

# Feeding Africa through increased intra-African food trade

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One of the most pressing challenges in Africa is how to eradicate hunger and extreme poverty and ensure prosperity for all people. This article argues that intra-African food trade can be an important driver in strengthening Africa's capacity to ensure food security, as well as for its economic growth and shared prosperity. While the creation of the African Continental Free Trade Area is a critical step forward, the roll out of the implementation will be just as important. This article is looking at some of the key challenges and opportunities for intra-African food market integration. It specifically argues that the Regional Economic Communities (RECs) can and should play a particularly important role in Africa's effort to build a strong intra-Africa food market. They are the institutions that can develop and implement programmes aimed at increasing agricultural production and productivity, help integrate smallholders in regional value chains, spearhead research on major food crops and help develop regional food industries.

## Introduction

At a time when ever more countries and regions around the world are turning away from each other, Africa is taking bold steps to move closer together. With the creation of the African Continental Free Trade Area (AfCFTA), African leaders sent a clear signal to their people and the world; Africa's prosperity lies in integration.

The reasons for Africa's quest for more economic integration are clear: the continent remains fragmented, with high tariff barriers, cumbersome administrative and regulatory procedures, wide variations in product quality and standards, and excessive regulations. In a nutshell, doing business across Africa remains challenging. As a result, Africa has the lowest percentage of intra-regional trade in the world. Only about 15 percent of exports take place within Africa, compared with over 60 percent in the European Union (EU) and 25 percent in the Association of Southeast Asian Nations (ASEAN)<sup>(1)</sup>.

The AfCFTA creates a market for more than one billion people, with a combined GDP of about \$2.6 trillion<sup>(2)</sup>. It

is expected to boost economic growth and development, promote intra-regional trade, develop Africa's investment and productive capacity, and create decent-paying jobs across the continent, especially for youth and women.

## The need for more integration of agricultural and food markets

Whilst Africa's market integration will be a critical driver of change across all major economic sectors, I strongly believe that nowhere is it needed more urgently than in agriculture. Agriculture is the primary source of livelihoods for the majority of the population in Sub-Saharan Africa and contributes on average 15 percent to total GDP<sup>(3)</sup>. Despite increases in production in recent years, African agriculture is still suffering from low levels of productivity, a lack of investment and a challenging policy environment. Africa's growing demand for food is to a large extent met by imports from the global market rather than from within. This is extremely costly as Africa's annual food import bill stands at US\$35 billion<sup>(4)</sup>. And while billions are spent every year on food imports, Africa still remains the epicentre of extreme poverty and food insecurity.

Africa has by far the highest levels of severe food insecurity,

(1) European Commission (2018), *Africa-Europe Alliance: EU supports the African Continental Free Trade Area with €50 million*. Retrieved 1 May 2019, from: [https://ec.europa.eu/europeaid/news-and-events/africa-europe-alliance-eu-supports-african-continental-free-trade-area-eu50-million\\_en](https://ec.europa.eu/europeaid/news-and-events/africa-europe-alliance-eu-supports-african-continental-free-trade-area-eu50-million_en)

(2) OMONDI J. (2019), *Africa Continental Free Trade Area to enter into force in July*. Retrieved 1 May 2019, from <https://africa.cgtn.com/2019/04/30/africa-continental-free-trade-area-to-enter-into-force-in-july/>

(3) OECD-FAO (2016), *Agricultural Outlook 2016-2025*. Retrieved 1 May 2019, from: <http://www.fao.org/3/a-BO092E.pdf>

(4) African Progress Panel (2014), *Grain, Fish, Money. Financing Africa's Green and Blue Revolutions*. Retrieved 15 April 2019, from: [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Africa\\_Progress\\_Report\\_2014.PDF](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Africa_Progress_Report_2014.PDF)

affecting more than 20 percent of its population<sup>(5)</sup>. The large majority of the hungry and poor in Africa are smallholder farmers, in particular women farmers, who form the backbone of agricultural production in Africa. Climate change is further exacerbating an already precarious situation. Changes in growing seasons and rainfall patterns coupled with the increased frequency of extreme weather events such as droughts and floods are undermining food production and disrupting lives. Faced with these complex challenges, African countries have every reason to further develop regional and continental food trade as an effective means to improve the food and nutrition security of their population and provide substitutes to expensive imports from global markets.

Over the past two decades, African countries have taken some steps to leveraging this potential through regional integration of agricultural markets. Most recently, the 2014 Malabo Declaration committed African leaders to triple intra-African trade in agricultural commodities and services by 2025 and fast-track the establishment of a continental free trade area under the Comprehensive Africa Agriculture Development Programme (CAADP)<sup>(6)</sup>.

However, despite various ambitious initiatives, the increase in intra-African food trade has so far been disappointing. Compared with other world regions, the actual volume of intra-African food trade remains dismally low. The share of trade in agricultural products among African countries at the intra-regional level varied between 13 and 20 percent over the period from 2000 to 2013, compared to around 63 percent among Asian countries and 75 percent among European countries<sup>(7)</sup>. This low integration of agricultural trade within Africa represents a major impediment to not only Africa's food security but also its efforts at poverty eradication<sup>(8)</sup>.

