OECD Development Centre 2008.

Linking Smallholders to Markets through Outgrower Schemes



• Attractive models for agro-food firms to ensure control over sourced supply and explore local markets (e.g. ADM, Ahold, Nestlé, SABMiller...)

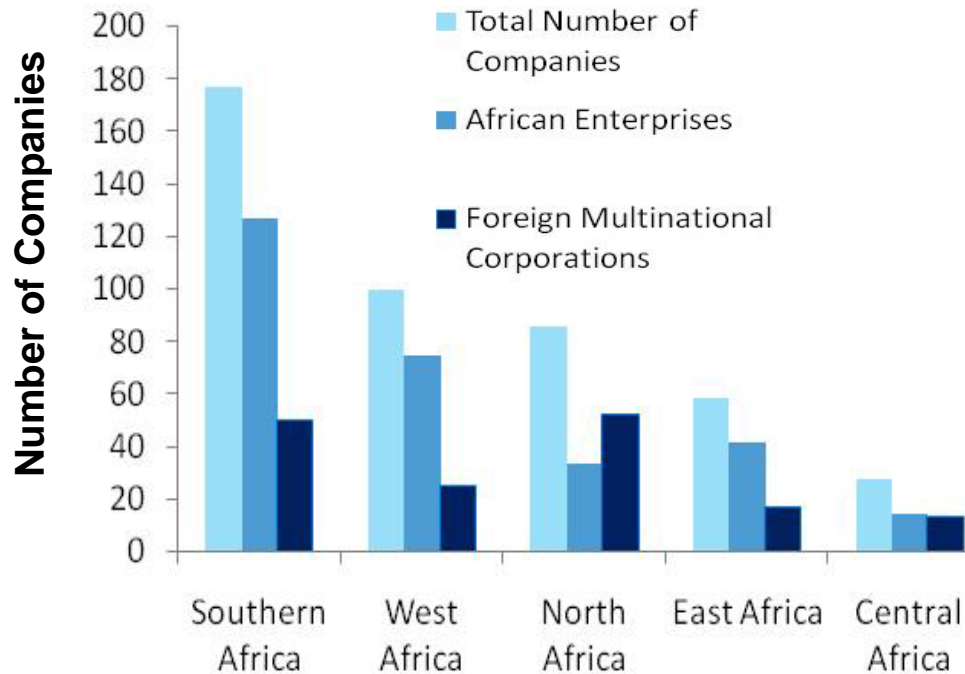
• A long-term business interest is indispensable

- ✓ Sustainability
- ✓ Inclusiveness
- ✓ Trust

Mapping Big Business in Africa:

Foreign and Domestic Agro-Food Firms

Spread of Agro-food Enterprises across Africa



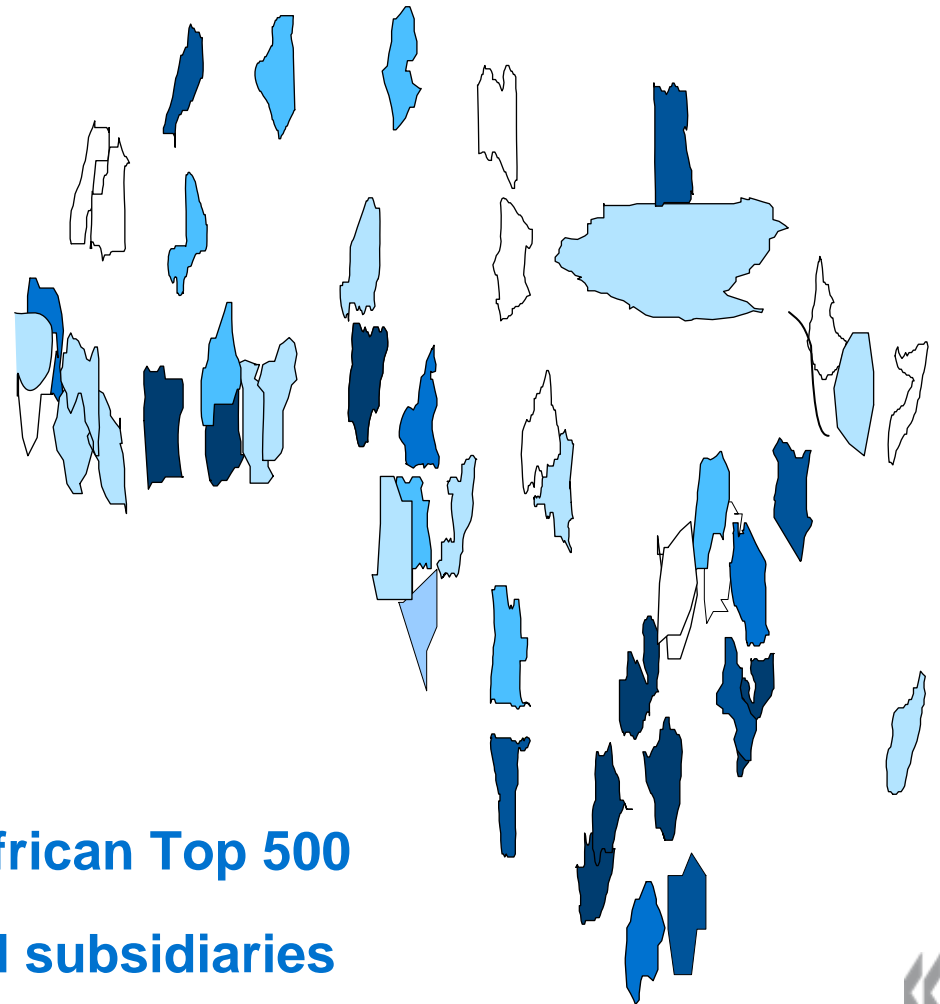
- Southern Africa leads the field
- North Africa shows a large presence of MNCs also thanks to ties and proximity to the EU
- Central Africa appears to be the least attractive region so far

