

The Voice of the Private Sector
in East Africa

IMPACT OF COVID-19 ON THE AGRICULTURE SECTOR IN THE EAC

EAST AFRICAN BUSINESS COUNCIL
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1.0 INTRODUCTION

- As the COVID-19 outbreak continues to spread across the world, it is essential to address its existing and potential impacts on the agri-food sector, from the perspective of both food **supply (volumes) and food demand (Value)**. Ensuring the continued functioning of global and national food supply chains will be crucial in securing food supply, preventing a food crisis in countries that are already experiencing food and nutrition security challenges, and reducing the overall negative impact of the pandemic on the global economy.
- According to ILOSTAT, Employment by sex and economic activity–ILO modelled estimates of November 2019 and ILO, **World Employment Social Outlook: Trends for women 2017, 2017, although the sector's share in total employment has fallen from 40.2 per cent to 26.8 per cent over the past two decades, agriculture provides livelihoods to more than one billion people worldwide and remains the backbone of many low-income countries, accounting for 60.4 per cent of employment and contributing up to two-thirds of gross domestic product in some of those countries.**



1.0 INTRODUCTION CONT'D

- The sector is particularly important in Africa and Asia, where its **employment share is 49% and 30.5%**, respectively. It is a major source of employment for women, who account for **41.9%** of the agricultural workforce in the developing world.
- While the world grapples with the devastating impact on people's health and livelihoods, countries in East Africa are facing an additional threat: swarms of desert locusts, which are devouring the crops and pastures that millions of people depend on for food.
- **This situation has the potential to wreak havoc on the region's food supply, at a time when shutdowns and market disruptions due to COVID-19 are also threatening to create a food crisis.** Neither the virus nor the locust respect national borders, and either one could, on its own, cause people to go hungry. Together, they could spell disaster for millions in East Africa and neighbouring regions.



AGRICULTURE IN AFRICA PRE-COVID-19



- According to Bryan Cave Leighton Paisner-April 17, 2020, **Africa contains 25% of the global landscape suitable for crop cultivation** which is more than sufficient to drive the continent's economic development and adequately feed its own population. **Yet since the 1980s, Africa has been a net importer of agricultural goods.** Last year (2019), according to the African Development Bank, **approximately \$35 billion worth of agricultural products were imported into Africa.** This over-reliance on imports is driven by increasing urban demand and compounded by weak infrastructure and inefficient farming methods. Critically, it places much of Africa at significant risk of exposure to global economic shocks such as COVID-19.
- Climate change has also threatened Africa's crop yields. In Southern Africa recent droughts have caused crop yields to fail and an **estimated 2.3 million people** face severe acute food insecurity in Zambia alone. Across East Africa an infestation of desert locusts has fed on hundreds of thousands of hectares of crops and pastureland, consuming the same amount of food in one day as **approximately 35,000 people.**



Fears about the impact on food security in Africa are growing. According to the World Bank Report, agricultural production is likely to contract between 2.6%-7% with food imports declining substantially by up to 25%. Four key effects of this pandemic on Africa's agricultural industry and how this will likely impact food security have been highlighted in the next pages.



2.0 EFFECTS OF COVID-19 ON AGRICULTURE IN AFRICA



Labor & Supply Shortages



Food Waste



Import & Export Restrictions



Price Fluctuations



2.1 LABOR & SUPPLY SHORTAGES

- The majority of Sub Saharan Africa's food production and processing is labour intensive with informal and smallholder farmers making up more than 60% of the population. Therefore, government restrictions on travel and movement, as well as the health impacts of the virus, will likely lead to a shortage of labour, raw materials and infrastructure. **This in turn may significantly disrupt the harvesting and processing of raw food, impacting the supply chain across Africa.**
- High-value, and especially perishable commodities, such as fresh fruit and vegetables, meat, fish, milk and flowers, are particularly affected. There may be a further reduction in job quality in the sector and job destruction, especially at the base of the supply chain. Women and youth are likely to feel the impact more strongly, as they are particularly exposed to socio-economic vulnerability.
- The pandemic may also have a serious impact on labour-intensive crop production and processing due to labour shortages and the temporary cessation of production. For example, Europe's agricultural sector is facing dramatic labour shortages due to border closures that prevent thousands of seasonal workers from going to farms during the harvest period. **The impact on the sector is expected to be long term.**