Meanwhile, the potential for food market integration and intra-regional trade is only growing more significant owing to projected population growth on the continent. More than half of the global population growth between now and 2050 is expected to occur in Africa<sup>(9)</sup>. Africa's population could reach 2.5 billion by 2050, which implies that the demand for food will increase dramatically<sup>(10)</sup>.

(5) FAO, IFAD, UNICEF, WFP and WHO (2018), *The State of Food Security and Nutrition in the World 2018. Building climate resilience for food security and nutrition*. Retrieved 20 April 2019, from: <http://www.fao.org/state-of-food-security-nutrition/en/>

(6) African Union (2014), *Malabo Declaration on accelerated agricultural growth and transformation for shared prosperity and improved livelihoods*. Retrieved 1 May 2019, from: [https://www.resakss.org/sites/default/files/Malabo%20Declaration%20on%20Agriculture\\_2014\\_11%2026-.pdf](https://www.resakss.org/sites/default/files/Malabo%20Declaration%20on%20Agriculture_2014_11%2026-.pdf)

(7) IFPRI, ReSAKSS, Agrodep, CTA (2017), *African Agricultural Trade Status Report 2017*. Retrieved 15 April 2019, from: <https://de.slideshare.net/brusselsbriefings/african-agricultural-trade-status-report-2017-chapter-3-regional-trade-patterns>

(8) CHRISTIAENSEN L. & MARTIN W. (2018), *Five new insights on how agriculture can help reduce poverty*. Retrieved 20 April 2019, from: <https://blogs.worldbank.org/jobs/five-new-insights-how-agriculture-can-help-reduce-poverty>

(9) United Nations, *Population*, Retrieved 20 April 2019, from: <https://www.un.org/en/sections/issues-depth/population/>

(10) United Nations (2017), *World Population Prospects, Data Booklet, 2017 Revision*. Retrieved 15 April 2019, from: [https://population.un.org/wpp/Publications/Files/WPP2017\\_DataBooklet.pdf](https://population.un.org/wpp/Publications/Files/WPP2017_DataBooklet.pdf)

## Challenges and opportunities for intra-African food market integration

In order to fully unlock the gains of increased food trade within Africa, African governments will have to address several critical challenges.

### Political will

The first challenge is political will. While African leaders have established a number of regional economic communities (RECs) to promote regional and continental economic integration, they have been reluctant to empower these institutions for fear of losing national control. The RECs are not yet performing to their full potential. At the same time, however, there is a growing recognition that food markets in many African countries are too small to exploit the economies of scale. The RECs can become critical building blocks to reap the benefits of larger food markets and should be empowered to fulfil their potential as growth drivers.

### Overlapping membership in the RECs

Second, there is the problem of multiple and overlapping membership in the RECs. Almost all African countries belong to more than one regional economic community. This issue complicates policy harmonisation processes in areas such as rules of origin and customs procedures while contributing to inefficient and malfunctioning regional food markets. For example, COMESA imposes a common external tariff on goods of non-members. However, several members of COMESA are also in the SADC free trade area, which requires lower tariffs on goods from non-COMESA countries<sup>(11)</sup>. This example illustrates how overlapping membership is causing confusion and unpredictability.

### Trade policy barriers

Third, relatively high trade barriers continue to constrain intra-African food trade. These include export and import bans, tariffs and restrictive quotas, and differing food safety regulations, and sanitary and phytosanitary standards (SPS). For example, while an African exporter to international markets can expect to face an average protection rate of 2.5 percent, this rate will rise to 8.7 percent if the same good were to be exported to another African country<sup>(12)</sup>. Inefficient and cumbersome customs procedures further discourage farmers, traders and companies to engage in cross-border trade. Delays at African customs posts amount to twelve days in Sub-Saharan Africa; far more than in any other region of

(11) Zimbabwe Independent (2016), *Free trade a concept that remains elusive for Africa*. Retrieved 1 May 2019, from: <https://www.theindependent.co.zw/2016/03/04/free-trade-a-concept-that-remains-elusive-in-africa/>

(12) MEVEL S. & KARINGI S. (2012), *Deepening regional integration in Africa: a computable general equilibrium assessment of the establishment of a continental free trade area followed by a continental customs union*. Retrieved 1 April 2019, from: [https://www.unece.org/fileadmin/DAM/trade/TF\\_JointUNRCsApproach/ECA\\_ContinentalFTAfrica.pdf](https://www.unece.org/fileadmin/DAM/trade/TF_JointUNRCsApproach/ECA_ContinentalFTAfrica.pdf)

the world<sup>(13)</sup>. More open policies and a more attractive business environment will expand intra-African food trade.

### Supply-side constraints

Fourth, supply-side constraints are impeding the emergence of stronger intra-African food trade. Low agricultural productivity, inadequate policy frameworks, and insufficient investment in production capacities are at the heart of the supply-side problem. Farmers and agribusiness operations need better access to agricultural inputs to raise their productivity levels. African governments also need to scale-up the use of mechanisation and new technologies to increase agricultural productivity and enhance value added across value chain segments. High transportation costs due to poor infrastructure and the lack of warehousing and cold-storage facilities limit cross-border movement of surplus staples to areas of strong demand. Building supply, production, and processing capacity is paramount for a scaled-up intra-African food trade.

