Bucking the trend of Africa’s Food Trade Deficit

John Purchase

IFAMA 2017

20 June 2017
Global Food Security Index

South Africa ranked 41st

Source: Economist Intelligence Unit/Du Pont

Components of Food Security

FOOD UTILISATION
- Nutritional Value
- Social value
- Food safety

FOOD ACCESS
- Affordability
- Allocation
- Preference

FOOD AVAILABILITY
- Production
- Distribution
- Exchange/trade

Purchasing power key to access – Household food insecurity

Complex concept: Difficult to measure and evaluate.

Stability over TIME
From Africa and Asia to Latin America and the Near East, there are 795 million people in the world who do not get enough food to lead a normal, active life.
Food Assistance Needs in 2017 are Unprecedented

Across 45 countries, some 70 million people will require emergency food assistance, 40% more than in 2015.

Famine threatens 4 countries

**NIGERIA:** Famine may have occurred in 2016 in Borno State; could be ongoing in areas inaccessible to aid workers.

**YEMEN:** 7 to 10 million people urgently need food assistance; famine possible in worst-case scenario amidst heavy conflict and deteriorating macroeconomic situation.

**SOUTH SUDAN:** Conflict, restricted access, and extremely high food prices contribute to famine risk in 2017.

**SOMALIA:** Failure of the Deyr rains and poor spring forecast threaten a repeat of 2011, when famine led to 260,000 deaths.

Estimates are for Fiscal Year 2017 (October-September). Detailed reports at: www.fews.net
Demographics: World Population Growth Trends

Source: Absa 2017 Outlook
Demographics.....

MAP 1: Population annual growth (percent, 2000-2012)

Nkosazana Dlamini-Zuma (AU Chairperson, 2016):

Either massive opportunity, or critical risk!

Data after 2011 are projections.
Food* surpluses and deficits

Net intra-regional trade, tonnes, m

Source: Cargill

*Cereals, rice, oilseeds, meals, oils and feed equivalent of meat

Source: The Economist, 2012
World Food Flows

Source: Cargill, 2016
Why agribusiness?

Agriculture and agribusiness together are projected to be a US$ 1 trillion industry in Sub-Saharan Africa (SSA) by 2030 (compared to US$ 313 billion in 2010), and they should be at the top of the agenda for economic transformation and development. Agribusiness can play a critical role in jump-starting economic transformation through the development of agro-based industries that bring much-needed jobs and incomes. Successful agribusiness investments in turn stimulate agricultural growth through the provision of new markets and the development of a vibrant input supply sector.
Why has Africa become a net food importer?

Explaining Africa agricultural and food trade deficits.
Africa's Trade Balance for Food

Importing ~1/3 of its food needs
FAO Food Price Index in nominal and real terms

* The real price index is the nominal price index deflated by the World Bank Manufactures Unit Value Index (MUV)
Figure D.1 The relative shares of agriculture and agribusiness in GDP change as incomes rise

% share of GDP

South Africa
Tanzania
Ghana

Source: UNIDO, 2012
Prospects and Challenges

• The demand causes
  - demographics - per capita food consumption
  - food prices and imports

• The supply causes
  - Arable and agricultural land availability (≈600 million ha uncultivated arable land available – NA)
  - Low yields and productivity
  - Poor infrastructure, services and low investment in food production and especially agro-processing
  - Institutional deficiencies, insecurity and conflicts

• Role of Economic and Agricultural Policies
  - African growth characteristics
  - Africa’s economic and agricultural policies (Maputo & Malabo declarations, CAADP a solution?)
  - Foreign agricultural policies (mega-regionals, e.g. TTIP, TPP, EPA’s)
  - Challenges ahead and policy choices

• Way forward........?
Competence in Africa for Africa

Bureau of Food and Agricultural Policy
- Sector Analysis and Models
- Policy input and determination
- Market Analysis and Forecasting

Seed to Shelf solutions

Value Chain Solutions
- Investment viability and funding facilitation
- Feasibility analysis
- Project commercialisation planning and scenarios