Source: OECD Development Centre 2008.

Note: The number of companies present in each region may include multiple subsidiaries of the same company.

Mapping Big Business in Africa:

Distribution of African Agro-Food Enterprises



- **Agro-food firms among African Top 500**
- **Country headquarters and subsidiaries**

Source: OECD Development Centre 2008.

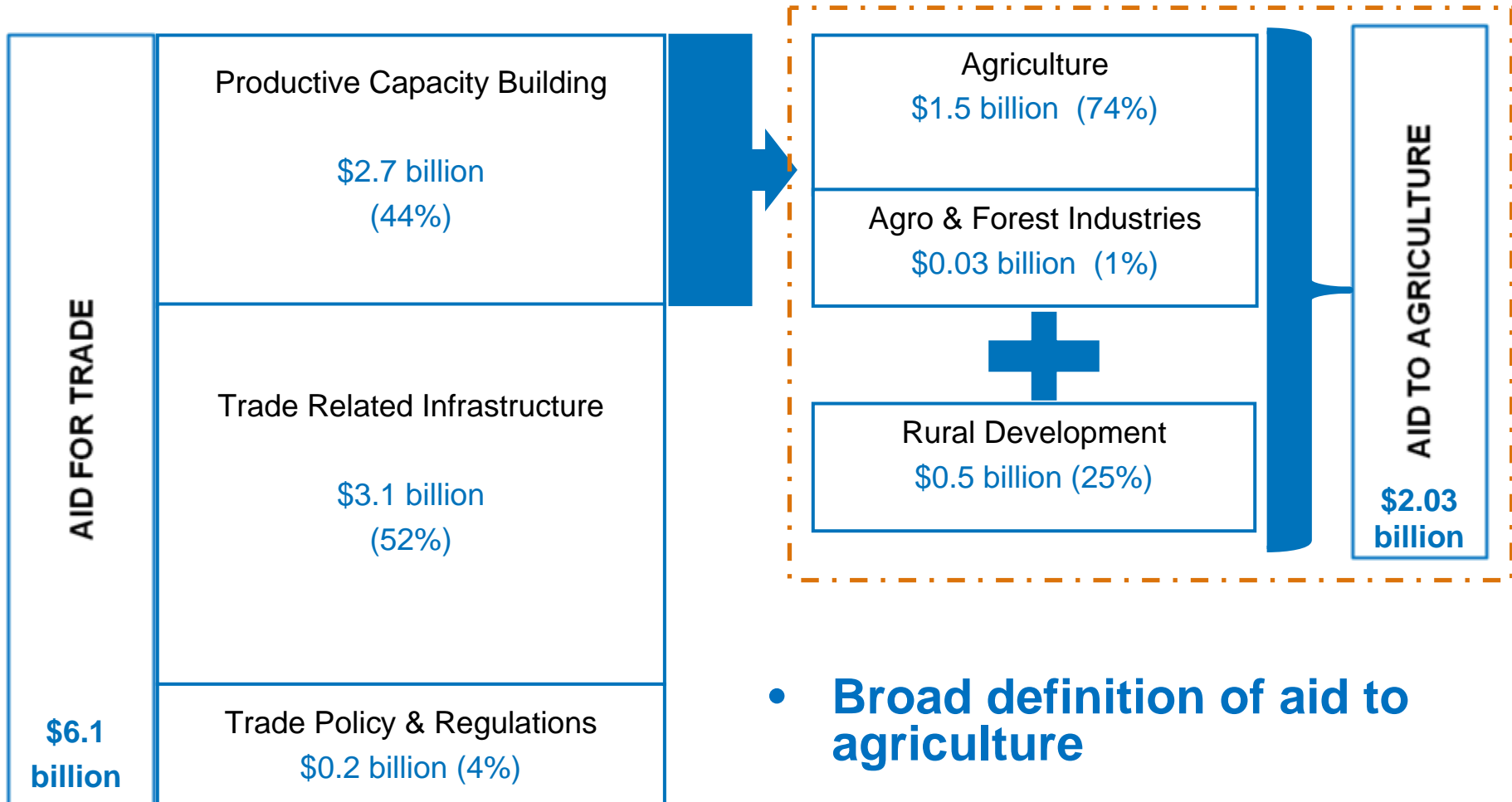
The Role of Donors: International Initiatives for Aid for Trade

