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The next generation of farmers: successes and new opportunities

Organised by CTA, ACP Secretariat, European Commission (DG DEVCO and DG AGRI), Concord

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<http://brusselsbriefings.net>

1. Context

Agriculture remains an important economic sector across Africa, the Caribbean and the Pacific (ACP countries) and employs a significant number of people, especially in Africa.

Rapid population and income growth are expanding the demand for food and agricultural products and new opportunities for economic growth and employment can be seized by the value chain actors in local markets (an increasing share of the food being consumed in Africa is supplied through imports)¹.

Sub-Saharan Africa has the world's youngest and fastest growing population. By 2050, the number of people living in the region is expected to double and the subcontinent's share of the global population is projected to rise to about 23 per cent (from 12 per cent in 2015). An additional 375 million young people are expected to reach working age by 2035 and if they can be engaged in productive agricultural employment, they will contribute to the economic transformation of the continent.

Over the past 15 years, African governments that have effectively promoted farm productivity growth (Ethiopia, Rwanda) have enjoyed faster poverty reduction, higher labour productivity in non-farm segments of the economy, and a more rapid diversification of the labour force from farming into the broader economy. Since most African workers remain engaged in agricultural work, agriculture will continue to influence employment and livelihood opportunities both in agri-food systems and broader non-farm sectors. A comprehensive agricultural growth strategy that promotes competitive and efficient production and marketing systems may therefore be the foundation of an effective employment expansion strategy for most African governments.²

There is an important balance to be found while transforming agriculture. As in many regions of the world, a successful economic transformation is likely to shift low-productivity workers progressively out of agriculture and into higher-productivity jobs in the non-farm sector. But as agriculture remains a key sector in term of employment, an inclusive agricultural growth needs to happen to transform the livelihoods and incomes of millions of smallholders who should benefit from increased gains of the sector even when the focus is on commercialized medium- and large-scale farms.

To generate growth in rural areas and new employments and investments in farms, new skills and practices will be needed for for new generations of farmers and agro-processors. To reach this, a number of changes need to happen: farming needs to be competitive to retain or access to new markets, increase its productivity, engage in diversification processes and use technology and innovation to be more efficient in use of resources.

2. Policy support to agriculture

Agriculture across the ACP faces various challenges such as climate change, water scarcity caused by a rapid population growth, outbreaks of new pests and diseases, land scarcity and degradation of soils.

¹ Between 2001 and 2014, the sub-continent's food import bill rose from US\$ 6 billion to US\$ 45 billion. Thomas S. Jayne, Felix Kwame Yeboah and Carla Henry. The future of work in African agriculture: Trends and drivers of change December. International Labour Officer. 2017

² Thomas S. Jayne, Felix Kwame Yeboah and Carla Henry. The future of work in African agriculture: Trends and drivers of change December. International Labour Officer. 2017

https://www.ilo.org/wcmsp5/groups/public/---dqreports/---inst/documents/publication/wcms_624872.pdf

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 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 agribusiness firms and SMEs across the ACP.

Attracting and retaining farmers in rural areas will require large capital investments and policy support measures are needed in areas such as land regulations, taxation, inheritance law, investment support, risk mitigation measures, support to the first installation. Investments will also be needed in physical infrastructure (rural electrification, road, rail and port infrastructure) and markets. To address the “digital divide” between rural and urban areas in the EU and across the ACP, investments in fast broadband access are needed.

Access to financial instruments to support farm investments and working capital should be facilitated and better adapted to the investment needs and higher risk profiles of new entrants. Support to the new generation of farmers could be combined with the appropriate incentives to facilitate the exit of the older generation and increase land mobility. In this context, the experience of blending finance in the EU in support of agribusiness and SMEs are important to the ACP.

Producer Organisations are critical to ensure inter-generation transfer of knowledge and mentoring. Support to their institutional capacity will ensure sustainability and ease the generation renewal and transition towards a modernised agricultural sector.

Research and innovation in various fields (agronomy, breeding, vertical farming, zootechnics, biological, technological, digital, organisational and product related) are critical to gain competitiveness and transform the agri-food system accompanied by agricultural service delivery and extension systems that facilitate farmers’ access to productivity-enhancing technologies.

In this context the successes of the EU Common Agricultural Policy can be very useful to the farming sector across ACP countries.

3. Promoting agribusiness development and entrepreneurial skills

Intra-African trade has enormous potential to create employment, catalyze investment and foster growth in Africa.³ Boosting intra-African trade and deepening regional integration offer an effective channel to speed up Africa’s economic transformation. Higher volumes of intra-African trade in agricultural products and the elimination of non-tariff barriers have the potential to boost industrialization and enhance competitiveness, at country and industry levels, through higher investments in connectivity and infrastructure, both physical and digital.

Favourable policies to enhance intra-regional trade on the continent such as the ongoing Continental Free Trade Area (CFTA) and the Tripartite Free Trade Agreement (FTA) will be crucial to building a single continental market for goods and services, along with free movement of labour and capital as well as greater harmonisation in standards and procedures.

The Continental FTA will have a combined GDP of about \$2.3 trillion and a population of more than 1.2 billion people, with more than half comprising the youth. It will open up the continent to new investors and better opportunities for its entrepreneurs.

Given the amounts spent on imported food, the demographic changes taking place, the huge opportunities offered by urban markets across the continent not to mention the immense productive potential for agriculture in Africa, it is evident that there are both significant opportunities and a pressing need for greater intra-African and intra-regional agricultural trade.

