



Brussels Policy Briefing no. 36

Special CTA 30th Anniversary Edition

Realising the Promise of Agriculture for Africa's Transformation

4th April 2014, 0930-1300, Egmont Palace, 8 bis rue des Petits Carmes, 1000 Brussels

<http://brusselsbriefings.net>

Organised by CTA, the EU/DEVCO, the African Union Commission, the ACP Secretariat and Concord in the context of the Africa-EU Summit of Heads of State

2014 is the African Union Year of Agriculture and Food Security

1. Context

The World Development Report (World Bank 2008) underscores the importance of growth in agriculture as a critical catalyst for economic growth and poverty reduction. Agriculture continues to be the predominant source of employment in many regions, accounting for 63 % of rural household income in Africa. Historically, agricultural growth was the precursor to industrial growth in Europe and, more recently, in parts of Asia. Agricultural growth also has much broader linkages or multipliers and allows poor countries to diversify their economies to sectors where growth may be faster and where labour productivity and wages are typically higher. Where agricultural productivity has grown slowly, as in many parts of sub-Saharan Africa, non-farm activities have also tended to grow slowly.¹

Sustaining agriculture, means sustaining the incomes of those directly farming or working in secondary activities connected to agriculture. As argued by FAO², the impact of agricultural growth on poverty reduction is two times bigger than in other sectors provided income inequality is not excessive, agricultural growth reduces poverty among the poorest of the poor. In resource-poor low-income countries (excluding sub-Saharan Africa), a given rate of GDP growth due to agricultural growth reduces poverty five times more than does an identical dose of GDP growth due to non-agricultural growth. In sub-Saharan Africa, agricultural growth is 11 times more effective. Thus, raising agricultural production and productivity remains crucial for reducing poverty in a cost effective manner, especially in low-income countries³.

In Kenya and Rwanda, for example, it was found that 1 percent national GDP growth driven by agriculture leads to three to four times more poverty reduction than does growth driven by non-agriculture. In other words, Kenyan industry would have to grow four times faster than agriculture to generate the same amount of poverty reduction at the national level. So, although non-agriculture is obviously crucial for economic transformation in Africa, the industrial sector may not provide a sufficient platform for broadly based development unless it is linked to agriculture. Second, the weaker performance of African agriculture may explain why the continent's "decade of growth" has not translated into a similarly impressive "decade of poverty reduction." The findings from the case studies indicate that, throughout Africa, agricultural development is crucial for both economic growth and poverty reduction.⁴

There is no doubt that African Agriculture is challenged by a number of threats such as food price spikes, land and water not adequately exploited (less than 4% of crop land is irrigated⁵), rising energy and fertilizer prices and the impact of climate change on agriculture production

¹ Peter Timmer and Selvin Akkus, *The Structural Transformation as a Pathway out of Poverty: Analytics, Empirics and Politics*, Centre for Global Development, Working Paper Number 150, July 2008.

² FAO, 2011 The state of food and Insecurity.

³ FAO, 2011 The state of food and Insecurity . <http://www.fao.org/docrep/014/i2330e/i2331e00.pdf>

⁴ Diao Xinshen, James Thurlow, Samuel Benin, and Shenggen Fan. 2012. Strategies and priorities for African agriculture : economy wide perspectives from country studies. IFPRI

⁵ Binswanger-Mkhize, H. P., and A. F. McCalla. 2009a. *The Changing Context and Prospects for agricultural and Rural Development in Africa*. Rome and Tunis: International Fund for Agricultural Development and African Development Bank.

and livelihoods. Less has been spent on agricultural research and development in Africa than anywhere else.⁶ Financial markets and rural finance institutions are weak. Progress in science and technology is inadequate and agricultural research, agricultural extension, and agriculture education remain persistently underfunded.⁷ Many young people are leaving rural areas and migrating to cities in search of jobs creating uncertainty for the future of agriculture. But the continent's sustained growth is bringing new opportunities and a renewed focus on agriculture has been evident in policy and development agendas across the African continent.