### Lack of finance and insurance

Fifth, African smallholder farmers and agricultural small and medium enterprises lack access to the affordable credit and insurance which they need to grow their businesses and operate profitably. Africa's agriculture sector attracts less than 5 percent of lending from financial institutions on the continent; this is a major impediment to the development of intra-African food trade<sup>(14)</sup>. Mobile-based electronic payment systems are one way of enhancing farmers' access to financial services. Improving access to capital and insurance will help catalyse growth and trade in the African agricultural sector.

### Regional policy options to boost intra-African food trade

The challenges just outlined show that African leaders have to undertake significant reforms to address the constraints to food market integration. This requires action at the national level but also cooperation within regions. In order to facilitate this collaboration, I see three policy innovations crucial for boosting intra-African food trade and the greater prosperity that will flow from this development.

### Participation of smallholders in regional food markets and value chains

The intra-African demand for agricultural products can be boosted significantly if trade arrangements are put in place that encourage food exports and imports, based

on lower tariffs and harmonised trading practices. With a large majority of African farmers still living at the subsistence level, it is important to enhance their participation in food markets and value chains so that they can sell their surpluses at markets. The establishment and expansion of farmers' organisations and federations, especially at the RECs level, is critical to enable small producers to participate in regional food markets. Such organisations will also improve smallholders' access to extension services, tools, and essential inputs and enable production aggregation, thus improving their ability to scale up production and grow their businesses. Regional farmers' associations and federations can also facilitate access to food safety and quality certificates and help establish critical linkages with supermarkets and large-scale off-takers.

### Regional research entities and product champions

While national research is always important, there is also a need for more collaborative research and technological development on agriculture at the regional level. Based on a comparative advantage analysis, each of the RECs could, for example, spearhead research on some major staple crops, including rice, wheat, maize, and cassava. This would be more cost-effective and could lead to the development of regional product champions. These selected industry champions would develop and promote advanced technologies and good agricultural practices, increase productivity for specific staples, and help develop regional food markets. Regional food processing zones would have to be created to transform farmers' produce and raw materials into finished value-added products. The food processing zones would also integrate agricultural value chains with supportive logistics such as cold chains and warehousing and provide much needed access infrastructure such as roads, rails, ports, energy, and information and communications technology.

### Regional staple food programmes

The creation of regional programmes aimed at increasing productivity and production of major staple food crops should promote the adoption of more modern farming technologies, including high-quality seeds and soil-enhancing practices, and advance farm mechanisation and irrigation farming. Seed policies and fertiliser standards should be harmonised and regional regulatory authorities established. COMESA, for example, has already created the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) which has prepared seed trade harmonisation regulations for the region. I encourage African countries to bridge the productivity and production gap through the implementation of similar regional programmes that increase the quantities of staple foods available. RECs should play a leading role in coordinating these efforts and so overcome the many constraints and challenges currently present.

(13) UNCTAD (2016), *African Continental Free Trade Area: developing and strengthening regional value chains in agricultural commodities and processed food products*. Retrieved 10 April 2019, from: [https://unctad.org/en/PublicationsLibrary/webditc2016d4\\_en.pdf](https://unctad.org/en/PublicationsLibrary/webditc2016d4_en.pdf)

(14) African Development Bank (2016), *Concept Note. Design Workshop on Establishing an African Agriculture Risk Sharing and Financing Mechanism*. Retrieved 15 April 2019, from: [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Concept\\_Note\\_for\\_Workshop\\_on\\_Agriculture\\_Risk\\_Sharing\\_and\\_Financing\\_MechanismFINAL.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Concept_Note_for_Workshop_on_Agriculture_Risk_Sharing_and_Financing_MechanismFINAL.pdf)

## Conclusion

African countries have many reasons to increase intra-African trade and market integration. Doing so will enhance food and nutrition security, sustain growth, and contribute to progress on the Sustainable Development Goals (SDGs) on the continent. The creation of the AfCFTA is an important step in the right direction and its full implementation will be critical.

The policy options presented here foreshadow a forthcoming study on intra-African food trade and market integration that the Kofi Annan Foundation commissioned in partnership with the African Development Bank, which is scheduled for publication in late 2019. Kofi Annan believed that effective sub-regional and continental integration is a vital stepping stone towards a stable, prosperous and

peaceful Africa. Years ago he reminded us that “practical experience has shown that trade and investment not only bring economic development but often bring higher standards of human rights and environmental protection as well”<sup>(15)</sup>. African countries are increasingly conscious that integration that unlocks the potential of regional trade is essential to Africa’s food and nutrition security and economic prosperity and will greatly aid the people of the continent to build better, healthier lives.

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(15) ANNAN K. (2001), “Laying the foundations of a fair and free world trade system”, in SAMPSON Gary P. (ed.), *The Role of the World Trade Organisation in Global Governance*. Retrieved 1 May 2019, from: <http://archive.unu.edu/news/wto/ch01.pdf>