- **Africa received 1/3 of global AfT**
 - Over the 2002-05 period total AfT to Africa amounted to \$ 6.1 bn
- **Top 3 donors are: EU, World Bank and AfDB**
 - They provided half of total AfT to Africa during the same period
- **Infrastructure investments received most of the funds**
 - Trade-related infrastructure received \$ 3.1 bn, followed by productive capacity building (\$ 2.7 bn) and trade policy and regulations (\$ 0.2 bn)

**Where is the link between Aid for Trade
and African agriculture?**

Aid for Trade and African Agriculture

Defining the Links



- **Broad definition of aid to agriculture**

Source: OECD, DAC/CRS.

Aid to Agriculture in Africa

Making its Way back on the Agenda

- **Aid to agriculture declined in the past 15 years**
 - Aid to agriculture decreased in absolute terms from \$ 2.6 bn to \$ 2.0 bn and as a share of ODA (from 11 to 5.4 per cent)
- **Why did aid to agriculture decline?**
 - 1990s: A shift to structural adjustment lending and limited success of aid to agriculture
 - More ODA flowed to social infrastructure and services due to lower transaction costs and link to Millennium Development Goals
- **But: Aid to agriculture is back on the agenda**
 - African countries have committed to increase spending in the framework of NEPAD/CAADP
 - More international support to agriculture has been promised

What Perspectives for Africa?

Lessons from Five Countries

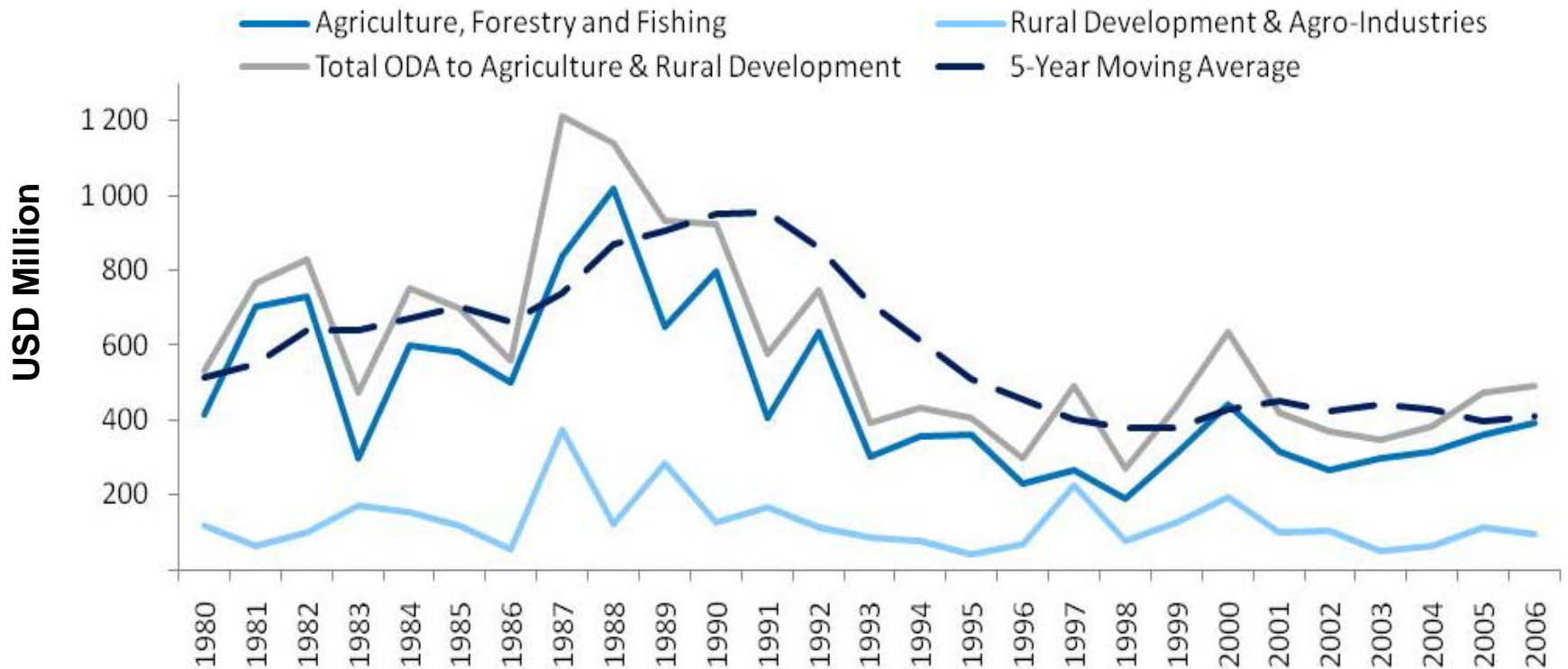
- **Ghana, Mali, Senegal, Tanzania and Zambia**
- **Transformation of the agricultural sector has yet to occur, despite political commitment**
- **Among the largest recipients of aid to agriculture**
 - Between 2002-2005, the five countries received over 20 per cent of total commitments of aid to agriculture in Africa
- **Donors are shifting towards promoting agribusiness**
- **Interesting donor interventions**
 - Zambia: pioneer of a sector investment programme in agriculture
 - Tanzania: moving towards a sector-wide approach
 - Ghana, Mali, Senegal: agribusiness promotion in horticulture