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

³ IFPRI-CTA Africa Agricultural Trade Monitor. 2018.

(especially cocoa, rubber, cashews, and palm oil), together with some higher-value horticultural crops, fish, and biofuels for export.⁴

Rising per capita incomes, urbanisation, diversifying demand patterns, as well as the emergence of global value chains present new market opportunities for farmers, trading and food processing firms, consumers and other types of economic actors. New rural value chains such as clean energy, the emerging bio-economy, the circular economy, and ecotourism can offer good growth and job potential for rural areas.

Changes in the composition of agricultural output are also reflected in the pattern of exports, which has seen the emergence of totally new categories in the top ten goods. For example, exports of cut flowers and fresh vegetables were practically non-existent in 2003 but figured in the top five exports by 2012. "Climatic conditions and the availability of quality arable land favour agricultural development in products such as cotton, coffee, tobacco, yams, maize, bananas and cassava (AATM 2018).

It is critical to improve market access for value-added products that can benefit the value chain actors and small-scale producers and link them to a dynamic, competitive private sector.

Key areas which will require smart partnerships: (i) entrepreneurship skills development for more efficient farmers and entrepreneurs; (ii) strengthening the private sector as a driver of change; (iii) improved market access for VC actors; (iv) access to adapted finance schemes.

Quality schemes offer new opportunities in regional, EU and global markets. Enhancing the quality of food and maximising the origin and tradition of agricultural and food products as Geographical Indications (GIs) present new opportunities in diversification and value-addition.

The EU supports better protection of geographical indications internationally in the EU and across the ACP. They can create value for local communities through products that are deeply rooted in tradition, culture and geography. They support rural development and promote new job opportunities in production, processing and other related services⁵.

There is a growing interest among consumers in developed and developing countries to purchase agricultural products and foodstuffs that are linked to their origin – some are associated by reputation with their place of production, others are deeply rooted in the various traditional cultures and intrinsically linked to the production environment in a specific place of origin. For small and medium-sized farmers and producers, this trend could imply new opportunities and niche markets – complementing efforts to improve standards and meet customers' evolving demands. origin-linked products have the potential to be part of a sustainable quality cycle.

4. Digitalisation is transforming agriculture

Increased pressure to increase yields, combined with the need to protect the environment, requires innovative and cost-effective practices.

Digitalisation makes possible resource efficiency, remote measurement of soil health, better water management, livestock and crop monitoring access information on prices and weather data. Today, many farmers and value chain actors are already using digital technologies which provide farming solutions and reduce food losses through the use of smartphones, tablets, in-field sensors, drones and satellites. By analysing the data collected, farmers can plan more effectively, be more efficient and increase profitability.

E-market platforms for buyers and sellers to strengthen business partnerships are emerging strongly across the ACP.

However, a number of issues need to be addressed such as e-skills, affordability, proper broadband infrastructure in rural areas, cost of technological equipment and collection and management of big data. Vocational education and skills development have to include e-skills and partnerships could be developed for online mentoring and business counselling services.

⁴ Growing Africa. Unlocking the Potential of Agribusiness. World Bank. January 2013

⁵ EU. Geographical Indications. <http://ec.europa.eu/trade/policy/accessing-markets/intellectual-property/geographical-indications/>

5. The way forward

Addressing the needs for a generational renewal in agriculture should become a priority in rural policies. The rural communities should have better access to public services, health care, quality education and connectivity to be able to retain and attract farmers and entrepreneurs.

Rising demand for food, fuelled by population and income growth, will provide new opportunities for agriculture and employment creation across the ACP and especially in Africa. This will require increasing food production in a responsible, inclusive and sustainable way while increasing profitability. The way food is produced and marketed should adapt to consumers expectations, in particular concerning the impact on their health, the environment and the climate.

To effectively harness the emerging opportunities for economic transformation and associated work opportunities, policy-makers will need to anticipate the trends affecting African agriculture and proactively formulate and implement strategies to respond to them.

Integrating community resilience and climate-smart agriculture into broader employment strategies would afford opportunities for African governments to achieve sustainable agricultural intensification and employment objectives.

Programmes to promote access to land for young people will become ever more important as well as favourable inheritance laws to secure enough land to make farming a viable business.

Governments could promote long-term employment and livelihood objectives by mobilizing more resources for education and skills development in agriculture and related agri-food systems. Successful agricultural production is increasingly knowledge-intensive.

We see societal expectations regarding food, in particular concerning food safety, food quality, food waste, environmental and animal welfare standards which farmers will need to address together with the other actors in the chain.

Citizens are also increasingly valuing access to a wide variety of food that carries broader benefits for society, such as organic produce, products with geographical indications (GIs), local specialities and innovative food.

The most important role for the policy is therefore to help farmers anticipate developments in dietary habits and adjust their production according to market signals and consumers' demands.

Objectives of the Briefing: To improve information sharing and promote networking, CTA, the DG DEVCO from the European Commission, the ACP Secretariat, Concord and various media organise since 2007 bimonthly briefings on key issues and challenges for agriculture and rural development in the context of EU/ACP cooperation. For this Briefing [DG Agriculture and Rural Development](#) is joining as co-organiser and sharing best practices of framing in the EU context of interest to the ACP.

Target group: Around 150 ACP-EU policy-makers, civil society groups, research networks, development practitioners, private sector representatives and international organisations based in Brussels.

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