

Opinion Piece

**OPINION PIECE: AFRICA AGRICULTURAL INTRA-TRADE TO ADVANCE FOOD
SECURITY AND INDUSTRIAL DEVELOPMENT – CHALLENGES AND
OPPORTUNITIES**

Produced by the dtic

Economic Research and Coordination (ERC) Branch

Macroeconomic Policy Unit

Chief Director: Makhwasane Andrew Matjeke

March 2023

1. Food security, trade and agricultural economy levels in Africa



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The food and nutrition security situation in Africa remains a major concern, marked by both chronic and severe poverty and related challenges. Across Africa, the number of people experiencing food insecurity at a moderate or severe level is said to have increased from 512 million in 2014 to 794.7 million people in 2021 – nearly 60% of the continent’s population. Troublingly, at this pace, Africa is not on track to meet the food security and nutrition targets of Sustainable Development Goal 2¹.

In October 2022, the World Bank reported that, at least one in five **Africans** goes to bed hungry and an estimated 140 million people in **Africa** face acute **food insecurity**². Agriculture is central to Africa's development agenda and carries great potential to contribute positively to the realisation of the Sustainable Development Goals (SDGs), more especially those aimed at ending poverty, hunger and starvation. In Sub-Saharan Africa, agriculture contributes 15% to Gross Domestic Product (GDP), creates employment for more than 50% of the labour force and is a mainstay of around 33 million smallholder farms (Morokong & Troskie 2019; IFAD 2020)³.

The Food and Agriculture Organisation (FAO) projected that in the next 10 years, since year 2021, the agricultural demand in Africa will continue to outstrip agricultural supply⁴. Despite its vast agricultural potential, Africa remains a net importer of agricultural products with a food import account of about USD 80 billion per year compared with exports of USD 61 billion in 2015–2017⁵.

The African continent is said to be the second biggest continent globally with a population size of over 1.43 billion people (Worldometer, March 2023). This presents a lucrative market/economy for industrial goods, especially agricultural and mineral-based products. According to UN Environmental Program, Africa is also the richest continent in terms of mineral deposits, accounting for 30% of the world’s mineral deposits. However, Africa remains a net exporter of strategic agricultural commodities and importer of processed products.

2. Africa intra-trade’s key challenge in context

According to the tralac report, Africa intra-trade accounted for 15 per cent of Africa’s total trade in 2019; the same as for 2018. The 1st of January 2021 marked the historic and much-anticipated start of trading under the newly established African Continental Free Trade Area (AfCFTA). This trade agreement, signed by 54 of the 55 African Union member states, seeks to deepen market integration on the continent, boost intra-African trade and promote regional value chains toward economic transformation through industrialisation.

The African Union (AU) recognises 8 officially recognised regional economic communities (RECs). These are regarded as building blocks to the AfCFTA. Overlapping membership complicates the implementation processes.

¹ <https://unctad.org/news/blog-revitalizing-african-agriculture-time-bold-action>

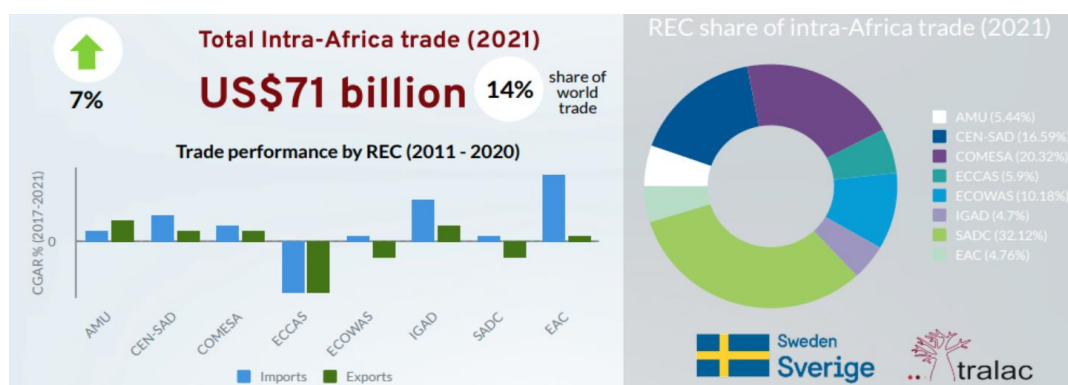
² <https://www.worldbank.org/en/news/immersive-story/2022/10/17/putting-africans-at-the-heart-of-food-security-and-climate-resilience>