IVIS
- Investment impact assessment
- Sustainability reporting
- Productivity measurement
Sub Sahara Africa

- Africa is by nature a heterogenous continent – providing both opportunity and large constraints to growing trade
- Trade openness has increased strongly
- Integration in the global economy has made the region more vulnerable to external shocks
- Levels of trade flows emanating from sub-Saharan Africa are still only half the magnitude of those experienced elsewhere in the world
- The region still has some way to go to better integrate in Global Value Chains
- It is more critical than ever to make faster progress in the upgrading of agricultural value chains – given Africa’s age demographics and rate of urbanisation (the retail evolution)
Value Chain participation defined

Foreign value added (FVA) that has been imported from foreign suppliers upstream in the GVC. This share is referred to as **backward integration**, and reflects the extent to which a country is integrated relatively downstream of the value chain.

Domestic value added (DVA) of products consumed **directly in the country** where it is exported.

DVA of products that enter themselves into the production of other countries’ exports. This share is referred to as **forward integration**, and reflects the extent to which a country is integrated relatively upstream of the value chain.

Value Chain development offers the highest future opportunity for DVA improvement which in turns holds the key to unlocking Africa’s trade potential.
Learning from Progress

• Common themes emerging are the approach to agricultural value chain upgrading by moving from *agriculture to agri-business*. Key success factors include:
  • An aligned development impact policy at country level
  • Government led coordination and commitment, nurtured partnerships with private sector players – *especially multinationals with local sourcing imperatives*
  • Market led sectors and value chains – shelf to seed approach to upgrading value chains
  • Facilitation of investment in *fit for purpose* Agri-processing and logistics, striking the balance between clustering and in the field processing. This truly is the “*missing link*”
  • The ability to measure true impact of investment in value chains

• Some of the countries which have made positive strides into value chain development thus far are Ethiopia, Kenya, Seychelles, South Africa, Zambia and Tanzania. They provide valuable lessons for the continent
Zambia cassava value chain

Government and Private sector partnership to establish a *locally sourced*, processed and delivered cassava *root to flour* supply chain for Zambia, which redefines the Eagle Lager recipe and economics.

Cassava was prioritised for value chain upgrading. Key VC aspects identified were food safety and quality control, fit for purpose root to flour processing and the needed storage and transport to enable the value chain. This improves the value chain economics for some 4000 farmers with clear benefits to the anchor client. It also opens up the further development of this value chain for use in food product markets, both within Zambia and the DRC.

Also see [www.cava.nri.org](http://www.cava.nri.org)
## SA Honeybush products value chain

<table>
<thead>
<tr>
<th>Impact Metric</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>2000+</td>
<td>Khoi people as Trust beneficiaries in the Honeybush and Herbal Industry</td>
</tr>
<tr>
<td>1500+</td>
<td>Direct and Indirect jobs in the first 2 years</td>
</tr>
<tr>
<td>30+</td>
<td>Rural communities directly impacted</td>
</tr>
<tr>
<td>1000+</td>
<td>Hectares Cultivated Plantations Alleviating pressure on wild Honeybush</td>
</tr>
<tr>
<td>50+</td>
<td>Vegetable tunnels feeding communities</td>
</tr>
<tr>
<td>8000+</td>
<td>Square meters of Energy efficient buildings</td>
</tr>
<tr>
<td>2700</td>
<td>Tons of processed Honeybush tea produced at full capacity at year 4</td>
</tr>
<tr>
<td>75m</td>
<td>Annual Income after 7 years</td>
</tr>
<tr>
<td></td>
<td>1 Single Sustainable Business Model Changing The Lives of Communities Forever</td>
</tr>
</tbody>
</table>

**TOTAL COST TO UPGRADE VALUE CHAIN** $55m
Our approach to value chain upgrading

Development Impact Policy

Growth Objectives

Sector Model

Market Analysis

Value Chain Analysis

Upgrade strategy

Execution Plan

Investment Feasibility, Selection and Reporting Platform

Make the Strategic choices

Determine investment priorities to activate selected value chains

Quantify and activate the levers

thinus@valuethetchain.com
Africa’s Food Trade Deficit: The Role of Technology

Ed Mabaya, PhD.
Senior Research Associate: Cornell University,
President: African Association of Agricultural Economists
Email: em37@cornell.edu Twitter: @EdMabaya
The True Size of Africa

A small contribution in the fight against rampant misperception by Kai Krause

Graphic layout for visualization only (some countries are cut and rotated). But the conclusions are very accurate; refer to table below for exact data.

