

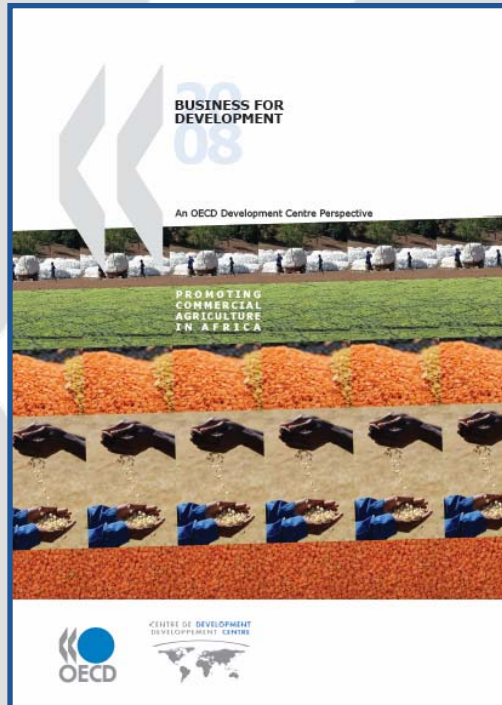
Business for Development 2008:

Promoting Commercial Agriculture in Africa

27th May 2008

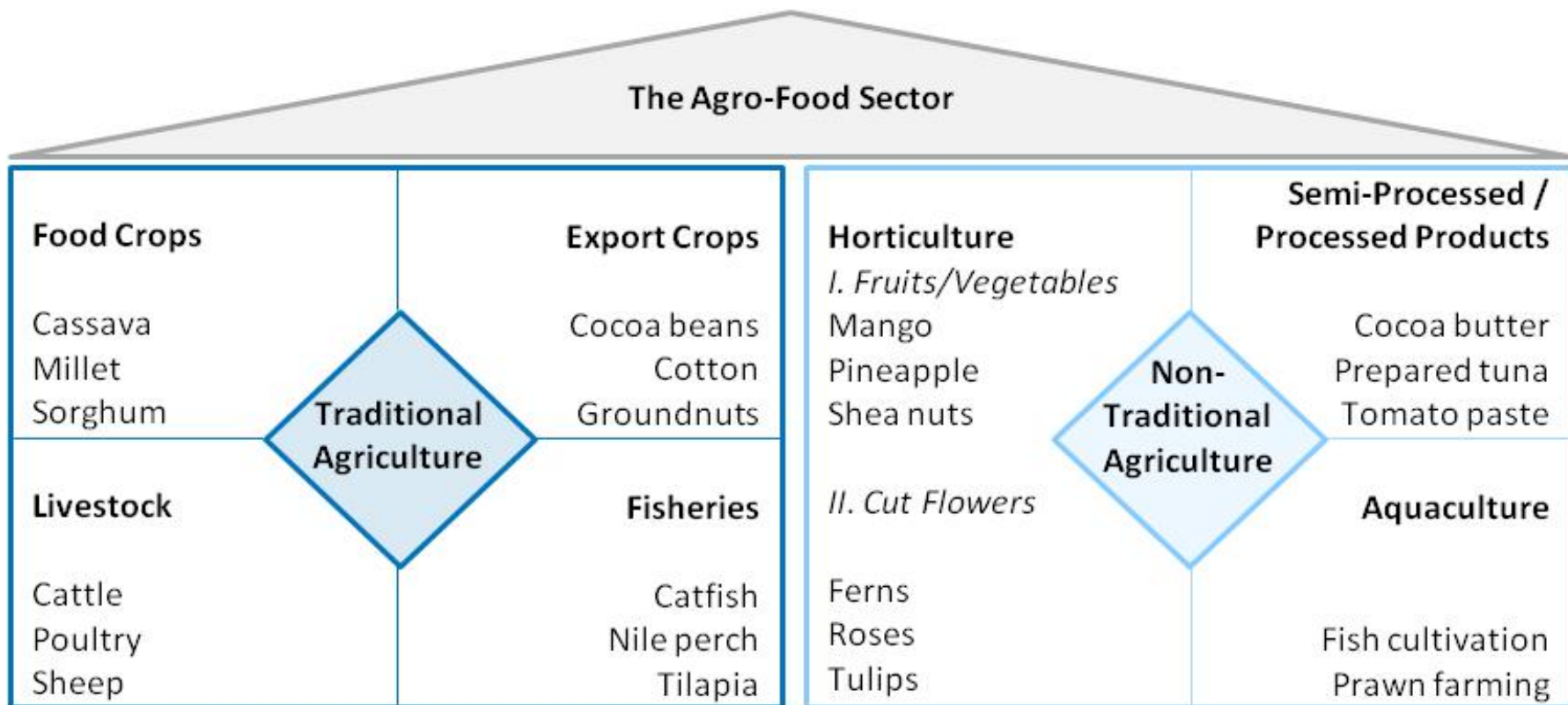
FASID Tokyo

Denise Wolter



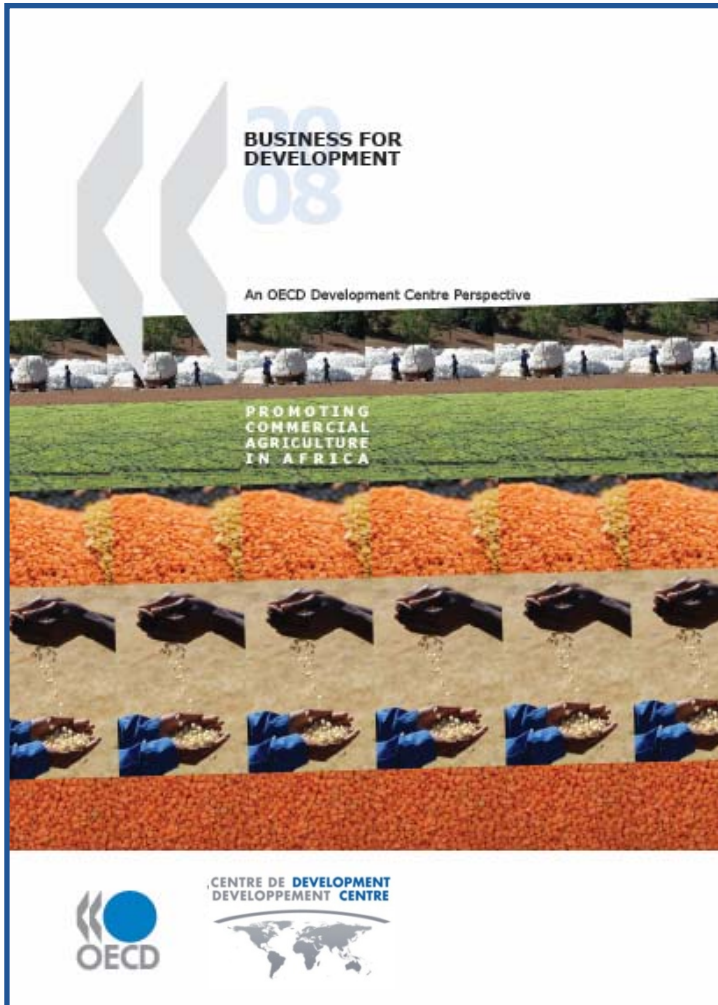
Promoting Commercial Agriculture

What Do We Mean?



Source: OECD Development Centre 2008.

Presentation



1. **World Agricultural Trade and Africa**
2. **Mapping Big Business: Agro-Food Enterprises in Africa**
3. **Aid for Trade and African Agriculture**
4. **Lessons from Five Countries: Ghana, Mali, Senegal, Tanzania, Zambia**