³ <https://www.econ3x3.org/article/new-opportunities-south-african-agriculture-african-continental-free-trade-area>

⁴ <https://www.fao.org/africa/events/detail-events/en/c/1393030/>

⁵ Ibid

Intra-Africa Trade by REC, 2021 Update



Source: tralac, <https://www.tralac.org/resources/infographic/15772-intra-africa-trade-by-rec-2021-update.html>

The share of intra-African agricultural trade has been consistently below 20 percent in recent decades (Bouët and Odjo, 2019; AGRA, 2019). Thus, Africa is ranked among the lowest performing regions, according to the World Bank Doing Business indicators and as measured by the share of intra-African agricultural trade as a percentage of total African agricultural trade, which has consistently remained below 20 percent in recent years. However, comparable figures for intra-regional agricultural trade are higher for Asia and Europe (more than 60 percent)⁶.

Overall progress on achieving the Malabo Declaration commitments by 2025 and on regional integration in general has been slow due to country disparities in the levels of development, inconsistent and conflicting regulations and standards, as well as infrastructure and connectivity problems at the border and behind the border that add to the cost of doing business in Africa (Benin, 2020).

The Framework for Boosting Intra-African Trade in Agricultural Commodities and Services is built around the fifth commitment of the 2014 Malabo Declaration to triple intra-African trade in agricultural commodities and services by 2025. This Framework is said to be a blueprint for expanding agricultural trade between African countries and aims to unlock the potential of the agricultural sector to contribute to sustainable and inclusive growth for Africa. The framework recognises that increased trade is a critical and integral part of the collaborative work towards boosting food security and nutrition for all Africans. So too, increased trade is expected to contribute to the creation of sustainable jobs, incomes and livelihoods while improving long-term agricultural productivity and food security on the continent. Lastly, increased agricultural intra-trade is regarded a key driver of sustainable development and as critical in the transformation of the African food systems. The Framework's top priority is therefore to pursue industrial transformation policies and programmes that support the private sector to add value to African exports, compete with imports from outside Africa and expand opportunities for job creation. Africa is a net food-importing region of commodities such as cereals, meat, dairy products, fats, oils and sugar, importing agricultural and food products worth about USD 80 billion annually⁷.

In terms of international trade, the Continent is highly dependent on extra-African sources of imports of food and agricultural products. Global supply chain disruptions and geopolitics are key risk factors for the Continent. It has been shown that the export of higher value-added products made in Africa is greater in regional markets than in external markets to Africa, which are typically dominated by raw material exports⁸.

⁶ UNCTAD, "Merchandise: Intra-trade and extra-trade of country groups by product, annual, 2017. Available at: <https://unctadstat.unctad.org>.

⁷ Ibid

⁸ Ibid

However, nearly two decades after the adoption of the Comprehensive Africa Agriculture Development Programme (CAADP) in Maputo, in 2003 by the New Partnership for Africa's Development (NEPAD) in response to the stagnation of African agriculture, Africa continues to remain a marginal player, accounting for only 2.7 percent of world trade in goods and 5 percent of world agricultural trade (Bouët and Odjo, 2019).

These figures are likely to trend downwards significantly in the near term due to the economic shock caused by the onset of the COVID-19 pandemic in 2020.

3. Challenges and Opportunities for the African agricultural and food market

Over the last ten years, intra-Africa trade has remained low; the highest was recorded in 2015 and 2016 with 19 per cent and 20 per cent of total trade, respectively. Most intra-Africa trade is among countries which are members of the same regional economic community (REC); in particular where the countries are members of the Free Trade Agreement (FTA) or Customs Union (CU) of the REC.⁹

This provides an opportunity to not only boost trade in food and non-food agricultural commodities and services within the continent but also enhance food security in Africa. Regional integration is also gaining momentum as evidenced by progress in the creation of customs unions and the initial steps in setting up a common external tariff at the regional level in a number of regional economic communities (RECs) such as the East African Community (EAC) and the Economic Community of West African States (ECOWAS).

