Trade and Development Board
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Item 7: Evolution of the International Trading System and its Trends from a Development Perspective

Speaker: Mr. David Lucke
Economic Commission for Africa

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*Not checked against delivery *

Trade in Agriculture from an African Perspective

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<u>Outline of the Presentation</u>

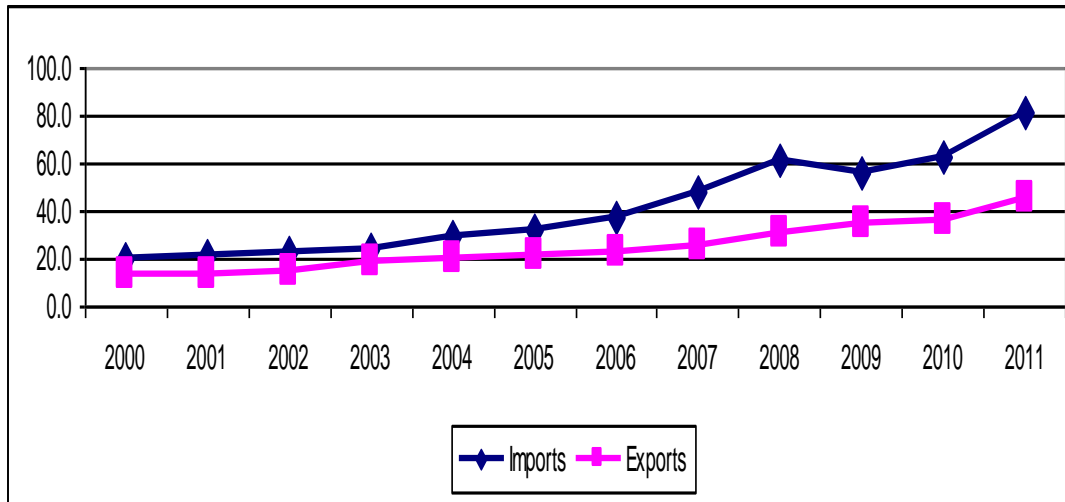I.   **Overview of Africa's agricultural trade**

II. **Addressing supply-side constraints**

III. **Conclusions**

I. <u>Overview of Africa's agricultural trade</u>

❑ **Africa's agricultural exports and imports both increased considerably (by 234% and 307%, respectively) over the past decade**

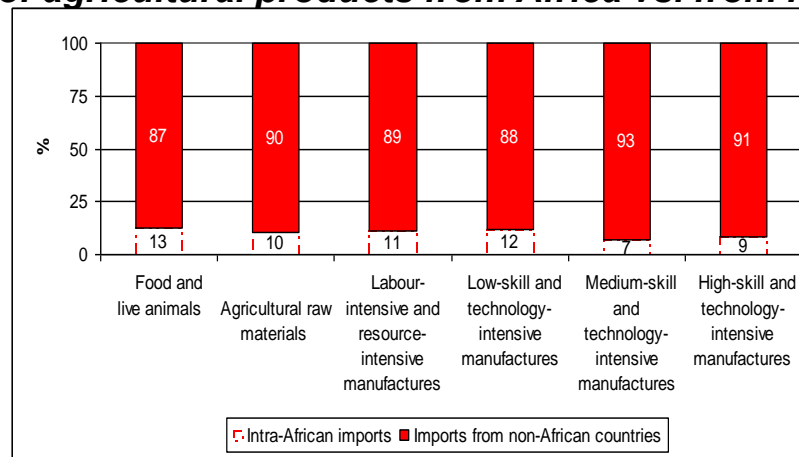*Evolution of Africa's agricultural exports and imports – 2000-2011– USD bn*

Source: ECA calculations based on FAOSTAT

❑ **However,**

  ❖ **Africa remains a net importer of agricultural commodities**

  ❖ **Africa's agricultural imports/exports account for a mere fraction of total world agricultural imports/exports (with average ratios of 5.05% and 3.27% for imports and exports, respectively, over the 2000-2011 period)**

I.   <u>Overview of Africa's agricultural trade</u>

❑ **To meet its agricultural demand, Africa relies essentially on imports from outside the continent (whatever the category of agricultural products considered; even on basic food items)**

Share of Africa's imports of agricultural products from Africa vs. from rest of the world – 2012

Source: ECA calculations based on UNCTADStat

❑ **From an exports point of view, Africa's agriculture products are also essentially directed towards external partners**

