Way Forward: Towards An African Agricultural Outlook

Understanding Regional Markets and Prices

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Outline

• Motivation
• Existing Outlook/Foresight Activities
  – BFAP: South African Model
  – IAPRI: Zambian Model
• Way Forward
Africa of Today

$1.8 trillion
Africa’s collective GDP, roughly equal to Brazil’s or Russia’s

316 million
the number of new mobile phone subscribers signed up in Africa since 2000

60%
Africa’s share of the world’s total amount of uncultivated, arable land

52
African cities with more than 1 million people

20
African countries with revenues of at least $3 billion

12
African countries with GDP per Capita greater than China
Rising Investments

**Shoprite**
- Present in 15 African countries
- Plans to add 13 new stores in the 2011 financial year
- Nigeria, Ghana, and Mozambique are priorities

**Pick n Pay**
- Present in 7 African countries
- Looking to expand into 5 more before the end of 2011
- Plans to have a up to 100 stores outside South Africa in the next 4 years

**Massmart**
- Massmart present in 14 African countries
- Walmart may also be more aggressive in the roll-out of Cambridge Food stores and the expansion into Africa

**Woolworths**
- Operates in 8 countries
- Plans to enter Angola and was looking to
- Plans to expand their existing operations in Mozambique, Zambia, Ghana and Uganda.

SOURCE: Euromonitor; Planet Retail; McKinsey analysis
Motivation

• Disaggregated African-Specific Modelling Framework
• Why?
  – Private & Public sector investment in regional Agriculture
  – Regional Trade Policy
  – Regional Food Security Initiatives
• Long-term Goal
  – Data & Capacity limitations
• Need for Cooperation
  – On a regional level:
    • ReNAPRI
    • AERC Collaborative Masters Program
  – On an International level:
    • FAPRI at the University of Missouri, Michigan State University, and the FAO
Activity 1: BFAP South African Model

- 10-years old
- Partial Equilibrium Modelling Framework the models 44 commodities

<table>
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<tr>
<th>Cereals</th>
<th>Oilseeds</th>
<th>Livestock &amp; Dairy</th>
<th>Horticulture &amp; Viticulture</th>
<th>Other</th>
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<tbody>
<tr>
<td>White Maize</td>
<td>Sunflowers</td>
<td>Chicken</td>
<td>Wine (x9)</td>
<td>Petrol</td>
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<tr>
<td>Yellow Maize</td>
<td>Sunflower oil</td>
<td>Beef</td>
<td>Table Grapes</td>
<td>Diesel</td>
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<tr>
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<td>Sheep meat</td>
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<td>Sorghum</td>
<td>Soya beans</td>
<td>Pork</td>
<td>Potatoes</td>
<td>Bioethanol</td>
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<tr>
<td></td>
<td>Canola</td>
<td>Dairy (x5)</td>
<td></td>
<td>DDG</td>
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Requisites
Activity 2: IAPRI Zambian Model

• First Attempt at a Regional Outlook
  – Partnered with IAPRI, Zambia

• Commodity coverage:
  – Wheat, Maize and Sugar
Zambian wheat prices

Wheat prices

US $/ton

Zambia (Lusaka) - US $/ton
SA (SAFEX) - US $/ton
US HRW (FOB, Gulf)
Zambian maize prices
Zambian Maize Area planted  Scenario Analysis

- Maize area harvested
- Maize area - private investment
- Maize area - dryout of state funding
Lessons Learned

• It is not about the models ……but rather about the economic intelligence
• We are not into “re-packing” of aggregate indicators.....we follow a bottoms up approach.
• Knowledge gap to be filled before conducting meaningful foresighting/outlook for Africa:
  – Production systems
  – Food consumption patterns
  – Policy environment
  – Value-chain structures etc.
Way Forward

• Long-term vision of building capacity to develop models at farm, sector and macro level.
  – Building on solid foundation of institutions that have existed in the region for more than 10 years
  – Next Step: Kenya

• Key output:
  – African Outlook to be presented at annual conference
  – Annual outlook publication
Thank You