The establishment of the African Continental Free Trade Area (AfCFTA) which started operating on 1 January 2021, further reinforces the gains achieved in regional integration and opens new market opportunities for farmers and other economic operators. African countries under AfCFTA have undertaken commitments to remove tariffs on 90 percent of over 5 000 tariff lines as well as liberalise services. It is estimated that tariff liberalisation in the transition phase could generate welfare gains of USD 16.1 billion, and growth in intra-African trade of 33 percent up from 15 percent (UNCTAD, 2019). AfCFTA is the largest free trade area in the world in terms of the number of countries covered as it represents a market of 1.2 billion consumers. On 15 April 2021, Accra - The Food and Agriculture Organization of the United Nations (FAO) and the African Union Commission's Department of Agriculture, Rural Development, Blue Economy and Sustainable Development (AUC-DARBE) have launched a guide to boosting intra-African agricultural trade under the new African Continental Free Trade Area (AfCFTA) agreement.¹⁰

Agenda 2063 places great importance in the role that trade plays in developing economies and recognises that trade is a powerful engine for economic growth and development. In Africa, barriers to trade have resulted in a fragmented regional economy that has overtime positioned Africa's role in the global trade market as fundamentally being raw material (commodities) suppliers in exchange for manufactured goods, and rendering the continent's share in global trade insignificant.

The challenges arising from continually fluctuating commodities prices and Africa's limited value addition to its natural resources renders Africa vulnerable to the external shocks derived from export dependency¹¹. In order to effectively achieve food security and industrialisation the aims, mission and vision of Intra-Africa Agriculture trade should enable the creation of an integrated, developed and globally competitive African continent through the growing of intra-Africa trade and deepening of regional market integration and international trade. These goals are well articulated in the Framework for Boosting Intra-African Trade in Agricultural Commodities & Services, NDP, and Agricultural Trade Policies, Re-imagined Industrial Strategy (Agriculture and Agro-Processing MasterPlan).

⁹ <https://www.tralac.org/documents/publications/trade-data-analysis/3982-summary-intra-africa-trade-2019/file.html>

¹⁰ Ibid

¹¹ <https://au.int/en/articles/africas-commodities-strategy-value-addition-global-competitiveness>

4. Diagnosis of key challenges and risks for Africa agriculture intra-trade

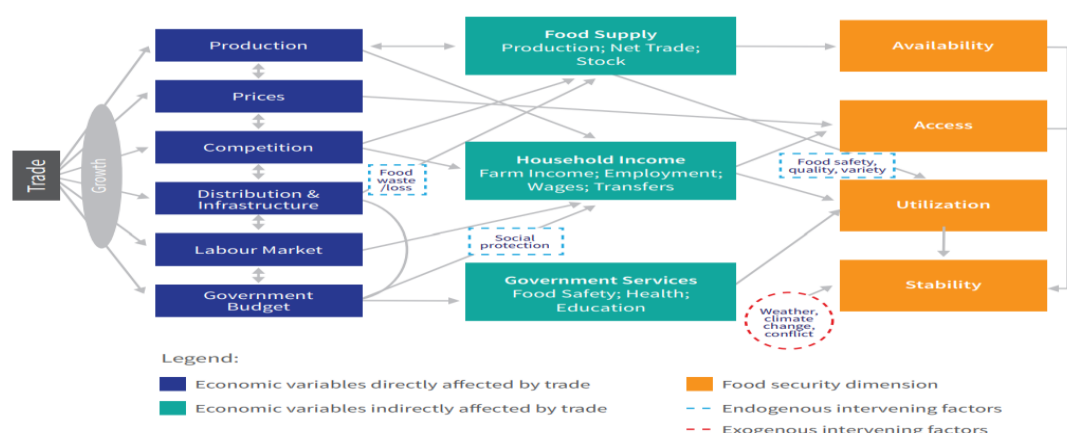
Tabular summary of key challenges, risks and root-causes for Africa agriculture intra-trade:

Challenges/Risks	Root-causes
Lack of food security	Availability (production, stock); Access (prices, competition, HH income, employment); Utilization (food safety, health, education, distribution, infrastructure); Stability (weather, climate change, HH income).
Global supply chain disruptions / Import dependences / global agriculture input market integration	Heavy dependency on other trading countries outside Africa (e.g. Russia and Ukraine – imports of inputs).
Domestic/regional supply-side constraints (including other non-tariff barriers)	Lack of investment in infrastructure. Poor infrastructure development (e.g. electricity supply, transport and logistics infrastructure, weak national capacity to comply with SPS requirements/ poorly applied SPS procedures).
High costs of trade services in the region resulting in decreased competitiveness	Compliance cost. Regulatory barriers.
Lack of sustainable regional value-chain approach	Lack of local sourcing (integration of smallholders and other key actors in intra-African Trade).
Tariff barriers	Protectionist trade policies.

5. Proposed strategic interventions and expected outputs for Africa agriculture intra-trade

The AfCFTA comes after African Heads of State and Government committed to triple intra-African trade in 2014, in terms of agricultural commodities and services by 2025 as part of the Malabo Declaration. The proposed strategic interventions for strengthening Africa intra-trade, industrialisation and state of food security are aligned with Africa Intra-trade policies and agreements, and will be based on the aspirations of the latter. In addition, the diagram below depicts the FAO' state of agricultural commodity markets and outlines key factors of regional trade and growth to be considered for effective policy-making and strategic implementation thereof¹².

State of Agriculture Commodities Market (2015-2016)



Source: FAO (2015), *The State of Agricultural Commodity Markets 2015-16*

¹² FAO (2015), *The State of Agricultural Commodity Markets 2015 -16*

The Framework for Boosting Intra-African Trade in Agricultural Commodities and Services together with AfCFTA, if implemented successfully should support policy-makers and the private sector to develop policies, strategies and programmes to promote intra-African agricultural trade and the creation of new agricultural value chains, while expanding, enriching and diversifying the existing ones. This would enable stakeholders, including farmers, small and medium agri-businesses, women and youth, etc., to effectively reap the benefits of the AfCFTA single market. Of critical importance, is that the proposed action areas include trade policy, trade facilitation, productive capacity enhancement, trade-related infrastructure, trade finance, factor market integration and cross-cutting issues such as the strengthening of trade and market information systems. What is encouraging also is the fact that African countries have undertaken commitments to remove tariffs on 90 percent of over 5000 tariff lines and to liberalize services¹³.

Tabular summary of proposed strategic programmes to unlock key Africa agriculture intra-trade challenges for enhanced intra-regional industrialisation and food production:

Key Programmes	Expected Outputs	Strategic Interventions
Promote local agricultural production and import substitution	Feasible replacement opportunities identified. Import replacement strategy developed and implemented. Access to industrial finance improved. Strategic commodities at regional and sub-regional levels designated.	Accelerate the implementation of the AfCFTA Agreement. Intra-regional beneficiation (agro-processing) and intra-Trade within the AfCFTA.
Facilitate export promotion	AfCFTA resolution to substantially liberalize trade by eliminating tariffs on 90% of goods expedited. Public-private partnerships strengthened. The role of export councils and export organisations in the region strengthened.	Increase product / service diversification in the AfCFTA.
Develop and strengthen regional productive capacity and cross-border/regional agricultural value-chain linkages	Scoping and techno-economic studies to support the development of cross-border regional agricultural value chains undertaken. Regional Centres of Excellence and research chairs for technology development, adaptation and diffusion established. Framework to link small holders to value chains and markets developed.	Design conducive policies and regulatory frameworks for the building of infrastructure. RECs should establish coordinating mechanism such as SPS committees to ensure that standards are aligned with those of international standard setting bodies.
Improve agriculture intra-regional beneficiation (agro-processing)	Regional processors developed and established. Input commodities for intra-regional beneficiation identified.	Enter into trade related services sector liberalization treaties. Ensure Intra-Africa Regulatory trade framework uniformity .
Effective trade related policies and measures	Coherent and efficient trade policies at the national, regional and continental levels developed and implemented. Red-tape reduction and simplification of complex customs and administrative procedures and regulations. Regional harmonization of Standards (including SPS), promoted and implemented. Affordable inspection services for exports developed. Cross-border trade facilitation-certifications, processing time expedited.	Designation of strategic commodities at regional and sub-regional level.

