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### PRESENTATION

Exploiting the Agriculture Value Chain in Africa

by

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## **Breaking the Chains of Commodity Dependence: Exploiting the Agriculture Value Chain in Africa**

*Speech by Dr. Agnes Kalibata,  
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## **CUE NOTE 1:**

Acknowledge:

- **Dr. Mukhisa Kituyi**, Secretary-General, UNCTAD
- **Moderator:**
  - **Hon. Mr. Adan Mohammed**, Cabinet Secretary, Ministry of Industry, Trade and Cooperatives Government of Kenya
- **Panelists:**
  - **Hon. Mr. Mohammad Reza Nematzadeh**, Minister of Industry, Mines and Trade, Islamic Republic of Iran
  - **Dr. Léonce Ndikumana**, Professor of Economics, University of Massachusetts, Amherst, United States of America

### **NOTES:**

- UNCTAD Overall Guidelines for Panel Session:

*Outline AGRA's vision for agricultural development in Africa, to then focus on two or three priority policy areas for which AGRA has an innovative set of recommendations. Within this overall picture, we would welcome her focusing on smallholders to illustrate her proposals. At the end of her speech, I would hope that the audience would have before them a short list of specific, achievable policies, tools and investments, to which they can react during the debate portion*

## **CUE NOTE 2: Concept of 'Learning Economy'**

1. **We've known for a long time that raw commodity exports provide a shaky economic foundation.** GDP growth alone fails to tell the full story. Even when it appears strong, it fails to capture the uneven income distribution of wealth generated by oil or precious metals. We're learning the lesson the hard way at the moment. But if it takes us to a more stable economic foundation, it's worth it.
2. People like Prof. Calestous Juma of Harvard's Kennedy School of Government say that **with commodities crashing it's time for Africa to embrace a learning economy.** People like me say: **it's time for Africa to embrace an agriculture economy. But one that absorbs the lessons of a learning economy.**

### **NOTES:**

- The current slump in world commodity prices is forcing Africa to rethink its traditional dependence on raw material exports. This is why the time for African nations to lay the foundations for transitioning from extractive to learning economies is now. The jolts are real. **The International Monetary Fund has projected that the continent will grow by 3% in 2016. This is well below the 6% average growth over the past decade and the lowest rate in the past 15 years.**
- **AUC has adopted Africa's 50 year – Agenda 2063**, an approach to how the continent should effectively learn from the lessons of the past, build on the progress now underway and strategically exploit all possible opportunities available in the immediate and medium term, so as to ensure positive socioeconomic transformation within the next 50 years.
- The key starting point for Africa is not to retreat into the false safety of "African solutions for African problems." It is to learn from other economies – not just copy them – and adapt the lesson to local needs.

### **CUE NOTE 3: Associating Agriculture to the ‘learning economy’**

1. **But first, why agriculture?** For some, agriculture is the last thing they associate with the modern concept of the learning economy. They think of tech companies, services, banking, and modern manufacturing plants.
2. We need to progress in all of these areas, but here’s the issue: **a strong agriculture sector is a basic foundation of a successful economy.** We’ve seen it happen in Europe and America 100 years ago and in Asia in more recent times.
3. **This bedrock economic principle is especially true for Africa:** Growth generated by agriculture in sub-Saharan Africa is estimated to be 11 times more effective in reducing poverty than GDP growth in other sectors.

#### **NOTES:**

- Rising net food imports in Africa are expected to grow **from \$35bn in 2015 to over \$110bn by 2025.** Africa has enormous potential, not only to feed itself and eliminate hunger and food insecurity, but also to be a major player in global food markets.
- **The Comprehensive African Agricultural Development Program (CAADP)** ratified by African countries in 2003, seeks to drive continental agricultural revolution, by increasing investment in agriculture, fostering entrepreneurship and investment in agribusinesses and agriculture food value chains, improving national and regional agricultural markets, fostering Africa’s collective food security and improving the management of natural resources.
- Over the last decade, where countries have increased investments in agriculture as per CAADP targets (or have exceeded), they have seen reductions in hunger and poverty, and increases in productivity. **This includes countries such as Ghana, Togo, Zambia, Burundi, Burkina Faso, Mali, Niger, Congo, Senegal, Ethiopia and Malawi.**

## **CUE NOTE 4: Why AGRA exists**

1. So agriculture is not just about feeding people—though that is incredibly important. It's about feeding your economic future.
2. That's why AGRA exists. We want to put our farmers at the center of Africa's economic growth. And we do that by changing the reality of farming from a solitary struggle to survive to a viable source of income linked to a vibrant agriculture sector. It starts with the fact that most Africans today are smallholder farmers. And most of them are subsistence farmers.
3. Let's pause and remove any romantic notions of the subsistence farmer. Think about what that means across an economy: if 80 percent of your people are focused only on mere survival, on getting their next meal, your economies will never grow. But if that same 80 percent has an income and is using it to invest in their families and communities, everything changes.

