Agriculture transformation through commodities value chains development

By

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Agriculture Transformation Through Commodities Value Chains Development

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Lessons

Past interventions in agriculture addressed on-farm production constraints, without due consideration to value addition, marketing and other backward and forward linkages.

Such projects had limited success and were not effective in:

- achieving their outputs, outcomes and impact results
- ensuring sustainability
- targeting gender
- protecting the environment
Commodities Value Chain Development

- gives equal attention to:
  - production and productivity
  - value addition through processing
  - marketing.
- is demand-driven, public sector enabled, and private sector led.
- links small/medium scale producers with private operators.
promotes *contractual relationship* between private operators and farmers’ groups, *private operator providing services*, such as:

- *credit* for inputs
- *training* in good agricultural practices
- transportation
- *guaranteed market* for smallholders’ produces
targets two major groups of beneficiaries:

- economically active smallholders living in the rural areas who wish to participate in commercial agriculture;
- existing or potential small-scale entrepreneurs and business associations who provide services to rural households.
focuses on limited number of commodities, based on:

- market potential
- financial viability
- pro-poor characteristics
- women preferences

- Commodities for Ghana NRGP included:
  - Industrial crops (soybean; groundnuts; brewery sorghum);
  - Women commodities (sheanut, sesame, moringa, rice);
✓ Four animal products (small ruminants, pigs, guinea fowl, and fish);
✓ Export fruits and vegetables (okra, chilly, French beans, other vegetables, papaya, mango);
✓ Certified seed production.
Incentives for Private Sector Engagement

- 0% duty on imports of agricultural machinery and equipment
- Removal of restrictions on areas of investment and maximum equity ownership by foreign investors
- No currency exchange controls – free transfer of capital, profits and dividends
Constitutional guarantees against nationalization / expropriation

Pioneer tax holiday for agricultural investments

Infrastructure, Innovations and Institutional capacity support

Alignment of stakeholders’ interests
  ✓ Land tenure
  ✓ Competitiveness risks
    (unfair trade practices - raising tariffs to mitigate)
Sustainability a Key Dev. Challenge

- Identifies and addresses constraints along the entire value chain.

- Strengthens capacity of beneficiaries to allow them to:
  - participate effectively in the programme activities; and
  - take charge of their own development.
Sustainable market driven initiatives such as:

- out growers’ schemes
- contract farming
- producers’ organisations procurement schemes
- PO direct marketing

Embeds capacity to cope with market requirements. This ensures their sustainability beyond the life of a donor funded dev. project.
Components of sustainability include:

- Strong POs - gradually leads part of the commodity chain
- Strong public, private and community-based institutions
- Public-private sector partnership
- Improved production, processing, and marketing infrastructure, and
- Market orientation.

The above are the focus of AfDB’s new generation projects (Uganda – AAMP and CAIIP; Cameroon – RUMPI; Ghana NRGP; Nigeria ATA_SP, etc.).
Uganda – AAMP & CAIIP: Some Results

- Increase yields by more than 50%
- Increase households’ income by 15% from 2002 to 2008
- 24% of subsistence farmers moved to commercial farming from 2002 to 2008
- Number of traders accessing markets increased by 72% on busy market days and 35% on non-busy market days
Increased of commodities farm gate prices

- Irish potatoes: from UGX 12,000 to 25,000 per bag
- Pineapple: UGX 300 to 800 / fruit
- Milk: UGX 100 to 300 / l
- Bananas: UGX 500 to 3000 (bunch)

Post-harvest losses reduced by over 20%
Conclusion

- Interventions using the commodities value chain approach have a greater chance to transform agriculture.
- They are more likely to:
  - build the capacity of the agriculture sector institutions
  - provide incentives for the sector growth and performance
- promote the use of innovations (science & technology)
- develop production, processing, and marketing infrastructure
Agriculture specialists would do well to promoting this approach. It is an efficient strategy to:

- create shared wealth and employment
- contribute to food and nutrition security & inclusive economic growth, on a sustainable basis
Thank you