2.2 FOOD WASTE | 2.3 IMPORT & EXPORT RESTRICTIONS

- Restrictions on movement of people may prevent farmers from accessing markets and result in food waste. In many countries, farmers are now unable to sell their produce in local markets or to local schools, restaurants, bars, hotels and other leisure establishments, which have been temporarily closed. There is fear of massive loss of exports markets in the affected regions i.e. East Asia, middle East and Europe due to the current trade and travel restrictions. **The exports likely to be affected the most include horticultural produce, tea and coffee, mineral ores, fruits, among other products.**
- With local food supply chains disrupted, many would naturally rely on imports but many governments around the world have closed their borders to trade and travel. This has prevented farmers from being able to distribute their raw or processed foods both nationally and internationally. For example, **the recent temporary suspension of one of the world's largest tea auctions in Mombasa, Kenya, where tea from many eastern African countries is traded, if prolonged, could have a devastating effect on local, national and regional economies.**
- The immediate impact will be felt in various nodes of the chain, including **factories, warehouses and transporters, as well as farms, which may be forced to stop production and lay off pluckers**, who are often among the most disadvantaged workers and highly vulnerable to economic reversal. In Kenya alone, tea provides livelihoods to some 600,000 small-scale farmers and wage workers; whereas in Malawi, the sector is the second largest formal employer after the government.



2.4 PRICE FLUCTUATIONS

- Prices of food (especially staples such as wheat and rice) are likely to rise due to disruptions to the agriculture supply chain, reduced imports and closures of many informal markets. **Ghana has already seen a 7.9% increase on the average cost of food. On the other end of the spectrum, the cashew nut, a major export crop for countries such as Ghana, has dropped in price by 63% between January and March this year as China and India have slashed imports.** This has severely reduced the income of farmers and their ability to feed their families, which in turn increases the risk of many farms going out of business.
- Panic-buying and food stockpiling by consumers, and national trade-related policy responses to the pandemic, especially any limitations on exports, may result in:
 - **Price spikes via increased price volatility thus destabilizing international markets.**



THE EAC AGRICULTURAL SECTOR



- In Tanzania, the agricultural sector contributes **about 29.1 % of the GDP 65.5% of employment, 65% of raw materials to the industrial sector and 30% of export earnings.**
- In Kenya, the agriculture sector contributes **on average 21.9% of gross domestic product (GDP), with at least 56% of the total labor force employed in agriculture.**
- In Uganda, the agriculture sector had **a total contribution to GDP at current prices of 25% and provides jobs to 65% of the total population.**
- Agriculture is the main economic activity in Rwanda with **70% of the population engaged in the sector, and around 72% of the working population employed in agriculture.** The sector accounts for 33% of the national GDP.
- The sector in Burundi's accounts for **40.7% of GDP and employing around 80% of labor.**
- According to AfDB Economic Outlook, 2020, in South Sudan, **6.4% average economic growth projected for 2019–21 is unlikely to be inclusive since it will be driven by oil rather than agriculture,** where most people work.

3.0 IMPACT OF COVID-19 ON THE EAC AGRICULTURAL SECTOR

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#Covid19EAC

Taking Stock of Agricultural Performance in the EAC



Trade



Food Prices



Export Shocks



3.1 TRADE

- Following the first confirmed cases of COVID-19 in the region, different Governments responded by implementing a raft of containment measures, including quarantine, social distancing and stricter border controls. **All countries closed their borders (land, air, sea) to human traffic except for cargo transport;** Burundi is the only exception which still has its border with Tanzania open to human crossing. Deliveries to South Sudan have been affected by the long queues at the border due to restrictions imposed by the curfew in Kenya and the lockdown in Uganda.
- However, during the first week of April, monitoring by East African Grain Council (EAGC) reported some improvement in cross border trade movement. At Busia Border between Kenya and Uganda for instance, **long truck queues that initially stretched kilometres from the border have reduced significantly following harmonization and improvement of work processes by both security, immigration and custom officials from both countries. There has been a general concerted effort by the governments and local authorities to allow flow of domestic and regional trade despite the challenges.**