World Agricultural Trade and Africa

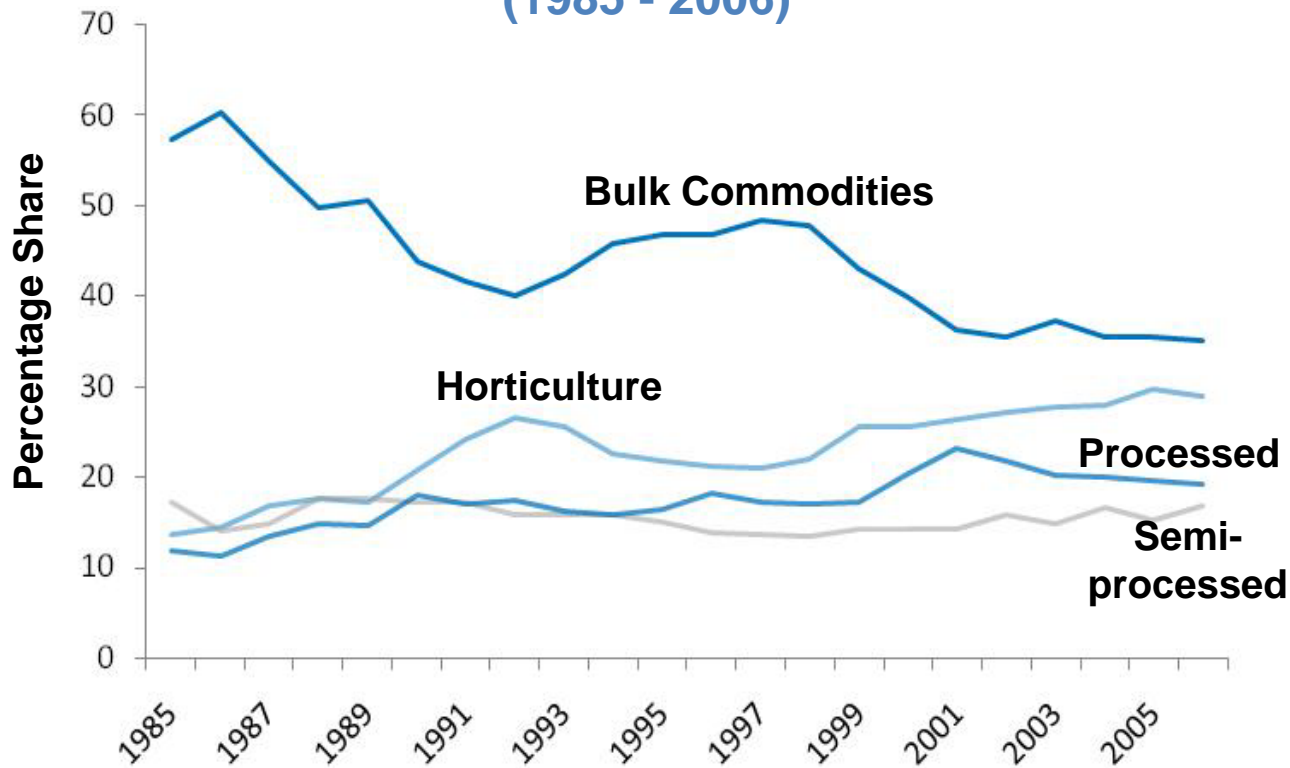
A Few Countries Share a Small Pie

- **Africa has lost its market share in international trade since the mid-1980s**
 - The share of African products in world agricultural imports declined from 5.4 per cent (1985) to 3.2 per cent (2006).
- **Three countries account for more than 50% of Africa's agricultural exports**
 - Over 2002-2005, South Africa, Côte d'Ivoire and Ghana accounted for 56 per cent of the total exports of SSA
- **Bulk commodities continue to dominate, despite some growth in horticulture**
 - In 2005, Africa's major export products were cocoa, cotton, wine, sugar, tobacco and tea

World Agricultural Trade and Africa

Product Mix Exported from Africa

Share of Exports by Product Group
(1985 - 2006)



Declining
Bulk Commodities
—
Emerging
Horticulture

Source: United Nations / Comtrade.

World Agricultural Trade and Africa

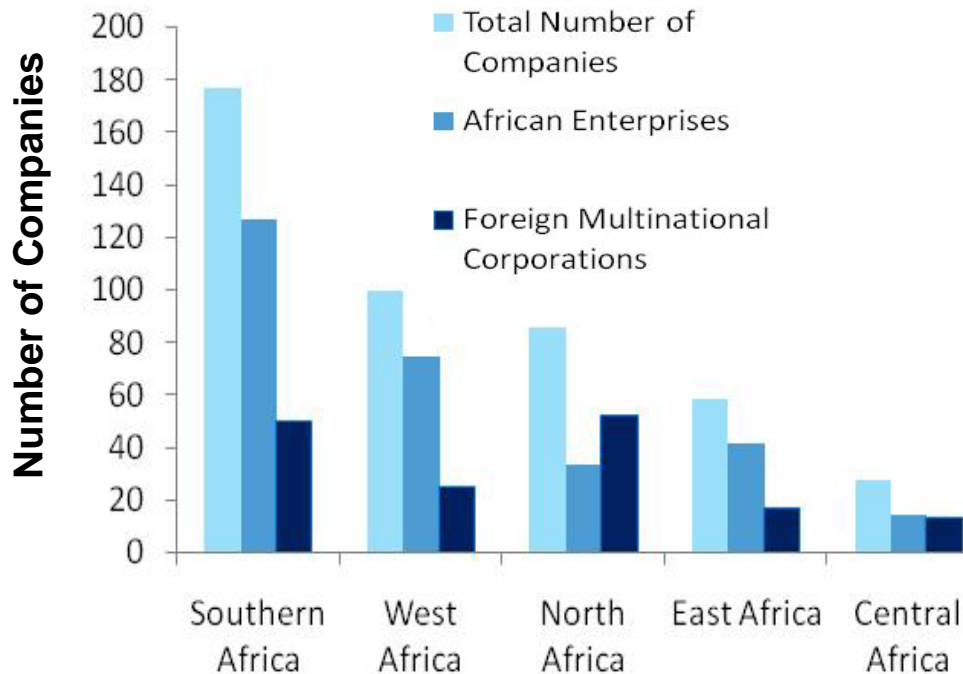
Missing the Train?