Lessons from Five Countries

Aid to Agriculture – Back on the Agenda?

Aid to Agriculture in the Five Countries (1980 - 2006)



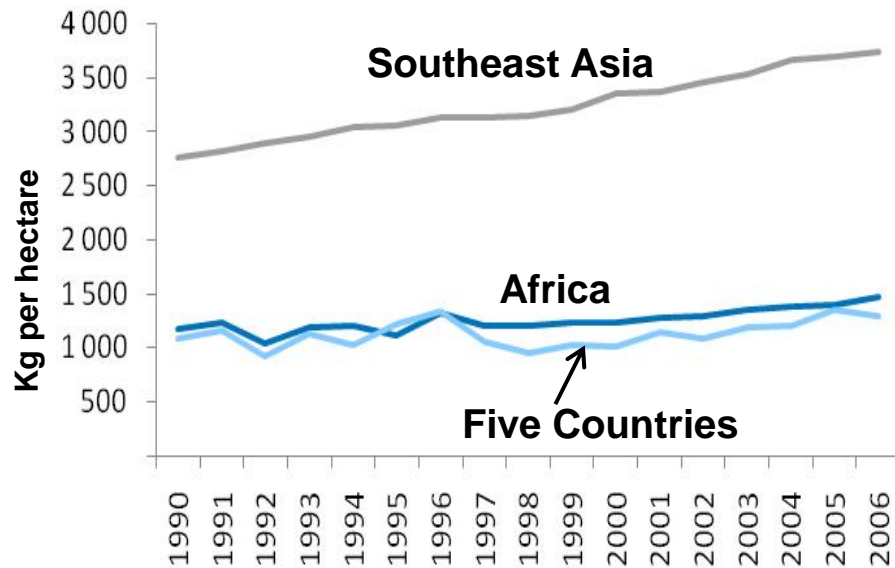
Source: OECD DAC, CRS Database.