¹³ FAO (2015), *The State of Agricultural Commodity Markets 2015* -16

Key Programmes	Expected Outputs	Strategic Interventions
Regional and Continental transportation infrastructure and logistics system development	<p>Techno-economic studies to ascertain value, cost and benefits of improving logistics connectivity vis-à-vis maintaining the status quo (i.e. in relation to air, road, maritime) conducted.</p> <p>Policies and regulatory frameworks conducive for the building of infrastructure adopted.</p> <p>Strategic regional infrastructure initiatives/projects undertaken.</p> <p>Integrated boarder management system developed.</p>	Liberalize trade by reducing tariffs on goods

6. The expected outcomes (benefits and opportunities) of the proposed programme for Africa agriculture intra-trade

It is estimated that tariff liberalization in the transition phase could generate welfare gains of up to USD 16.1 billion, and growth in intra-African total merchandise trade of 33 percent, up from 15 percent. The achievement of such welfare gains in the region should therefore provide an impetus for accessing new favourable international markets. This remarkable outcome will depend on the effective implement of the strategic interventions for region – the outcomes of which are elaborated under each intervention proposed:

(a) Promotion of local agricultural production and import substitution: The region should in its quest for intra-regional localisation of Africa’s agricultural production, take advantage of the massive African market with a population of over 1.4 billion consumers for agricultural products, the consumer market that is now larger than the 2021 one of approximately 1.4 billion;

(b) Facilitation of export promotion: Increased export competitiveness and market promotion will reduce Africa’s exposure to global disruptions in the input market (e.g. fertilizers, seeds etc). The point in case is the recent continental agricultural commodities inflationary shocks triggered by the effects of the Russia-Ukraine geo-political tensions;

(c) Development and strengthening of regional productive capacity and cross-border/regional agricultural value-chain linkages: The broadening of regional productive capacity and intra-regional value-chain linkages will improve productivity and competitiveness in the region (e.g. exports enhancement), ensure efficient movement of goods, improve FDI and domestic investment, and ensure protection of public health, animals, plant life and health;

(d) Improvement of agriculture intra-regional beneficiation (agro-processing): The advancement of regional beneficiation of agricultural produce will result in improved competitiveness in terms of factor inputs security, product diversification as well as foster reduction of trade barriers due to improved intra-trade cooperation;

(e) Effective trade-related policies and measures: Effective trade policies and other measure will create certainty, standardisation of strategies and best practices and in turn improve econo-politico cooperations within the region and hence ensure regional and continental value chains/complementarity;

and (f) Development of regional and continental transportation infrastructure and logistics system: The development of non-tariff trade measures such as transport and logistical infrastructure networks, will generally result in significant improvement in intra-trade efficiencies and hence considerable trade volumes surges amongst member states.

8. Conclusions

The severe state of food insecurity and low levels of Africa intra-trade cannot be attributed to lack of trade, economic and industrial development policies. Thus, the effective attainment of Africa agriculture intra-trade is a function of multiple factors across the region, which **require effective and robust coordination of intra-regional trade, economic and industrial development policies and programmes, to pursue trade regulation standardisation, tariff reduction and liberalisation and the strengthening of non-tariff trade measures such as intra-regional infrastructure and logistical systems.** The competitiveness of the continent and increased intra-Africa agricultural commodity beneficiation, if prioritised should surely create a firm ground for increasing the scope for new international markets in the region. This programme should also clearly indicate clear and measurable milestones and targets (short, medium and long-term).

If coordinated and implemented effectively, the programme and all other intra-regional trade and industrial development interventions, will make the African region attractive to such viable international markets as Asia and Middle East in terms of some of the strategic agricultural and food products, that have to be processed in Africa. It is this strengthening of the Agri intra-Africa trade development and growth potential, which will in turn become a massive long-term boost for Africa's food security situation.

Lastly, it is critical to under-score the fact that the success of the Africa agric intra-trade will have a spill-over effect in terms of creating a compelling demand and necessity (and equally creating a supply-side capacity gap) for the intra-regional processing/beneficiation of minerals within the African continent which Africa is heavily endowed with.

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