2. Building on successes of African agriculture

African farmers and agricultural policymakers have achieved a series of significant successes in agricultural development. Malian cotton production has grown at 9 percent per year for the past 40 years, while Kenyan horticultural exports have increased five-fold since 1975. Farmers and researchers have launched literally hundreds of innovative soil and water-conservation initiatives in a wide variety of locations to contend with declining soil fertility and declining fertilizer subsidies. Work by cassava scientists across Africa has countered deadly disease and pests attacks and converted these threats into opportunities for significant subsequent rapid production growth, benefiting tens of millions of small farmers and making it one of the continent's most powerful poverty fighters to date. From these successes, two key determinants of outstanding agricultural performance: a) sustained, productivity-enhancing research; and b) favorable market incentives for farmers and agribusinesses. Successes have emerged at places and times where these two ingredients converge. Where agriculture has performed poorly, one or both of these pre-conditions has been absent.⁸

Research on the current and future competitiveness of African selected countries highlights the following:⁹ (i) ***Farm-level production costs in Africa are competitive.*** Despite significantly lower yields in the African countries, farm-level unit production costs in Mozambique, Nigeria, and Zambia are comparable to or lower than those in the Brazilian *Cerrado* and in Northeast Thailand, due to very low labor costs and limited use of purchased inputs; (ii) ***Africa's producers are generally competitive in domestic and regional markets.*** The competitiveness of Africa's producers at the farm level makes them generally competitive in domestic markets relative to imports. Since domestic and regional markets for many of the targeted commodities are large and rapidly growing, and since significant imports are already taking place, prospects for import substitution are bright, especially for rice, soybeans, sugar, and maize; (iii) ***In the short- to medium-term, regional markets offer the most promising opportunities.*** For the six commodities under consideration, African producers are more favorably positioned to serve regional markets than the countries that currently dominate international trade. Logistical costs are less when serving regional markets than when exporting overseas; moreover, as a result of population growth, income gains, and urbanization demand in regional markets is expected to grow.

3. New opportunities for African agriculture

Favorable economic and social context and increased political commitments: Placing agriculture at the center of Africa's socio-economic growth and development agenda is the decision African Heads of State and Government made when they signed up on the Comprehensive Africa Agriculture Development Programme (CAADP) in Maputo, Mozambique in 2003 committing governments to allocate a least 10% of their national budgets to agriculture.

Over the last decade, Africa has entered a period of fairly rapid economic and agricultural growth. Macroeconomic stability, improved investment climates, and agricultural incentives have contributed to the improved trends. Rising international agricultural prices and expanding market opportunities within Africa will make farming more profitable and create

⁶ World Bank 2007, Binswanger et al. 2009

⁷ The growing opportunities for African Agricultural Development. Hans P. Binswanger-Mkhize, Derek Byerlee, Alex McCalla, Michael Morris, and John Staatz. ASTI. 2011

⁸ Steven Haggblade and Peter Hazell. Successes in African Agriculture. Lessons for the future. IFPRI. 2010

⁹ The growing opportunities for African Agricultural Development. Hans P. Binswanger-Mkhize, Derek Byerlee, Alex McCalla, Michael Morris, and John Staatz. ASTI. 2011.

great opportunities for African agriculture to make up lost ground, especially in domestic and regional markets.

Intra-African trade has enormous potential to create employment, catalyze investment and foster growth in Africa. Africa is spending US\$30 billion to \$50 billion annually on imports of agricultural products, and in doing so losing huge opportunities, not just in foreign exchange but most importantly in terms of lost jobs. It is estimated that if continental food supplies do not increase, Africa will spend about \$150 billion on food imports by 2030.¹⁰ Africa trades more with the rest of the world than within itself. Available figures indicate that intra-Africa trade is about 7 percent to 10 percent, compared with about 40 percent within Europe and about 60 percent within North America due to a number of barriers that hamper progress in expanding intra-African trade (deficient state of infrastructure, high transport costs...). Available evidence indicates that the continent's actual level of trade is also below potential, given its level of development and factor endowments. The limited role of the private sector in regional integration initiatives and efforts has also contributed to the weak trade performance of the continent. Export crops typically have higher value and growth potential than food crops, and so they provide a viable opportunity to raise rural households' incomes. However, the case studies analyzed by IFPRI also found that food staples are usually more effective than export agriculture at generating economywide growth and reducing poverty at the national level. Growth driven by staple foods is also far more effective at reducing poverty than export agriculture is.¹¹