COUNTRY    AREA in 1,000 km²

China     9,597
USA       9,629
India     3,287
Mexico   1.964
Peru       1.285
France   633
Spain       506
Papua New Guinea  462
Sweden   441
Japan      378
Germany    357
Norway    324
Italy     301
New Zealand   270
United Kingdom  243
Nepal      147
Bangladesh  144
Greece     132

TOTAL     30.102
AFRICA    30.221

In addition to the well known social issues of illiteracy and innumeracy, there also should be such a concept as "inmappability", meaning insufficient geographical knowledge.

A survey with random American schoolkids let them guess the population and land area of their country. Not entirely unexpected, but still rather unsettling, the majority chose "2-3 billion" and "largest in the world", respectively.

With Asian and European college students, geographical estimates were often off by factors of 2-3. This is partly due to the highly distorted nature of the predominantly used mapping projections (such as Mercator).

A particularly extreme example is the worldwide misjudgement of the true size of Africa. This single image tries to embody the massive scale, which is larger than the USA, China, India, Japan and all of Europe..... combined!
"The power of population is indefinitely greater than the power in the earth to produce subsistence for man"

Rev. Thomas Malthus, 1798
Africa has yet to Experience its Green Revolution

But the increase in production hasn’t been due to higher yields per acre. Instead, the gains came almost entirely from using more land to grow crops.

The value of Africa’s agricultural output has quadrupled since 1961, in inflation-adjusted terms.

Sub-Saharan Africa and the US dedicate roughly the same amount of land to grow maize;

but the US produces 400 million tonnes of maize to Africa’s 60 million tonnes.

Africa is still awaiting its Green Revolution.

The maize yield rates of Kenya, Nigeria, Tanzania, and Uganda are approximately that of the US in the 1950s, before American maize yields significantly grew.

Sources: NASS, UN FAO, USDA PS&D, Gro Intelligence
Sub-Saharan Africa Lags Behind Global Fertilizer Consumption

Between 1976 and 2016, global fertilizer consumption has more than doubled, from 85 million tonnes to 194 million tonnes. Countries in Africa consume fertilizer at far lower rates than the global average. Sub-Saharan Africa has nearly 20% of the world's arable land, but consumed less than 2% of fertilizer nutrients in 2014.

Fertilizer use across the continent averages under 20 kg per hectare across all crops.

Sources: International Fertilizer Association, FAO, World Bank, UNECA, Gro Intelligence

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Africa uses an average of **8kg** of fertilizer per hectare compared with **96kg** per hectare in East and Southeast Asia.

Yet the benefits of fertilizer use are great. In 2005, Malawi produced just **57%** of its national wheat requirement.

Within 2 years, following the government’s Farm Input Subsidy Program (FISP) which provided subsidized fertilizer to farmers, Malawi was producing **1.34 million tonnes of surplus wheat**.

Farmers paid a subsidized price of **$0.10-0.15** for each kg of fertilizer, while their incomes rose about **$1.50** for each kg of fertilizer they applied.

Source: Brookings
Africa’s Nascent Seed Industry

Most African smallholder farmers plant seeds saved from the previous year’s crop, meaning that access to improved seed varieties remains low.

But this trend is beginning to change: Kenya, for example, went from having:

- 31 registered seed companies in 2002
- 60 registered seed companies in 2007
- 104 registered seed companies in 2012

Africa’s $1.5 billion seed market is expected to double within the coming decade.

