Anticipating the Look of Africa’s Agricultural Value Chains to 2025

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Six major trends
Trend #1

Rising global food and energy prices
Trend #2

Urbanization and rising urban incomes

- 7 of 10 fastest growing economics are in Africa
- “Lions on the move”, “rise of an African middle class”, etc...
- Rising urban populations $\rightarrow$ rapid growth in demand for food
Trend #3

The “Youth Bulge”
Age pyramids, Sub-Saharan Africa, 2015

62% < 25 years old

Source: UN Pop Council, 2013
The “Youth Bulge”

• 17 million young Africa’s entering the labor force each year

• At best, only half can be absorbed into productive wage jobs

• At worst, “poverty farming” will remain the residual employer of half of Africa’s work force

• A more favorable scenario: states act to make agriculture profitable and attractive
  – Rural population becomes source of demand and employment creation for non-farm sectors
  – Concept of “multiplier effects”
Trend #4

Rising global interest in Africa’s arable land
Trend #4: Rising global interest in Africa’s arable land

- Driven by
  - higher global food prices since 2007
  - Rapid growth in urban populations

- Large-scale foreign acquisitions since 2005 > 12% of Africa’s remaining unutilized arable land

- Meteoric rise of medium-scale farms
Table 2: Changes in farm structure among small- and medium-scale farmers in Zambia (2009 - 2012)

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## Gini coefficients of landholding

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<th>Country</th>
<th>Period</th>
<th>Movement in Gini coefficient:</th>
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<td>Ghana (cult. area)</td>
<td>1992 → 2005</td>
<td>0.54 → 0.65</td>
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<td>Kenya (cult. area)</td>
<td>1994 → 2006</td>
<td>0.51 → 0.55</td>
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<td>Zambia (landholding)</td>
<td>2001 → 2012</td>
<td>0.42 → 0.49</td>
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Trend #5

Land degradation in smallholder farming areas
Trend #5: Land degradation in smallholder farming areas

- 20% of Africa’s rural land → 84% of its rural people
- Pop growth → loss of fallows → land degradation → declining response to inorganic fertilizer → unsustainable agricultural intensification
Trend #6

Climate change
Don’t accept all these “megatrends” as inevitable

– Some trends are highly uncertain, being dependent on the time path of other trends

– *Policy* can influence the trajectories of some of them / others less so

– Two particular trends that are highly uncertain:
  • Direction of world food prices
  • Breadth of urban income growth
African Population by Income Class: excluding North Africa and South Africa

2010

- Poor ($0 - $4): 13.4%
- Middle-class ($4 - $20): 4.8%
- Rich (> $20): 81.8%

Source: Potts, 2012: calculated from the AfDB (2010)
FAO’s Food Price Index: Real prices on downward trend but high level
Figure 1: Classification of Megatrends According to Predictability and Potential Influence via Policy

- **High Likelihood of Arising, High Potential for Influence via Policy**
  - Youth bulge / labor force expansion
  - Climate change
  - Land degradation
  - Increased demand for land in Africa

- **Moderate Likelihood of Arising, High Potential for Influence via Policy**
  - Rising world food prices

- **Moderate Likelihood of Arising, Moderate Potential for Influence via Policy**
  - Rapid/broad-based income growth

- **Low Likelihood of Arising, Low Potential for Influence via Policy**
Share of SSA’s imported processed and high-value food products from outside Africa

Source: ITC Trade Map, 2014
Production in Africa

High-Value Commodity Production and Consumption Change (2011/13 to 2023)

Cereal Production and Consumption Change (2011/13 to 2023)
Production in Asia

High-Value Commodity Production and Consumption Change (2011/13 to 2023)

- Pork
- Poultry
- Dairy
- Vegetable Oil
- Sugar

Cereal Production and Consumption Change (2011/13 to 2023)

- Rice
- Coarse Grains
- Wheat
Production in Latin America

Cereal Production and Consumption Change (2011/13 to 2023)

High-Value Commodity Production and Consumption Change (2011/13 to 2023)
The Americas are increasingly the largest net exporters

Note: Agriculture and fish products included in the Outlook
input supply

farm production

assembly traders

wholesalers

processors

retailers

consumers
input supply

farm production

assembly traders

wholesalers

processors

retailers

consumers

IMPORTS
Figure 2: Scenario matrix for African Food System

- **Scenario 1**: Latifundia
- **Scenario 2**: Africa Rises
- **Scenario 3**: Slow & steady wins the race
- **Scenario 4**: Dark Continent

Axes:
- Skewed urban Income growth
- Rise in global food prices
- Broad-based urban income growth
- Constant or declining global food prices
What does this mean for food value chains in 2025?
Under scenario of lower global food prices

- Low food prices reward only the most efficient producers
  - for most commodities, this is not Africa (some exceptions)
- Global and domestic investment capital shifts to other sectors
- Urban consumption growth > production growth → imports fill increasing % of urban food demand
- Middle part of value chains (trading, processing dependent on domestic production) may be starved for product
- Retail stages may still thrive
Under scenario of higher global food/energy prices

- rewards domestic producers close to urban areas
- Greater investment (both foreign and domestic) in African farmland and food production
- Greater share of urban consumption met through local production
- Middle part of value chains will thrive
- the ways VCs evolve will depend greatly on land allocation policy → concentration of farm output
For foresighting exercises, our conclusion:
1. Risky to talk of inevitable transformations
2. More useful to flesh out alternative scenarios

- **Scenario 1:** Latifundia (Skewed urban income growth) - Rise in global food prices
- **Scenario 2:** Africa Rises (Broad-based urban income growth) - Constant or declining global food prices
- **Scenario 3:** Slow & steady wins the race (Skewed urban income growth) - Rise in global food prices
- **Scenario 4:** Dark Continent (Broad-based urban income growth) - Constant or declining global food prices