THE FUTURE OF AGRI-FOOD SYSTEM IN AFRICA: WHAT IS POLICY AND SCIENCE TELLING US

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Presentation Outline

- Introduction
- Agricultural Transformation & the Agri-Food Systems in Southern Africa
  - Agri-food Systems
  - Inclusive Broad-based Agricultural Transformation
- Gaps in Understanding of Agri-food Systems
- Policy Choices Going Forward
- Opportunities for South Africa
- Conclusion and Recommendations
Lots of Opportunities

Rising population
Rapid Urbanization
Rising incomes
Changing consumption patterns
Innovative financing opportunities

Agri-food system evolving in Southern Africa?
Some facts about the importance of Agriculture in Africa

Agriculture as % of GDP
- 68% in Libya
- >90% in Burundi

% of pop in Agriculture
- 17% in Senegal
- 74% in Kenya
- 3% in South Africa
- 9% in South Africa

Other key facts
- US$45B Expected FDI inflow per year by 2020
- US$6B FDI inflow in 2013 from 27 African countries
- US$32B Investment to upgrade intra-African roads
- 16% Roads paved in Sub-Saharan Africa

- 1.5t/ha productivity against potential up to 7t/ha

- 265M Africans undernourished
- 50M T Cereal imports into Africa
- US$35B Africa’s annual food import bill
- US$21B New investment in Africa annually
• Millions of small family farms in Africa are the continent’s main source of food, employment, and income.

• Private companies (especially multinationals) have invested heavily in Africa’s agriculture value chains in recent years.
The majority of Africa’s smallholders remain poor.

Constraints to Growth

- Land Constrained
- Low Productivity
- High Post Harvest Losses
- Limited Input and Output Markets
- Unpredictable Weather due to Climate Change
- Liquidity Constraints
- High Transport Costs
- Bad Agricultural Policies
- Rampant Land Degradation
- etc.
Untapped opportunities for farmers (10-12% between African countries)

Ad hoc import and export bans:
- Raise smuggling costs, which depress prices for farmers, and raise costs for consumers
- Price Instability
- Create disincentives for private sector to invest in markets
Economic diversification through agriculture in some countries lagging behind:

- Lack of guided investments in key agricultural growth drivers by the Government.
- Focus on ineffectual subsidy programmes which in some cases crowded out private investment and make some of the economies a mono-culture.
Agricultural Transformation & the Agri-Food Systems in Southern Africa
Agricultural transformation is the process by which an agri-food system transforms over time from being subsistence-oriented and farm-centered into one that is more commercialized, productive, and off-farm centered (Timmer, 1988).
Agri-food Systems

Agri-food systems are the set of activities, processes, people, and institutions involved in supplying a population with food and agricultural products.

The agri-food system encompasses (Allen et al., 2016).

- The provision of farming inputs and services;
- Production at farm level;
- Post-farm marketing, processing, packaging, distribution, and retail;
- Policy, regulatory, environmental, and broader economic environment in which these activities take place.
Inclusive Broad-based and Sustainable Transformation!!!

Many small farms (declining land sizes)

Consumers today have an expectation of cheap, easily available food that presupposes globalized markets and large-scale operations

Rising population of indigenous emergent farmers

Rising number of large-scale commercial ventures (Sophisticated and vertically integrated)

Rise of non-local supermarket chain

Rise of multinationals in the staple food marketing and processing sector

HOW?
Agri-food Transformation (Which Way?)

The progressive trend advocates:

- Greater sustainability in food production;
- The promotion of agro-ecological techniques and local food production;
- Orientates towards food justice and empowerment without necessarily dismantling the agri-food system;

The radical trend orientates towards:

- Food sovereignty;
- Radical overthrow of the agri-food regime based on land re-distribution, rights-based approaches to water and seeds;
- A widespread transition to an agro-ecological paradigm.
Gaps in our Understanding of Agri-food Systems

What is the profile of farmers that are likely to benefit from agri-food system transformation?
• In relation to size of farmers, asset endowment etc
• How inclusive is the agri-food system transformation and can it effectively reduce poverty?

Will the rise/consolidation of large corporations in agri-food systems be beneficial to farmers and consumers?

What is the impact of the supermarket revolution on the agri-food system? **Limited information on regional value chains**

How can governments’ priorities (e.g. food security) be attained in ways that do not disrupt agri-food systems? (political economy of agri-food systems)
What is not Working?
Agri-food Systems in Southern African Countries

- Policy instability
  - Benefits of trade not fully understood
  - Selective application of rules and regulations
- Supply chain is mostly import dependent (trade issues)
- Production not diversified (maize-centric)
- Slow adoption of improved technology
- Mismatch between consumption and production – gap is being filled by imports
What should the policy choice look like going forward?

- Policies that promote modernization of the agricultural sector (e.g. mechanization, irrigation, increased use of ICT)
- Recognize that consumption patterns are changing in ways that are creating opportunities for smallholder farmers
- Openness to trade in food and investments led by the private sector (especially food staples)
- Policy stability – to attract private sector investment. Government funds alone are not enough to meet the rising demand
What should the policy choice look like going forward?

Embrace the new marketing innovations
- Crowd in private sector; both local and international
- Governments should put in place regulations that promote competition and more innovation

Investment incentives (e.g. Tax breaks) should be given to both local and international investors

Governments should focus public investment into areas that stimulate growth instead of private goods
- Subsidies should not crowd out private sector participation (e.g. input subsidies) - consider e-vouchers and cash transfers to create effective demand
Opportunities for South Africa

How should South Africa, a leader in agribusiness on the continent, position itself in creating sustainable pathways in regional agri-food systems?

- **Create Regional Value Chains**
  - Which value chains are best suited for Regional value chain?
  - **Understand the power relations** within the country you are going to invest in.

- **Supplier development:**
  - Deal with the politics surrounding regional versus local procurement
  - Proactively create supply linkages with local producers (reduces tension with locals)
  - Take advantage of the growth of the secondary cities – provide good and services that meet the need of emerging non-sophisticated consumers in these secondary cities.
  - Consider partnering with local companies (reduces tension with local population)
How do we get there?
Conclusion and Recommendations

Stronger institutions that support the agricultural transformation agenda

Increased and sustained investment in research and development to enable the country to adopt modern country-specific farming techniques that are suitable to its culture and climate

Guided public and private investment in infrastructure especially roads and energy

Increased promotion of the diversification of the agricultural sectors by implementing policies that utilize the comparative advantage of the diverse agricultural conditions in the country
### Conclusion and Recommendations

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<th>Creation of a conducive and stable policy environment that allows for the greater participation of the private sector.</th>
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<td>Promotion of value addition to generate stronger forward and backward linkages between sectors of the economy.</td>
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<td>Promotion of the commercialization of the agricultural sector through the removal of the constraints that farmers face especially in accessing both short and long-term agricultural finance, productivity enhancement technology, extension messages, and markets.</td>
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<td>Develop viable regional value chains to reduce the import bill.</td>
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THANK YOU