Source: AGRA and Bloomberg News
### “Good News” and “Bad News”

<table>
<thead>
<tr>
<th>Necessary Technologies</th>
<th>Improving Access and Adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mechanization</td>
<td>Finance and investment</td>
</tr>
<tr>
<td>Irrigation and water storage</td>
<td>Enabling environment</td>
</tr>
<tr>
<td>Improved seed varieties</td>
<td>Supportive policies</td>
</tr>
<tr>
<td>Fertilizers</td>
<td>Extension services</td>
</tr>
<tr>
<td>Pesticides</td>
<td>Public Private Partnerships</td>
</tr>
<tr>
<td></td>
<td>Value chain approaches</td>
</tr>
</tbody>
</table>
Africa’s food trade deficit is a symptom; the problem is low agricultural productivity caused by limited use of purchased inputs.

@EdMabaya
Bucking the Trend of Africa’s Food-trade Deficit: Skills development & ICT

Sharon Brown-Peters
Educational Technologist for AGRICOLLEGES international
Internet technology could increase annual agricultural productivity in Africa by $3 billion per annum. McKinsey reports 2010 and 2016.
Mobile devices (phones) are the most widely used and interactive ICT in the world (UNESCO). Some of the latest innovations in Mobile Learning include next-generation Location-based Learning, Real Time Performance and Decision Support, Mobile Learning Value Added Services, and most recently, Augmented Reality Mobile Learning (Ambient Insight).

Mobile Learning is one of the fastest growing and investment-supported learning technologies in the world at this current time (Ambient Insight) and is projected to continue to grow over the next five years.
Where digital technologies are most inaccessible, slower growth, fewer jobs and poor services only deepens already existing inequality (Digital Dividends).

The skills sets for Agricultural workers are likely to shift rapidly. Anticipating these shifts and strengthening local “educational supply chains” to provide skills is critical (Africa Agricultural Report 2016).
"People who don't have access to running water or electricity have access to a phone that is more powerful than computers we had a few years ago" (Sami Ibrahim, lead developer for Vet Africa)

iCow (Kenya)
Vet Africa
M-Farm (Kenya)
Esoko (9 African countries) - collects, monitors and visualizes data (Kenya, Tanzania and Ghana)
Tulaa - Enables farmers to lay-away and borrow money to purchase discounted agricultural inputs.
EZ Farms - soil moisture levels
Cocoa Link - for Ghana’s cocoa farmers to disseminate info about cocoa agri
Kilimo Salama - up-to-date and full climate data via sms
Our Work

We work with existing, people-based extension systems, aiming to amplify their effectiveness through our ICT-enabled approach. Our model combines technology and social organization to maximize the potential of building the capacity of community members on improved, sustainable agriculture, livelihood and health interventions.

We also facilitate knowledge exchange between community engagement for partners looking to learn, contribute and connect on social innovation practices toward improving lives in rural communities. We work with partners throughout the entire experience to share knowledge and capture feedback with supported technologies that allow partners to locally produce and share videos in villages all around the world.
COCO - Data Management Framework

COCO represents the foundation of Digital Green’s technology stack. It captures data related to the key processes of the Digital Green approach – video production, dissemination and adoption of practices – having the unique ability to accept data while offline for areas with intermittent internet connectivity.

Built as a robust standalone application in the Internet browser, COCO requires no additional software installation or maintenance. Since affordable smart-phones and tablet devices are becoming increasingly common, the latest version of COCO has been developed such that it is fully functional on all modern browsers compliant with the HTML5 standard on any device - phone, tablet, laptop and desktop.
Farmerbook is an open-access platform which displays detailed timeline-based activities of each farmer we work with along with the villages plotted on Google Map. The application highlights the integrated nature of the practices that individual farmers adopt on their fields as well as stimulates healthy competition among partners, village facilitators, and community members through the sharing of performance data and community feedback. Use of Farmerbook also supports transparency and accountability in existing extension systems and enables the development of non-monetary incentive structures among stakeholders participating in them through mechanisms like leaderboards.