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

Mapping Big Business in Africa:

Foreign and Domestic Agro-Food Firms

Spread of Agro-food Enterprises across Africa



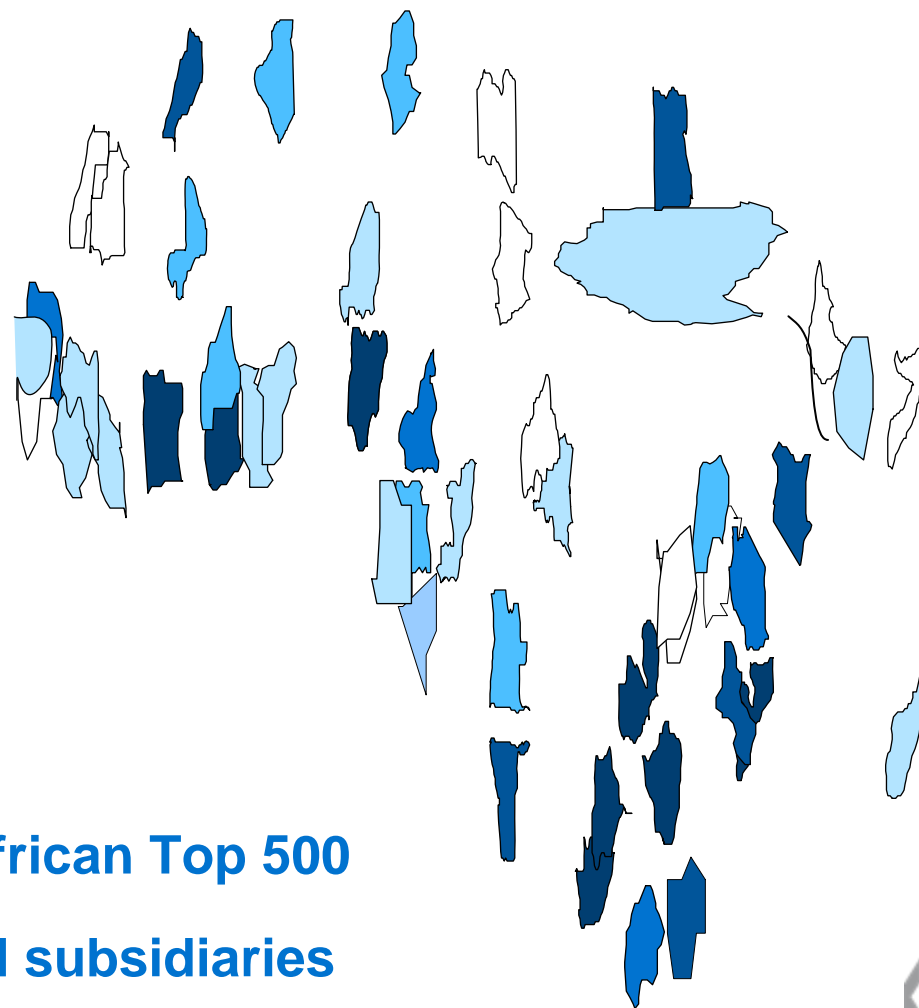
- Southern Africa leads the field
- North Africa shows a large presence of MNCs also thanks to ties and proximity to the EU
- Central Africa appears to be the least attractive region so far

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.