There exist strong growth opportunities for the agribusiness sector. Both domestic and global markets are experiencing strong demand, which is likely to continue even as domestic demand accelerates. The return to economic growth in Africa since the 1990s, burgeoning urbanization, and buoyant global commodity markets now provide unprecedented market opportunities for Africa to develop a competitive agribusiness sector. Urban food markets are set to increase fourfold to exceed US\$ 400 billion by 2030, requiring major agribusiness investments in processing, logistics, market infrastructure, and retail networks. The growing middle class is also seeking greater diversity and higher quality in its diets. The most dynamic sectors overall are likely to be rice, feed grains, poultry, dairy, vegetable oils, horticulture, and processed foods for import substitution, along with the traditional tropical exports and their derived products (especially cocoa, rubber, cashews, and palm oil), together with some higher-value horticultural crops, fish, and biofuels for export.¹²

The lack of finance is widely recognized as a perennial constraint on agricultural performance, whether among large agribusinesses or smallholders. However, there are now much better opportunities to tap private sector financing and interest in Africa among foreign investors, pension funds, and foreign banks in direct investments and loans. An unprecedented number of funds employ public-private partnerships with donors and foundations to provide patient capital to African agribusiness firms.

With an abundant youth labour force, large agricultural sectors and abundant natural resources, Africa has large potential to develop labour-intensive manufacturing notably in sub-sectors with linkages to agriculture.

4. The way forward

Feeding more than 9 billion people by 2050 will require doubling food production on a sustainable basis and Africa is well placed to contribute to this. Agriculture should be resilient - able to withstand or recover from stresses and shocks. The challenge is to generate sustainable agricultural growth that produces enough food, ensures it is accessible to all, is inclusive of the most vulnerable and is resilient, and hence able to withstand the increasing multiple stresses and shocks that afflict the world.

In Africa, only agriculture is seen as having the size and economic linkages needed to generate broadly based, poverty-reducing growth—at least over a reasonable time horizon. Moreover, because agriculture generates between 20 and 50 percent of gross domestic

¹⁰ Kwadwo Asenso-Okyere and Samson Jemaneh. Increasing Agricultural productivity and enhancing food security in Africa. *New Challenges & Opportunities*. IFPRI.2012.

¹¹ Ibid

¹² Growing Africa. Unlocking the Potential of Agribusiness. World Bank. January 2013

product (GDP) in low-income African countries, faster agricultural growth will foster additional growth at the national level, including in non-agriculture. Thus, assigning a more active role to agriculture in Africa's development process is justified from a growth perspective.¹³

Sustaining and building on the current recovery process to raise incomes and reduce poverty among African countries would require innovative strategies to revitalize agricultural growth. Such strategies would have to consolidate the progress under CAADP. They would include a new approach to rural development with greater synergies between social service provision and productivity enhancing investments in order to maximize the impact of public expenditures on labor productivity in rural areas. A new approach to industrialization policies is also needed to promote transition of African economies to higher valued products. In addition to conventional priority areas such as improved macroeconomic policies and infrastructure investment, there is a need for technology and innovation policies to support enterprise growth not just in the formal industrial sector, but also the informal sector.¹⁴ The past decade has witnessed an upsurge in interest from the private sector in African agriculture and agribusiness, including interest from foreign investors and investment funds. The challenge is to harness investors' interest in ways that generate jobs, provide opportunities for smallholders, respect the rights of local communities, and protect the environment.