Visit Farmerbook at farmerbook.digitalgreen.org.
Governments need to focus on six imperatives and transform their own leadership capabilities and governance:

- **Strengthen public-sector capabilities**
- **Improve overall business environment (e.g., simplify permitting)**
- **Increase tax collection from $300 billion to ~$420 billion–600 billion**
- **Increase savings by $55 billion a year through life insurance and state pension funds**
- **Mobilize domestic resources**
- **Aggressively diversify economies**
- **Create an enabling environment for business**
- **Shape a diversification strategy, e.g., to grow government revenue or country exports**
- **Rally investment to new sectors to increase FDI by 50% by 2025**
- **Double annual spending to $150 billion by 2025**
- **Increase use of public-private partnerships from 4.5% of capital spent to 9% or greater**

- **Ensure healthy urbanization**
- **Transform public leadership**
- **Deepen regional integration**
- **Accelerate infrastructure development**
- **Create tomorrow’s talent**
- **Further enable intraregional trade to build larger markets**
- **Drive closer integration of regional capital markets to help attract FDI**
- **Simplify movement of business people between countries**

**SOURCE:** McKinsey Global Institute analysis
Africa is urbanizing faster than any other region; its cities are expected to gain 24 million people each year until 2045.

### Size of the Urbanized Population

<table>
<thead>
<tr>
<th>Region</th>
<th>Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>24</td>
</tr>
<tr>
<td>China</td>
<td>9</td>
</tr>
<tr>
<td>India</td>
<td>11</td>
</tr>
<tr>
<td>Latin America</td>
<td>1</td>
</tr>
<tr>
<td>Europe</td>
<td>5</td>
</tr>
<tr>
<td>North America</td>
<td>3</td>
</tr>
</tbody>
</table>

### Africa Urbanized

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>29</td>
<td>29</td>
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<tr>
<td>33</td>
<td>33</td>
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<tr>
<td>40</td>
<td>40</td>
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<tr>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>54</td>
<td>54</td>
</tr>
</tbody>
</table>

1. Population living in urban areas. UN forecasts last adjusted in 2014.

**Source:** World Urbanization Prospects, June 2014 revision, United Nations Population Division, McKinsey Global Institute analysis
Africa is set to have a larger working-age population than either China or India by 2034; employment is also picking up.

Working-age population in largest countries and regions

1 Million people aged 15–64
The penetration of vocational training is significantly lower in Africa than in other emerging markets.

**Share of students in secondary education enrolled in vocational programs**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>18.4%</td>
</tr>
<tr>
<td>OECD</td>
<td>16.7%</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>9.7%</td>
</tr>
<tr>
<td>Africa</td>
<td>8.0%</td>
</tr>
<tr>
<td>South Asia</td>
<td>1.4%</td>
</tr>
<tr>
<td>Egypt</td>
<td>21.9%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>13.8%</td>
</tr>
<tr>
<td>Algeria</td>
<td>8.3%</td>
</tr>
<tr>
<td>South Africa</td>
<td>6.9%</td>
</tr>
<tr>
<td>Morocco</td>
<td>6.1%</td>
</tr>
<tr>
<td>Senegal</td>
<td>4.5%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

1. 2013 or most recent year.

SOURCE: World Bank education indicators; McKinsey Global Institute analysis
Africa’s tertiary educational enrollment is low by international standards; to catch up with India would require 16 million university places by 2025.

Tertiary education enrollment ratio, 2013

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>89</td>
</tr>
<tr>
<td>Turkey</td>
<td>79</td>
</tr>
<tr>
<td>Mexico</td>
<td>30</td>
</tr>
<tr>
<td>China</td>
<td>30</td>
</tr>
<tr>
<td>India</td>
<td>25</td>
</tr>
<tr>
<td>Africa</td>
<td>12</td>
</tr>
</tbody>
</table>

University slots needed by 2025

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand</th>
<th>Demographic growth</th>
<th>Catch up with India</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>5.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>8.6</td>
<td>2.0</td>
<td></td>
<td>16.5</td>
</tr>
</tbody>
</table>

NOTE: Numbers may not sum due to rounding.