Mapping Big Agro-Business in Africa:

Facts and Trends (1)

- **Few hubs for large agro-food firms**
 - South Africa and Côte d'Ivoire host most company headquarters
- **Market size matters**
 - Nigeria's population and sheer market size are appealing
- **African firms move beyond borders**
 - South Africa's agro-food firms spread to neighbouring countries
- **Company presence does not guarantee food security**
 - Ghana attracts companies from other countries but relies on food imports

Mapping Big Agro-Business in Africa:

Facts and Trends (2)

- **Beverage companies have the most developed business network**
 - The beverage segment is the most integrated between multinational firms and African companies
- **Input products: insufficient demand => insufficient supply**
 - Low fertilizer usage means too small a market for MNCs
- **Regional integration could foster agro-food business**
 - Firms struggle with the limited movement of goods and people as well as differing quality and standards which increase production and transaction costs

Aid for Trade (AfT)

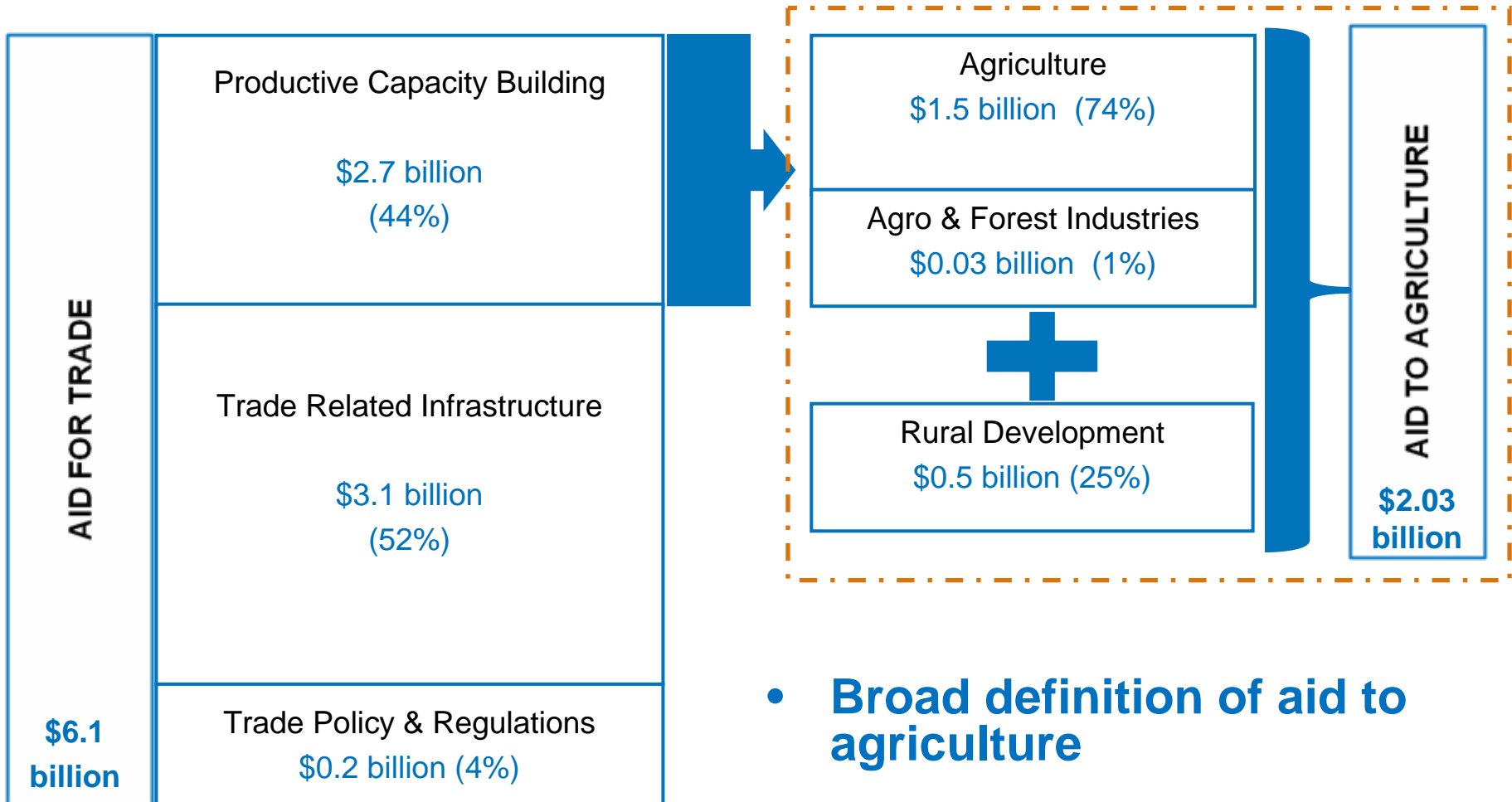
Some Stylised Facts

- **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



Promoting Commercial Agriculture

Lessons from Five Countries

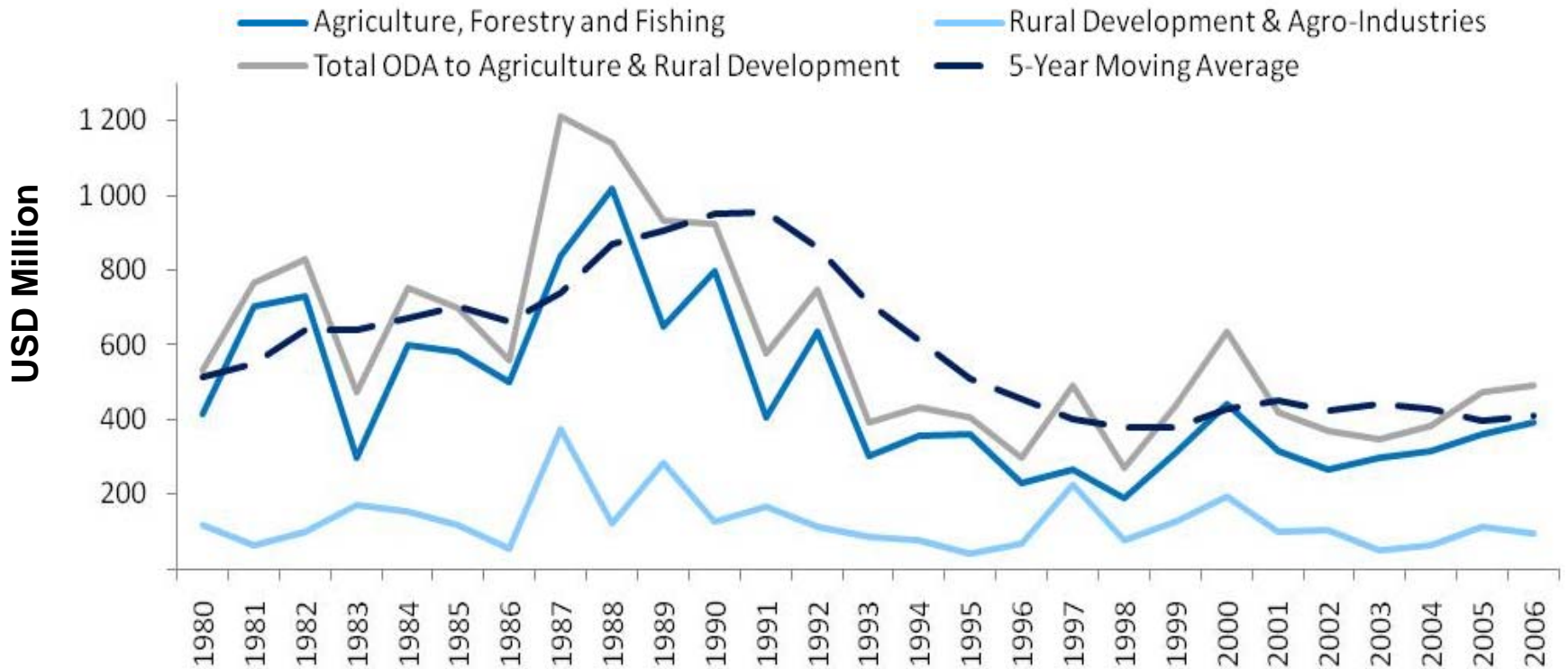
- **Ghana, Mali, Senegal, Tanzania and Zambia**
- **Transformation of the agricultural sector has yet to occur, despite political commitment**
- **Among the largest recipients of aid to agriculture**
 - Between 2002-2005, the five countries received over 20 per cent of total commitments of aid to agriculture 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)