5. Objectives of the Briefing

Building upon earlier CTA work on agricultural transformation in Africa¹⁵, this Briefing organized by CTA, the European Union, the ACP Secretariat, Concord and the African Union Commission on **Realising the Promise of Agriculture for Africa's Transformation**, timed to coincide with the 4th Africa-EU Summit of Heads of State, will discuss the opportunities for investment in African agriculture and the importance of building partnerships which will increase productivity and improve the livelihoods of smallholder farmers. The briefing aims to: (i) highlight the key opportunities in agricultural transformation in Africa; (ii) provide space for sharing experiences and best practices; and (iii) facilitate networking among development partners.

Target group

Policymakers and representatives of EU Member States, civil society groups, research networks and development practitioners, and international organisations.

Available material

Input and comments before, during and after the meetings will be included in the Briefings blog: <http://brusselsbriefings.net>. A Reader and Highlights in printed and electronic format will be produced shortly after the meeting.

¹³ Geoff Handley, Kate Higgins and Bhavna Sharma with Kate Bird and Diana Cammack. Poverty and Poverty Reduction in Sub-Saharan Africa: An Overview of Key Issues. ODI.2009

¹⁴ Badiane, O. 2011. Agriculture and Structural Transformation in Africa. Stanford Symposium Series on Global Food Policy and Food Security in the 21st Century. Stanford, CA: Freeman Spogli Institute for International Studies.

¹⁵ CTA. Brussels Briefing on [Agricultural transformation in Africa : Building on successes](#). 2013.



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 In the context of the Africa-EU Summit of Heads of State*

8h00-9h00 Registration

9h00-10h00 Opening of the Briefing: *Isolina Boto, Manager, CTA Brussels Office & Patricia Amira, Master of Ceremonies*

Introductory remarks: *H.E. Rhoda Peace Tumusiime, Commissioner for Rural Economy & Agriculture, African Union; Roberto Ridolfi, Director for Sustainable Growth and Development, DG Europaid, European Commission; Achille Bassilekin, Assistant Secretary-General Sustainable Economic Development & Trade, ACP Secretariat; Michael Hailu, Director, CTA*

Special guest: *Hon. Abdallah O. Kigoda, Minister of Industry and Trade, Tanzania*

10h00-10h20 Coffee Break (at Tapestry Hall)

10h20-12h15 Panel: Africa's transformation cannot happen without agriculture

The panelists will share various perspectives on the important role that agriculture plays in the continent's economic and social development through increased productivity, improved trade and smart partnerships.

Panelists:

- Main drivers for African agriculture and structural transformation
Ousmane Badiane, Director of Africa, IFPRI
- Catalyzing agricultural performance for the continent through improved partnerships
Abebe Haile Gabriel, Director of Rural Economy and Agriculture, African Union
- Zero hunger, zero malnutrition: what does it imply?
Paulus Verschuren, Special Envoy for Food and Nutrition Security, The Netherlands
- New momentum for leveraging private investments in African agriculture
Joergen Ole Haslestad, CEO, YARA
- Linking farmers to agribusiness for job creation and entrepreneurship development
Theo de Jager, President, Southern African Confederation of Agricultural Unions
- Efficient and sustainable dairy supply chains for improved nutrition and health
Frank van Ooijen, Director Sustainability, FrieslandCampina
- The role of the African private sector in the development of agribusiness
Daniel Gad, Managing Director, Omega Farms & Ethiopian Horticulture Co-operative

12h15-13h00 CTA's 30th Anniversary Celebration

Launch of the Book "Stories of Change: Transforming Lives through Agricultural and Rural Development", *Michael Hailu, Director of CTA*

Remarks :

- *Professor Eric Tollens, Chairman, CTA Executive Board*
- *H.E Frédéric Assomption Korsaga, Ambassador of Burkina Faso and Chair of the ACP Sustainable Development Committee*
- *Jean Pierre Halkin, Head of Unit, Rural development, food and nutrition security, DG Europaid, European Commission*
- *Kalilou Sylla, Executive Secretary, ROPPA*

Concluding remarks

13h00-15h00 Lunch at Hall of Mirrors (Egmont Palace)