3.1 TRADE CONT'D

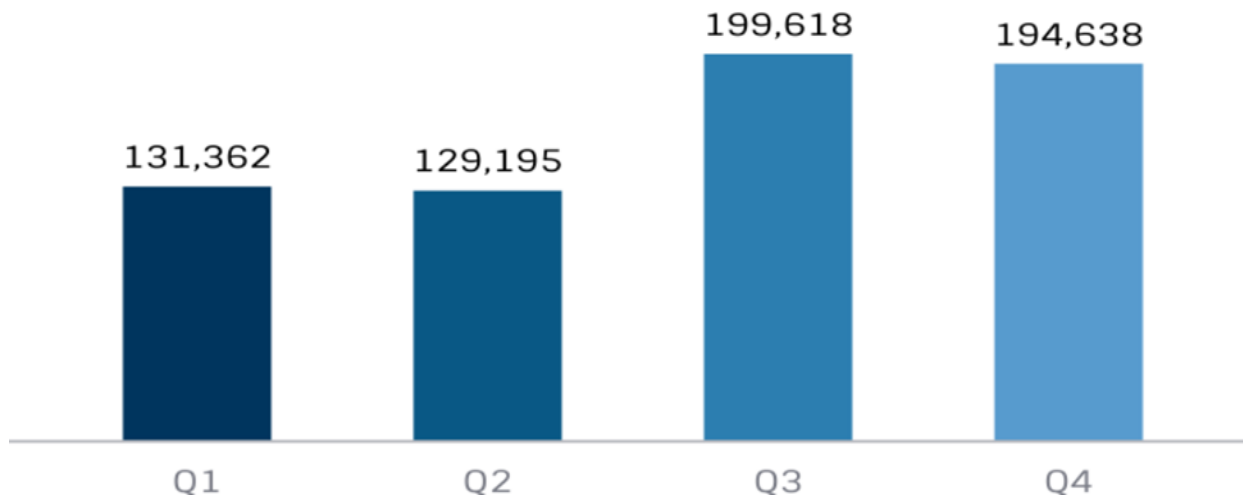


Figure 1: Regional Maize Trade, 5-Year Average

Source: WFP Release 2.0-Impact of COVID on livelihoods, food security and nutrition in East Africa -19, 15 April 2020

- Trade volumes in the first two quarters of the year are normally lower compared to the peak flows in Q3 and Q4 because of higher domestic availability of food from local harvests in most markets during the first half of the year (Figure 1). Whether there will be any significant deviation this year (2020) from the normal trends is to be seen.



3.2 FOOD PRICES

- According to the World Food Program's market monitoring data indicates that, overall, there are no significant spikes in food prices due to COVID-19 yet, though there have been some issues with access to markets and occasionally panic buying by consumers. Maize prices in the region's capital cities are trending in line with the seasonal patterns.
- Prices decreased slightly or remained generally stable month-on-month in all major markets **between December 2019 and March 2020**, reflecting steady trade supply and availability from the previous harvests in December/ January. Stable prices could be due also to reduced demand following restrictions on movements.
- Governments in Rwanda and Uganda started food distribution to vulnerable urban households which could also contribute to suppressing demand and driving down staple food prices. **However, the prices remain very high when compared to the same period in 2019 and the five-year average levels (Figure 2). For instance, the price of maize and beans in Burundi in March was higher than same time in 2019 by 23% and 17% respectively, as per recent WFP mobile Vulnerability Analysis and Mapping (mVAM) data.**

