Challenges of commodity value chain development towards improving the competitiveness of agricultural commodity in Africa

**Background Paper**
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1.0: Introduction

The Arusha 2005 declaration on African commodities posits strongly that the development of the commodity sector is a prerequisite for achieving development goals. The declaration emphasized the significant roles that commodity production and trade play in income and employment generation, wealth creation as well as their direct contribution to export earnings. Against the backdrop that most African countries have commodity-dependent economy, it is therefore, impossible to fast track improved livelihoods and economic development, eliminate poverty and hunger, and achieve sustainable development without commodity value chain development.

African economy is largely agrarian. This comparative advantage presents a huge opportunity to boost African competitive advantage in agricultural commodity production and trade. The Malabo 2014 commitments; which defined the immediate future of African economies around agriculture, also, orchestrate the key roles of agricultural commodity value chains development as instrument for tripling intra-African trade.

Emerging evidences reveal that poorly developed commodity value chains coupled with a host of infrastructural and policy related constraints are hampering the abilities of African countries to boost commodity’ competitiveness. Commodity value chains development, which is the product of value chain analysis, helps to situate the commodity market system in terms of their improved competitiveness, efficiency and reliability. The analysis involves identifying actors and activities that increases transaction costs along the chains and limits efficiency. As part of her support action in the promotion of strategic agricultural commodities value chains in the semi-arid zone, AU-SAFGRAD commissioned two studies; IGAD region (2014) and the Sahelo-Saharan zone (2015) to identify the challenges of agricultural commodities value chains development towards improving their competitiveness. While the IGAD study targeted sesame and sorghum value chains using administrative data, the Sahelo-Saharan zone study investigated maize and sorghum value chains using field survey data elicited from primary actors in the commodity value chain.

Assessment of the activities of primary stakeholders using the SWOT analysis reveals the country-specific outcomes, that are key to initiating value chain development through reducing transaction costs and producing competitive products. The production, marketing (wholesaling and retailing) and processing activities were analyzed with reference to their competitiveness and efficiencies.
2.0: Key findings

A. **General:**

The study finds close similarities in the structure, conduct and performance of chain activities for the commodities in countries and across zones. Specifically:

1. The chain actors includes, input suppliers, farmers, collectors, wholesalers, exporters, processors (millers) and retailers.
2. Production of the cereals was mainly in rain fed farms, cultivated holdings are small (< 2ha/households) and dispersed with little or no use of purchased inputs. Sorghum and Sesame was found to be largely produced to meet family food needs (67% and 74% of total production consumed at household in the IGAD and Sahelo-Saharan zones respectively).
3. Low per hectare yield levels for Sorghum and Sesame and close to the SSA average (720kg). However, yield levels of maize in Burkina Faso (1.79 tons) and Mali (1.9 tons) were higher than the SSA average (1.14 tons)

B. **Commodity value chains growth advantages:**

1. Favorable climatic condition,
2. High opportunities for increased yield through intensification of production; availability of technological and institutional support
3. massive pool of farm families involved in production and value addition
4. Opportunities for value addition considering the broad spectrum of utilization and use varieties
5. Huge market opportunity (household and industrial demand) in the region.
Source: FAOSTAT raw data (2013)
Fig3: Production and Yield of Maize in the selected countries in the zone.

Fig4: Production and Yield of Sorghum in the selected countries
C. **Sources of inefficiencies in Commodity value chains:**

*National*

1. lack of standardization,
2. poor quality of harvest,
3. Lack of market support services,
4. bad roads infrastructure as well as
5. the sharp practices of public marketing boards officials

*Inter-country level*

6. Non-tariff barriers occasioned by excessive documentation and
7. Delays resulting from excesses of land border agents (phytosanitary and certification), and
8. High transportation costs.

D. **Priority areas for intervention for chain development**

The study identifies key priority areas for intervention to accelerate chain development in the countries. The priority areas suggest the specific node(s) that will accelerate value chains development in the country and regional levels. Figs 5 and 6 show the most important country specific intervention areas (farm production, marketing and processing). The height of each column signifies their relative importance in accelerating chain development in the respective countries. For example, apart from encouraging processing activities, the development of market infrastructure and other measures to reduce marketing costs will go a long way in reducing transaction costs in sorghum and producing competitive products.

E. **Summarized development Challenges from chain actors’ activities**

Table 1 is a summary of key value-chains development challenges identified from the study. At the farm level, recurring constraints are lack of access to improved seeds and chemical fertilizers. At the collection and wholesaling level, high transportation costs, and lack of access to good storage facilities (resulting in high quality and quantity losses) as well as price volatility were significant causes of high transaction cost. Processing activities especially at the industrial level were, to a large extent, affected by high processing cost, price instability resulting from irregular supply of grains and stiff competition with imported finished and cheaper products.
Fig 5: Intervention priority areas for Sorghum value chain development
- Farm production
- Marketing
- Processing

Fig 6: Intervention priority areas for Maize value chain development
- Farm production
- Marketing
- Processing
Table 1: Summarized development Challenges from chain actors’ activities

<table>
<thead>
<tr>
<th>Chain Activity</th>
<th>Challenges</th>
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<tbody>
<tr>
<td>Production</td>
<td>Lack of access (availability and affordability) to improved seeds, fertilizers and erratic rainfall</td>
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<tr>
<td>Collection</td>
<td>Lack of standard measure, poor quality of produces, absence of storage facilities and credit access, high transportation cost</td>
</tr>
<tr>
<td>Wholesale</td>
<td>Storage facilities and credit access, Lack of standard measure, poor quality of produces, absence of storage facilities and credit access</td>
</tr>
<tr>
<td>Processing</td>
<td>High variability in supplied quality and price, high energy cost, high cost of replacement and maintenance of plants, availability of imported cheap products</td>
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<tr>
<td>Retailing</td>
<td>High quality and price variability and credit access</td>
</tr>
</tbody>
</table>

*Source: AU-SAFGRAD Survey (2016)*

### 3.0: Recommendations

The following recommendations are proffered based on the findings of the studies:

**Member States (MS) should:**

1. Promote anti-dumping policies to encourage and protect investments along the value chain
2. Incentivized business schemes to attract investors
3. Open up and develop feeder roads and market infrastructure
4. Facilitate access to affordable inputs and equipment, and
5. Promote the development of structured and functional markets information

**Regional and Continental level**

6. RECs to facilitate the regularization of trade standards,
7. RECs to prioritize strategic regional commodities upon which they should concentrate value chains development efforts to improve regional competitive advantage
8. RECs in Collaboration with AUC to harmonize border post certifications, documentations and permits to facilitate intra-African trade in the commodities, and
9. RECs in Collaboration with AUC to inaugurate regional strategic commodity committees (RSCC). The Committee will chart the road map for developing the value chains which are considered key for ensuring food security and boosting intra-African trade