Regional Value Chain Approach to Agricultural Development in Africa

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High-Level CSD Intersessional Meeting
Windhoek, Namibia
9-10 February 2009
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?
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
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
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**

<table>
<thead>
<tr>
<th>PRODUCTION AND EXCHANGE FUNCTIONS</th>
<th>COMMODITIES</th>
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</thead>
<tbody>
<tr>
<td>Rice</td>
<td>Maize</td>
</tr>
<tr>
<td><strong>Input Production</strong></td>
<td><strong>AGRICULTURAL INPUT INDUSTRY</strong></td>
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<tr>
<td><strong>Input Distribution</strong></td>
<td><strong>AGRIBUSINESS (Input Market)</strong></td>
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<tr>
<td><strong>Farm Production</strong></td>
<td><strong>FARMING SYSTEM</strong></td>
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<tr>
<td><strong>Output Marketing</strong></td>
<td><strong>AGRIBUSINESS (Output Market)</strong></td>
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<tr>
<td><strong>Output Processing &amp; Product Storage</strong></td>
<td><strong>AGRO - PROCESSING INDUSTRY</strong></td>
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<tr>
<td><strong>Transportation</strong></td>
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<td><strong>Trade</strong></td>
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<td><strong>Wholesaling</strong></td>
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<td><strong>Retailing</strong></td>
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<td><strong>Consumption</strong></td>
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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
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
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
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.
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
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.