❑ **However, Africa's exports (especially for non-oil producers) towards African partners tend to be more diversified than Africa's exports towards the rest of the world**
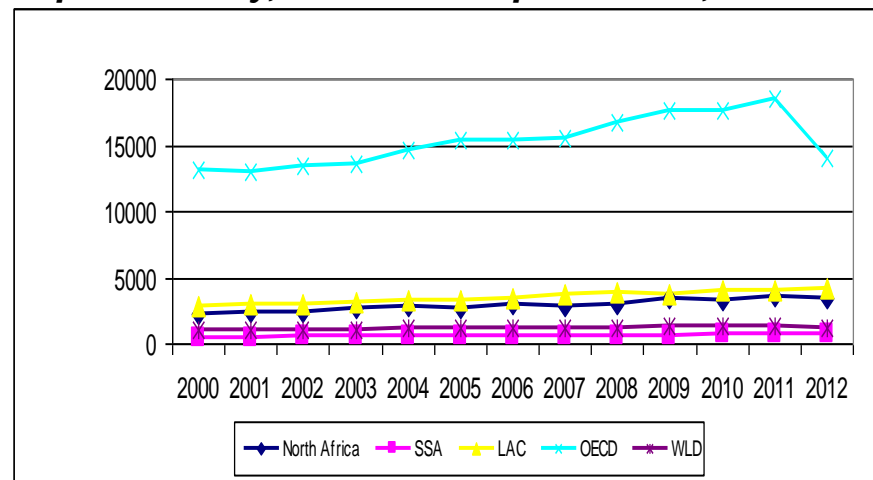
I. <u>Overview of Africa's agricultural trade</u>

- ❏ **Trade and agricultural policies are becoming more regionalized:**

  - ❖ **The Comprehensive Africa Agriculture Development Programme (CAADP)**

    - Initiative led by the African Union through the New Partnership for Africa's Development (NEPAD)

    - Key objectives:

      - ➤ **Improving Africa's food security and nutrition as well as African farmers' livelihoods**

    - Required targets set to achieve objectives:

      - ➤ **Increasing public investment in agriculture (to 10% of national budget/year) and raising agricultural productivity (by at least 6%/year)**

    - Regional Economic Communities (RECs) helping countries (sometimes even providing financial resources as in the case of ECOWAS) on how best to implement CAADP, including monitoring and evaluation of progress and performance

  - ❖ **Yet, there is need to speed-up processes and harmonizing policies and actions across the RECs in the context of the African Continental Free Trade Area agenda**

II.   Addressing supply–side constraints

❑ **African agriculture is characterized by small scale farming with limited production techniques and capacities, and poor mechanization**

  ❖ 80% of cultivation area in Africa is split into small farming areas of less than 2 ha

  ❖ Access to credit is very limited leading to weak investment capacities

❑ **Agricultural productivity is low with little value-addition, compared to other main regions (Africa, excluding North Africa being at the bottom)**

Evolution of agricultural productivity, value added per worker, 2000-2012 – Constant 2005 USD

Source: ECA calculations based on FAOSTAT

II.   <u>Addressing supply–side constraints</u>

❑ **Agricultural/food markets are fragile and fragmented**

❑ **Infrastructure to move agricultural goods is often inadequate**

❑ **Services that support agriculture are not easily and widely available; in particular:**

  ❖ Finance (including futures markets, commodity exchanges, etc.)

  ❖ Specialized agricultural research and extension support

  ❖ Transport

  ❖ Logistics

  ❖ Quality control

  ❖ Warehousing and packaging

II. Addressing supply–side constraints

❑ **Tariffs and non-tariff barriers (especially within Africa) as well as other trade restrictions (sanitary and phytosanitary measures, standards and other rules and regulations) strongly impede Africa's agricultural trade**

❑ **A recent ECA study shows that if all tariff barriers within the African continent are removed (through the proposed CFTA reform) along with a reduction of costs to trade across borders (i.e. more efficient customs procedures, faster inland transport and port handling)**

  ➤ Then the share of intra-African trade in agricultural products could increase by more than 57% over the next 10 years (with highest increases found in wheat, cereals, sugar cane and sugar beet, milk, meat as well as processed food)

III. Conclusions

❑ **Despite numerous supply-side constraints to external and internal trade in agricultural commodities, Africa has the potential to expand its agricultural trade**

❑ **This could impact SDG achievement significantly**

❑ **But, there is a need for change:**

- ❖ **Agricultural reform through its proposed modalities under the DDA is not likely to benefit Africa in the short term**
    - ▪ Unless accompanied by efforts (such as CAADP) aimed at overcoming supply-side constraints

- ❖ **Greater intra-African trade in agricultural commodities offers opportunities to diversify economic structures (including moving towards more agri-processing)**
    - ▪ The realization of a fully functioning CFTA, along with complementary measures to ease trade across borders, is expected to contribute to this objective

- ❖ **Moving towards the production of high-value products is critical**
    - ▪ Cut flower industry (in Kenya and Ethiopia) can be seen as a success story to that end

Thank you very much for your kind attention!

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