

UNCTAD
GLOBAL COMMODITIES FORUM 2013
Recommitting to commodity sector development
as an engine of economic growth and poverty reduction

Room XVIII
Palais des Nations
Geneva, Switzerland

19 March 2013

**Agriculture transformation through
commodities value chains development**

By

Mr. Dougou KEITA
Agriculture and Agro-industry 2 Division
African Development Bank
(Tunisia)



AFRICAN DEVELOPMENT BANK GROUP



UNCTAD Global Commodities Forum

Geneva, 18 & 19 March 2013



Agriculture Transformation Through Commodities Value Chains Development

Dougou KEITA, Manager, AfDB



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 NRGPs 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 CAIP; 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



Messages

- 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



AFRICAN DEVELOPMENT BANK GROUP



Thank you