



Bucking the trend of Africa's Food Trade Deficit

Extract from Panel discussion at IFAMA 2017, Miami Florida

Left to Right: Ed Mabaya, Thinus van Schoor, Sharon Brown-Peters, John Purchase, Tinashe Kapuya



“Africa has the potential to feed itself and even have surplus food to export to other parts of the world. But instead, the continent imports \$35 billion worth of food and agricultural products every year, and if the current predictions hold, the import bill will rise to \$110 billion annually by 2025. So, the perplexing question is: if the African continent has vast agricultural potential as we have been led to believe, why are we facing an astronomical food import bill?”

This paradox was the main theme for a recent panel discussion on the topic at the IFAMA World Conference in Miami, Florida. Facilitated by John Purchase, the panel included various experts from the African continent and the audience included a wide range of stakeholders who could contribute immensely to this key challenge going forward.

Several drivers for the situation were discussed and while progress in several countries was evident, the lack of a conducive environment to promote agribusiness and value chain development, as opposed to primary agriculture, stood out as a main common theme. Specific themes included insufficient market development, low and stagnating agricultural productivity, misalignment on policy, weak institutions, and poor infrastructure.

Everyone also agreed on the facts of Africa's unfolding population demographics, rapid urbanisation trends and the urgent need to shift Africa's skill development from a largely primary agriculture focus to a wider agricultural processing and business agenda.

Several themes emerged to address this seemingly huge challenge. Highlighted here are some of the main shifts in thinking which could make a big impact to buck the trend:

From Agriculture to Agribusiness

A shift from primary agricultural exports to value added processing and market development is crucial today, more than ever before. What's required is a market led (local, regional and export) initiative to improve the value chains in Africa – focusing on variety, seed, harvest, storage, processing, and export. To enable this shift, a value chain development approach is required, starting from the market shelf and working back to the farm, as opposed to traditional methods which seek to gain agricultural productivity first and market development second. Several examples show that this approach best brings together Public, Donor and Private sector efforts. The continued expansion of multi-national and regional supermarket chains across the continent, offers a unique opportunity to kick start value chain development in addition to export opportunities.

Access to macro and micro finance

Rural and **agricultural** enterprises commonly have the greatest difficulty in accessing suitable finance to fund both capital investment and working capital requirements. Both financial institutions (banks, donors and private) and private sector players (e.g. buyers, input suppliers) are potential providers of appropriate financing and in the case of Africa a market led development approach exposes opportunities for public sector, donor and private sector financing partnerships to provide macro or micro financing into different parts of the value chain. Key to unlocking this approach is the pursuit of off-take agreements upfront in the development venture. This in turn unlocks the opportunities for multiple finance partners in the value chain. Traditional approaches to Financing in Africa have limited chance of success.

The role of Technology

A review of yield progress per hectare between continents on cereals from 1961, clearly revealed that Africa seriously lag behind its peers. The main hurdles include limited adoption of improved seed varieties, insufficient use of fertilizer and low mechanisation. In addition, high post-harvest losses in many African country means that much of the food produced is never consumed. Innovative incentive models and farm level smart subsidy programs which promote adoption of productivity enhancing inputs can have a multiplier effect on the entire value chain.

Skills development and Technology

Africa shows the fastest growth in adoption of mobile technology. This, along with the internet, provides unique opportunity for agricultural productivity improvement as well as agricultural business development in Africa. Given the low levels of formal tertiary education access and enrolment in Africa, it's imperative upon the world to help "switch on" Africa's mobile platforms and to assist in bringing focused education and platforms to Africa's youth in order to develop its potential to feed itself and the world.

Improved inter regional trade

Although trade among African countries has gradually improved over time, particularly as a result of more economic alliances such as the East and Southern African Communities, significant challenges remain. Despite very visible commitments to increase trade, several countries have not fully embraced the idea of trading with one another despite the potential to fill existing gaps.

Overlapping trade agreements, driving conflicting agendas, inhibits the development of inter-regional markets and trade. The key is to move away from localised and politicised agreements to wider trade facilitation agreements. Tripartite and continental free trade agreements such as CFTA and TFTA could have the potential to increase intra-regional trade by 74%. These types of agreements should enjoy a disproportionate focus from the African community to move regional value chain development and food security forward in Africa.

To conclude, while some factors are quite challenging to deal with at a macro scale for Africa, such as recent drought conditions that have been exacerbated by Climate Change, enough proof exists that many of Africa's trade and food security issues spring from self-inflicted causes and hence efforts to buck the trend should be focused on some of the key elements/factors as highlighted by the panel.

Addressing these factors pro-actively is essential to ensure Africa and the World's food security in the years to come.

End.

For further Enquiries: john@agbiz.co.za or thinus@valuethechain.com