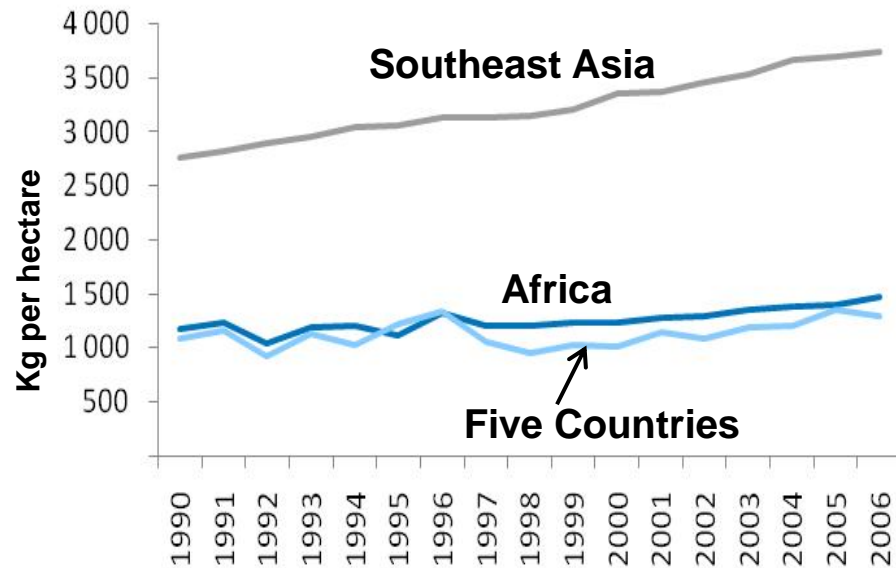
Source: OECD DAC, CRS Database.



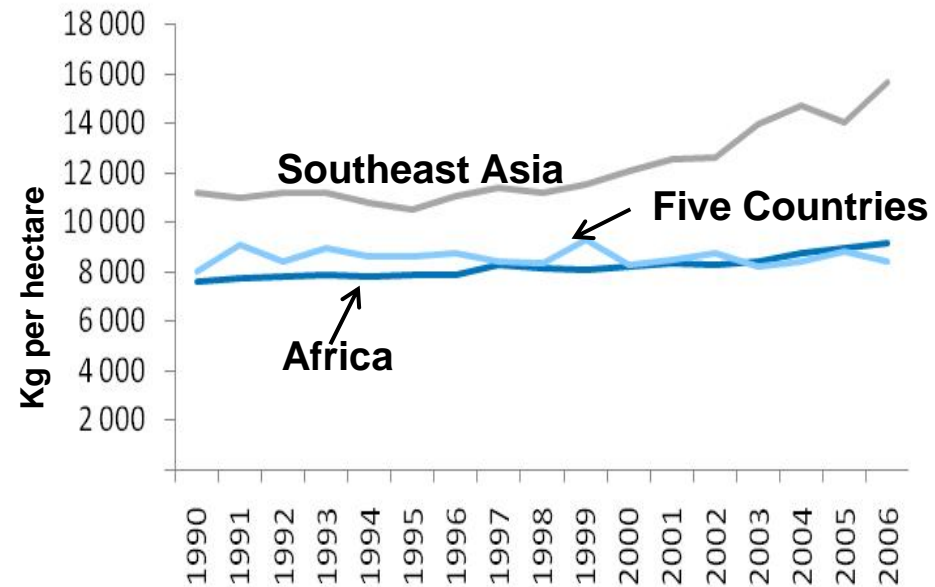
Lessons from Five Countries

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 on weather conditions
 - Little acreage => no economies of scale
 - Limited intensification => low yields per hectare
- **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, 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 Commercial 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**

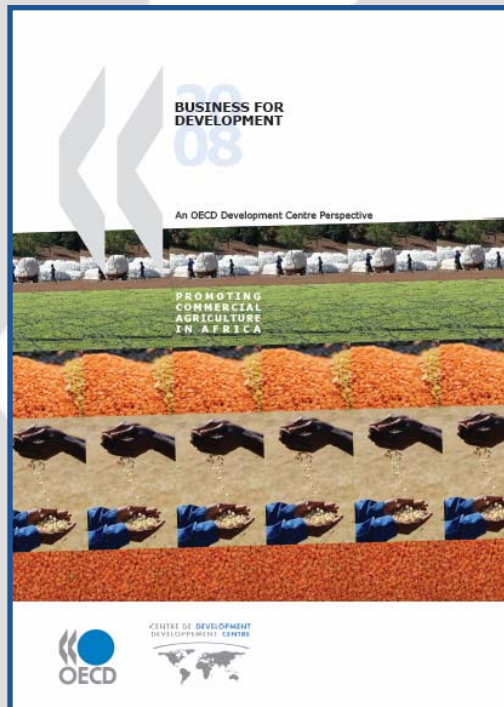


Promoting Commercial Agriculture

Ways Forward

- **Emerging horticulture needs to be sustained**
 - Outgrower schemes have proven to be successful as a mechanism to connect smallholders to the market and realise economies of scale
- **Local food industries need to be developed**
 - Food security problems in some African countries, due to underdeveloped marketing infrastructure (transport and information)
 - Agro-processing is in its infancy, despite sizable local and regional markets

**Commercial potential of food crops
needs to be recognised.**



Thank you!