3.2 FOOD PRICES CONT'D

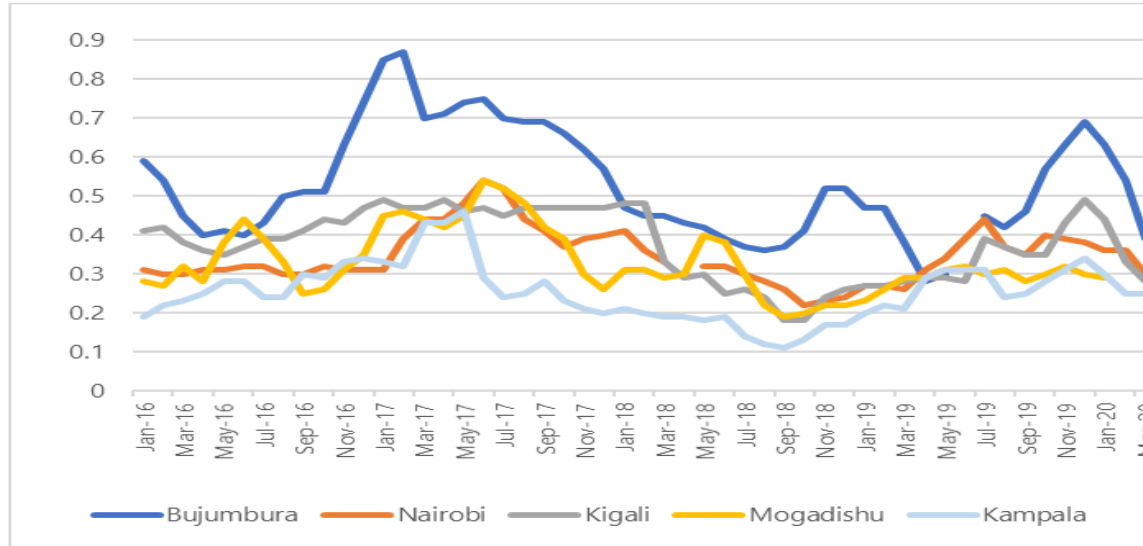


Figure 2: Trends in Retail Maize Prices (USD/kg)

Source: FEWS NET (2020), Regional supply and market outlook, East Africa

- Contrary to the overall seasonal trend, some markets in South Sudan - particularly Juba and Rumbek registered steep atypical increase in staple food prices in March (Figure 3). In anticipation of COVID-19 spread in South Sudan, there was unprecedented increase in food prices within the month of March.

3.2 FOOD PRICES CONT'D

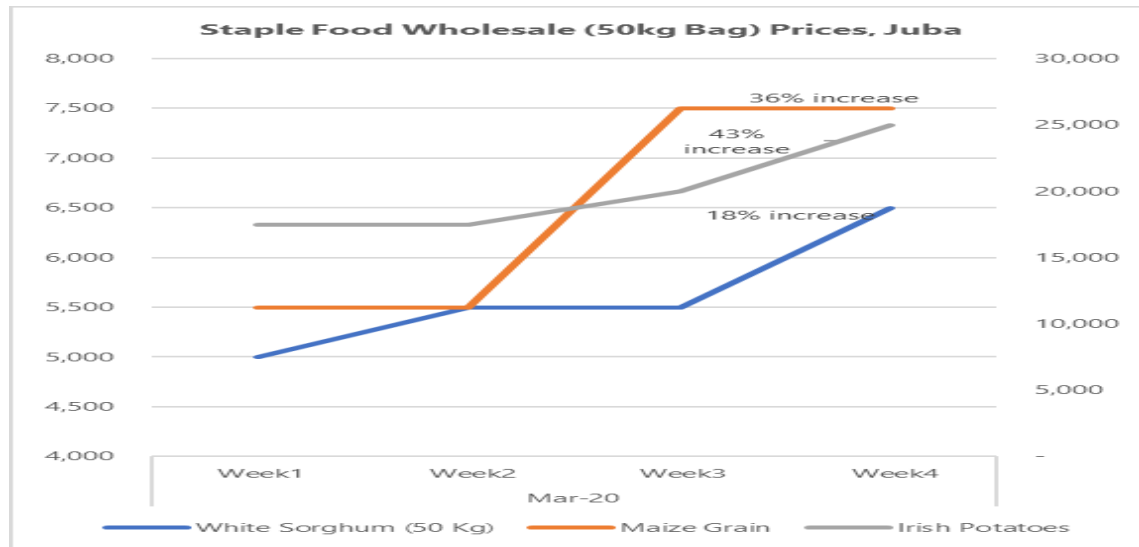


Figure 3: Staple Food Wholesale Prices (50 kg bag), Juba-South Sudan:

Source: FEWS NET (2020), Regional supply and market outlook, East Africa

- In Juba, for instance, the prices of essential food commodities rose in the main markets from the 3rd week of March (the week prior to the adoption of restrictive measures), as only shops dealing in food items could operate, while street vendors were prevented from working. Major impacts have been observed on maize grain, white sorghum and Irish potatoes. Price increases are likely to replicate elsewhere in the country following increased restrictions on.