SOURCE: World Bank education indicators; McKinsey Global Institute analysis
In 2016, the UN passed a resolution that declared that **access to the Internet was a basic human right.** (UN, Article 19)

The resolution later calls on **governments to promote digital literacy** and to facilitate access to information on the Internet, as it can be an important tool in facilitating the promotion of the right to education.

Further, the UN calls all states to **bridge the gender digital divide** and enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of all women and girls.”
Where policy makers have created an environment where access and affordability are being addressed, such innovation can flourish and benefit the farmers. (Digital Dividends)

Where policy makers have not provided a context where healthy competition is promoted between broadband providers, we see this bottle-necking of access and innovation can potentially be inhibited
Lingering Questions

How do we address the need for digital skills training?
How do we encourage equitable access to the marginalized (often women, the youth, those with disabilities)?
How can we encourage youth to consider agriculture as a viable vocation or career? (i.e. How do we make farming “sexy”?)

How do we prepare skilled agricultural workers who:

  - Can think critically to problem-solve?
  - Can communicate and interact meaningfully face-to-face or using technology-mediated tools?
Internet technology could increase annual agricultural productivity in Africa by $3 BN per annum IF accessible affordable & equitable #IFAMA

@sbrownpeters
Trade dynamics – opportunities & challenges

Tinashe Kapuya
Proportion of intra-regional agricultural trade (2011-2015 Avg)

<table>
<thead>
<tr>
<th>Region</th>
<th>Share (%) of trade among countries in the same region</th>
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<tbody>
<tr>
<td>EU (28)</td>
<td>70%</td>
</tr>
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<td>NAFTA</td>
<td>46%</td>
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<tr>
<td>Latin America</td>
<td>40%</td>
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<tr>
<td>Asia</td>
<td>39%</td>
</tr>
<tr>
<td>Africa</td>
<td>15%</td>
</tr>
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</table>

Source: ITC (2016)
V. Commitment to Boosting Intra-African Trade in Agricultural commodities and services

4. We commit to harness markets and trade opportunities, locally, regionally and internationally, and to this end we resolve:

a) to triple, by the year 2025, intra-African trade in agricultural commodities and services;

b) to create and enhance policies and institutional conditions and support systems:

- to simplify and formalize the current trade practices;
- to fast-track the establishment of Continental Free Trade Area (CFTA) and transition to a continental Common External Tariff (CET) scheme;
- to increase and facilitate investment in markets and trade infrastructure;
- to promote and strengthen platforms for multi-actors interactions;
- to strengthen and streamline the coordination mechanism that will facilitate the promotion African common position on agriculture-related international trade negotiations and partnership agreements.
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Africa’s goal by 2025: 15%

Source: ITC (2016)
The problem with Africa’s trade agreements

Source: UNCTAD (2006)
Implications of overlapping trade agreements

- Different rules, tariffs, standards, etc. across Regional Economic Communities (RECs) means higher transactions costs & inefficiencies in cross-border value chains
- One regional agreement could harmonize all tariffs and rules – and reduce the complexity of cross-border trade
- So the Tri-partite & Continental Free Trade Agreement (T-FTA and CFTA) are now a core strategy to promote intra-regional
- Could the T-FTA morph into a “mega-regional” trade agreement in the mould of the Trans-Pacific Partnership (TPP) or the Trans-Atlantic Trade and Investment Partnership (TTIP)?
- NO! Because Africa is not looking at “new generation issues”, but rather, on tariff reduction and Rules of Origin (RoO)
Opportunities and Challenges

• Fast-growing and dynamic African agrifood market with strong economic growth, population growth and rapid urbanization

• African urban food markets are set to increase 4 times to exceed US$400 billion (World Bank, 2015)

• CFTA + trade facilitation agreement (TFA) can double efficiency of customs procedures and 1/2 delay of merchandises at ports = an increase of intra regional 74%. (ECA, 2015)

• This should be sufficient to meet the goal of tripling intra-regional trade in Africa by 2025

• However, the challenge is the collective political will (or lack thereof) to implement robust and efficient trade agreements and TFA measures
Thank you