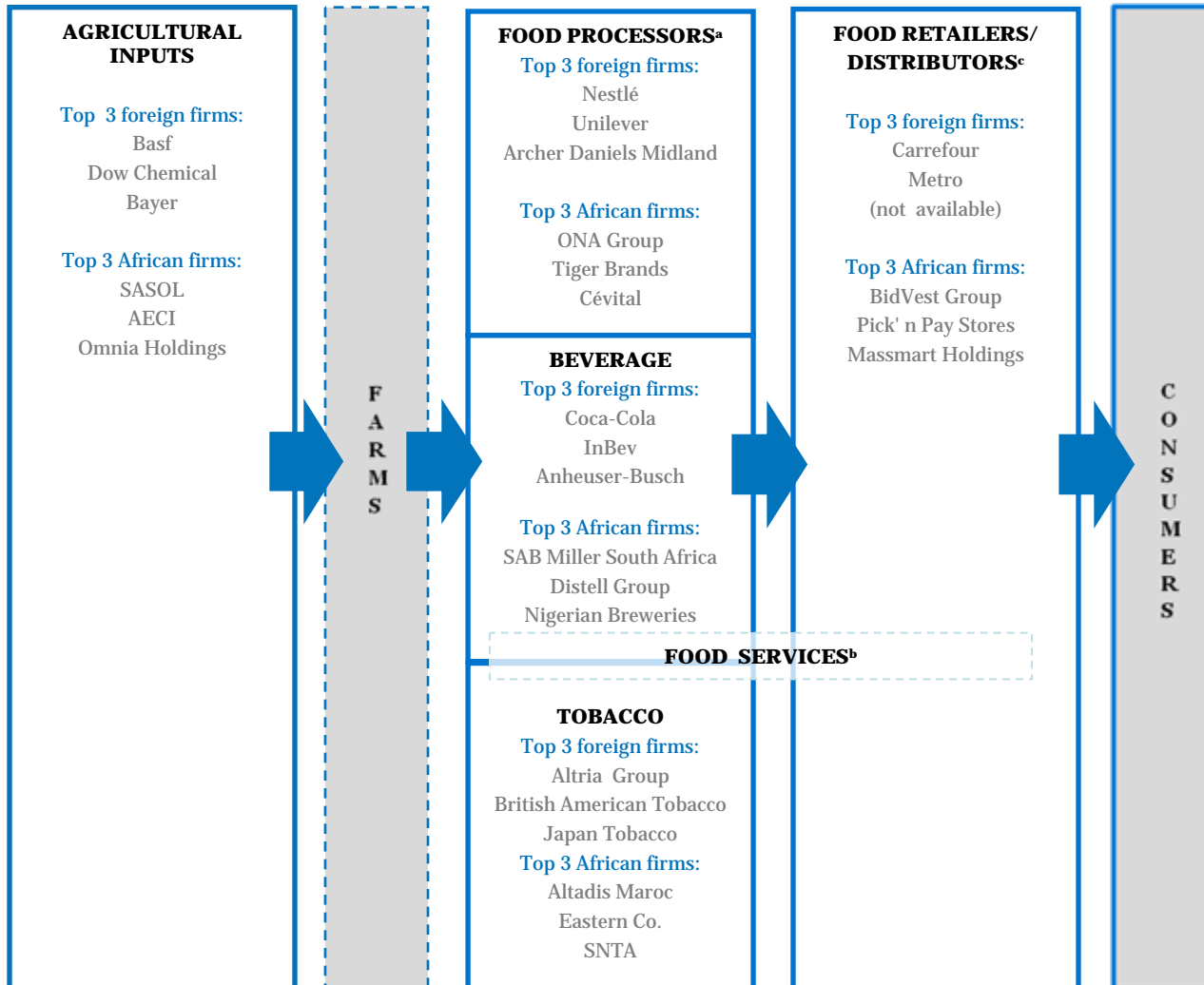
For more information and the five case studies:

[www.oecd.org/dev/publications/
businessfordevelopment](http://www.oecd.org/dev/publications/businessfordevelopment)



African Agriculture 2008

The Agro-Food Supply Chain



Source: OECD Development Centre (2008) based on Fortune Global 500 (2007) and Jeune Afrique (2007).