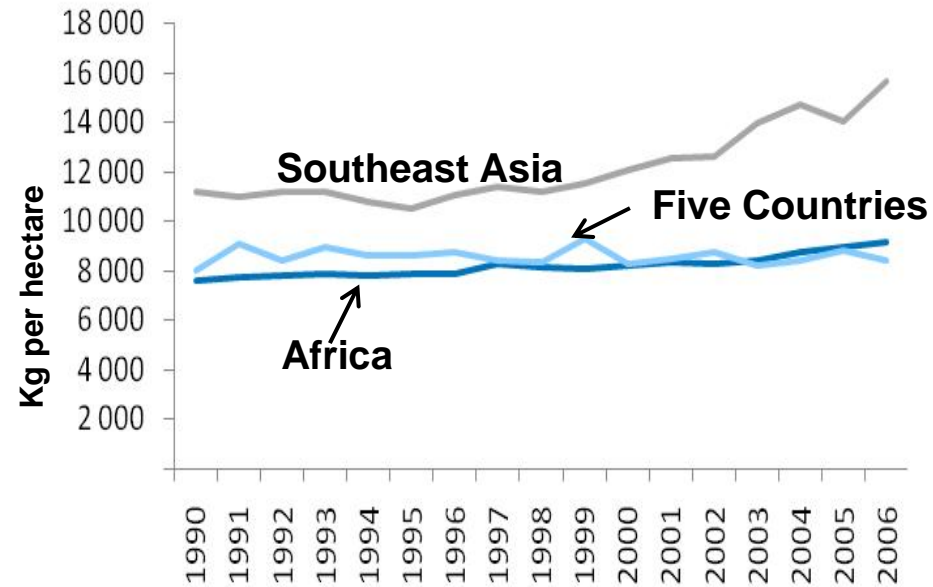
Lessons from Five Countries

Productivity of Food Crops Has Been Stagnant

(A) Cereals Yields



(B) Roots and Tubers Yields



Source: ProdSTAT, FAO Statistics Division.



Lessons from Five Countries

Food Crop Production Is Far Below Potential

- **Example of Zambia:**
 - Only 15 per cent of arable land is cultivated
 - Only 10 per cent of suitable land is irrigated
 - 40 per cent of households active in subsistence agriculture
- **Traditional smallholder production dominates**
 - Rain-fed agriculture => dependent heavily on weather conditions
 - Little acreage => no economies of scale
 - Limited intensification => low productivity
- **Dualistic structure**
 - Small commercial sector, large number of subsistence farmers



Lessons from Five Countries

Positive Developments in the Export Sector

- **Emerging horticulture in Ghana, Senegal, Mali and Zambia**
 - In Tanzania horticulture is still very small
 - Donor support has been crucial, especially in Senegal; lately in Ghana
- **Success due to contract farming schemes**
 - Costly to companies, but helps to overcome the scale problem
 - Private sector involvement helps to ensure sustainability
 - Risk: can create new dependencies
- **Is it possible to extend the models to food crops?**
 - First pilot projects launched for example in Ghana



Promoting African Agriculture

Areas Where Governments Could Do Better

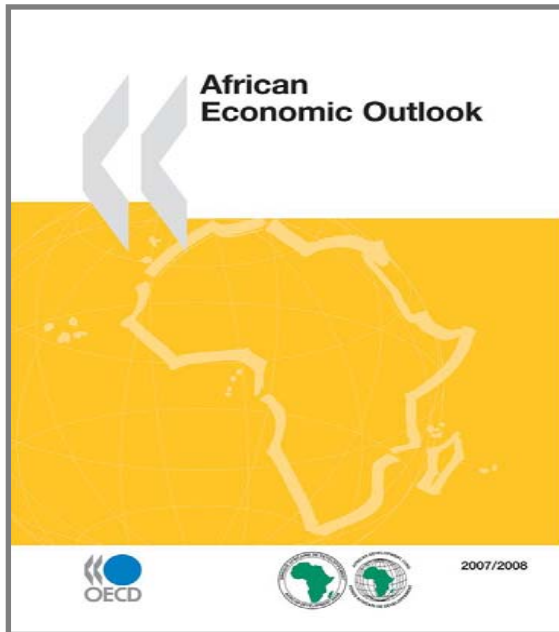
- **Financial resources are below the CAADP target**
 - Mali is the only country where the government budget for agriculture is above 10 per cent
- **Too little is spent on R&D and extension**
 - In the five countries, resources have declined in the past 3 decades
 - R&D and extension have been crucial for the green revolution in Asia
- **Inter-Ministerial coordination needs to be improved**
 - Responsibilities are split between various ministries: trade, infrastructure, environment, rural development, agriculture
 - No coherent strategy on how to promote private sector development in agriculture
- **Strengthening public sector capacity is crucial!**



Lessons from Five Countries

Areas Where Donors Could Do Better

- **Donor coordination should be improved**
 - Coordination happens only on an *ad hoc* basis
 - Ghana, Mali, Tanzania register over 100 projects which can be classified as promoting private sector development in agriculture
 - 12 donors are active in the Malian mango sector
- **Positive: Value chain approach is becoming a standard**
 - Trying to tackle several bottlenecks may lead to greater coordination
 - Commercial approach brings sustainability into focus
- **Sector-wide approaches in agriculture still remain a challenge**



Thank you!

For more information and the five case studies:

www.oecd.org/dev/publications/businessfordevelopment