3.3 EXPORT SHOCKS

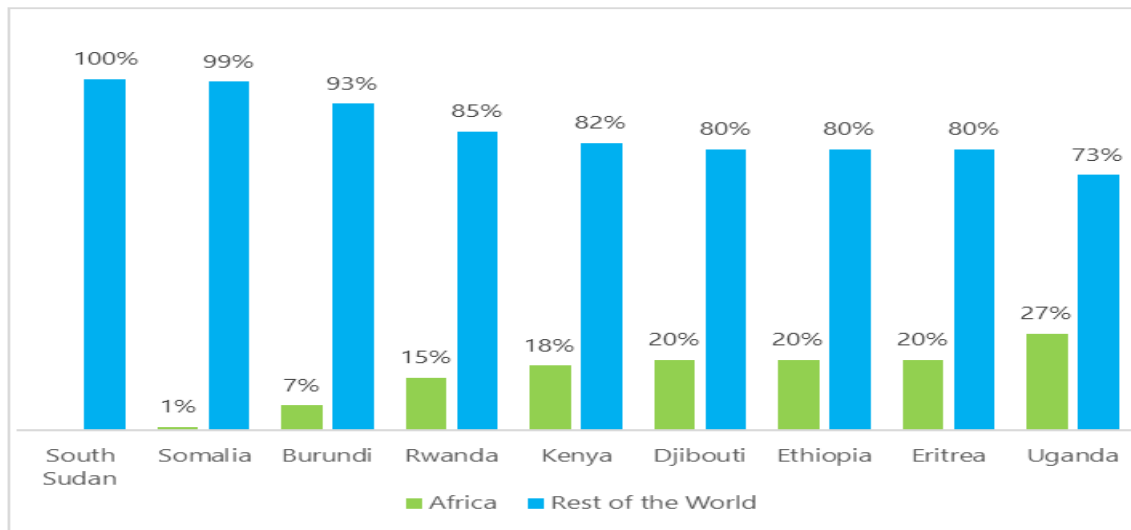


Figure 4: East African Export Exposure (2014-18 average)

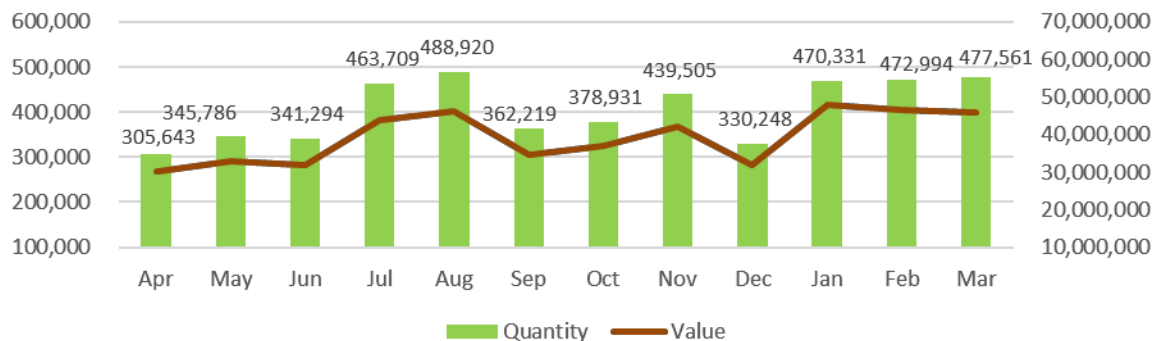
Source: WFP (2020),
Economic and food
security implications
of COVID-19

- According to WFP (2020), *Economic and food security implications of COVID-19*, the countries in the region are highly exposed to spill over effects of demand shocks in export destinations as most of East African exports go to China, Europe and America (Figure 4). With the ongoing global economic crisis, any disruption in exports is likely to have serious adverse impacts on local economies and livelihoods. This could result in economic decline with South Sudan and Kenya likely to be most affected.

3.3 EXPORT SHOCKS CONT'D

COFFEE IN UGANDA

- According to the *Uganda Coffee Development Authority*, **Coffee exports for the 12-months period (April 2019 to March 2020) totaled to 4,877,141 bags worth US 471.59 million compared to 4,108,401 bags (US\$420.45 million) the previous year.** By comparing quantity of coffee exported by type in the same month of last Coffee Year (March 2019 and 2020), **Robusta registered a percentage increase both in quantity and value (45.29% and of 36.24%) respectively. Arabica exports also registered a percentage increase in both quantity and value (15.30% and 34.39%) respectively.** The increase in exports has been attributed to the increased production on account of fruition of the newly planted coffee, the onset of rains notwithstanding. Exporters also drew down on their stocks in the midst of the lockdown due to the COVID-19 pandemic. Exports are yet to be affected by the virus. The effect of COVID-19 on coffee production has not been quantified yet for coffee exports.



Comparison of Coffee Exports of March 2018/19 and 2019/20 Coffee Years - Uganda

3.3 EXPORT SHOCKS CONT'D

MOMBASA TEA AUCTION

- The East Africa Tea Trade Association, postponed auction-12, the secondary auction of Monday 23rd and primary auction of Tuesday 24th April. **This auction has offerings from Kenya, Uganda, Tanzania, Rwanda, Burundi, Democratic Republic of Congo, Malawi, Madagascar, Mozambique, and Ethiopia.** The disruptions of the tea auction is expected to have great repercussions on the entire value chain of tea across the region.

HORTICULTURE

- In March 2020, Kenya's 170 horticultural farms ran seriously low on cash losing over 250 million shillings (\$2.3 million, 2.1 million euros) a day. **However, the situation has become better with flower exports disposing off 20% of production compared to 80% when export markets had enforced strict lockdowns.**



A photograph of a cornfield at sunset. The sun is low on the horizon, creating a strong lens flare effect with multiple rays of light. The corn plants are in the foreground, and a line of trees is visible in the background under a clear sky.

A FOCUS ON FOOD SYSTEMS, FOOD SECURITY & AGRICULTURAL LIVELIHOODS AMIDST COVID-19!

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3.5 RECOMMENDATIONS

Although East Africa has a relatively young workforce compared to other regions, which may hold some advantages when it comes to countering the effects of COVID-19, **it undoubtedly faces many challenges that require significant action from multiple stakeholders if the risk of food shortages is to be mitigated.**

In the absence of substantial state-backed financial interventions and economic packages akin to some European countries, some important measures can be taken. Although each country has different levels of infrastructure, government policies and trade links, the focus is on the following possible solutions:

- I. Regional Coordination:** It is vital that the efforts and strategies put in place to tackle COVID-19 are implemented at a regional level rather than national scale; where collective can help protect the most vulnerable countries and prevent the economic and social kick-back from the pandemic being the real disaster. Further funds are needed from financial institutions, and institutional to provide liquidity to struggling Agri-businesses to recover from the pandemic.



3.5 RECOMMENDATIONS

- II. **Adoption of Agri-Technologies:** There is a clear opportunity for both technology companies and investors to not just help revolutionize Africa's agricultural industry and food supply systems but tap into a potentially lucrative market. At BCLP we are very well placed to aide this push, with our top tier global Agribusiness and Food ranking and our long history of advising investors and start-ups across the world.
- III. **Resumption of Air Cargo Transport:** There is need for liberalization of the EAC airspace, such that regional and international cargo carriers can pick consolidated products for export from each EAC Partner State to Europe, Asia and America where they have substantial and consistent demand.
- IV. **Need for Economic Stimulus:** Need for an economic stimulus to help agriculture producers and traders to recover from and production and export shocks.
- V. **Employment Protection:** Need for concerted effort to ensure employers in the Agriculture sector protect jobs to as a way to maintain available skills and promote continuity and sustainable growth of the sector.





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