### **NOTES:**

- Contrary to popular belief, agricultural production in Africa has increased steadily: its value has almost tripled (+160%), and is almost identical to that of South America, and below but comparable to growth in Asia.
- However, there has been very little improvement in production factors (labor and land). Agricultural growth in Africa is generally achieved by cultivating more land and by mobilizing a larger agricultural labor force, which produces very little improvement in yields.
- Agricultural production is the most important sector in most African countries, averaging 24 percent of GDP for the region. Agribusiness input supply, processing, marketing, and retailing add about 20 percent of GDP. Global experience suggests that with growing incomes and urbanization driving the commercialization of agriculture, the shares of both downstream and upstream agribusiness activities are poised for rapid growth.

## **CUE NOTE 5: Why AGRA exists**

- 1. AGRA wants to take each and every farmer in Africa and move them from subsistence to market-oriented agriculture.** Then they can achieve their economic potential for themselves and their families, their communities and their countries, and set in motion the true economic potential of Africa.
- 2. How does this transformation in agriculture occur within the context of a learning economy? For AGRA, it's about creating conditions in Africa where farmers have access to the knowledge and technology they need to be economically successful.** Africa has huge tracts of arable land, a large and growing rural labor force already wedded to agriculture, and a growing consumer demand for food products in urban areas that could be worth \$1 trillion by 2030. We combine these advantages with the knowledge and technology to improve everything about our agriculture systems: from the types of crops we produce and the inputs we use, to the way we grow, harvest, store, market and process our food.

### **NOTES:**

- AGRA exists to catalyze an African agriculture transformation. Our efforts have gone far beyond the farm and are working with partners to:
  - Develop locally-adapted seeds (more than 530 seed varieties so far developed) delivery channels and postharvest and Market Access technologies to enable a step-change in yields;
  - New and growing private seed and fertilizer companies (more than 600 enterprises have been set up)
  - Invest in enterprises delivering agro-dealerships (25,000 dealers set up to date), enhanced post-harvest (more than 650,000 farmers trained) and financial tools that are more accessible to smallholder farmers and businesses;
  - Build stronger farmer organizations (9,900 organizations) and markets;
  - Support African agricultural leaders; and an improved policy environment that enables the agricultural sector to flourish.

## **CUE NOTE 6: Why AGRA exists**

1. In a learning economy people are empowered to be more proactive about their future. In agriculture, that means we don't have to wait for drought to cripple our food production. We learn how to breed drought resistant varieties now. We diversify by increasing farmer access to more resilient crops. We create trade pacts that help food flow from one country to another.
2. We don't wait until we have a bumper crop to figure out how to store it and where to sell it. We don't wait for foreign producers to capture our \$1 trillion domestic market for food products. We start working now to ensure that market is owned and operated by African farmers and African food companies.
3. That's what we have been doing at AGRA for 10 years now—focusing on the knowledge and technology our farmers and local agriculture businesses need to succeed. Burkina Faso has had an impressive 7.2% annual growth rate in agricultural production between 2005 and 2012 as a result of several key structural reforms made by government, as well as interventions supported by AGRA, development partners and private sector players.
4. AGRA has invested in 28 districts spanning three regions in Ghana: Brong Ahafo and the Northern Regions, areas established as the breadbasket of the country. There is consensus that Ghana's smallholder farmers can rapidly increase production and incomes if the necessary interventions are put in place. AGRA is now pursuing a holistic and integrated approach to agriculture development with a focus on four crops—maize, rice, cassava and soya beans
5. In Mozambique, AGRA is investing in smallholder farmers to gain ground through integrated approaches in order to enhance agricultural productivity and downstream value chains for increased employment and the private sector involvement.

## **CUE NOTE 7: Farmers needs**

1. **They need access to inputs:** a lack of two basic ingredients of farming, improved seeds and fertilizers, is a key reason yields on African farms are far below what farmers elsewhere in the world produce. In Malawi the government implemented a universal subsidy on a rationed amount of maize seed and fertilizer. In the subsequent seasons after this policy enactment, harvests exceeded national requirements and records have been broken.
2. **They need access to credit:** we look for innovative ways to help smallholder farmers get financial support for investing in production improvements. Last year, **through a partnership comprising AGRA and the MasterCard Foundation and worth US\$15.5m, the Financial Inclusion for Smallholders Farmers in Africa Project (FISFAP), launched to facilitate 700,000 farmers in Ghana, Kenya, and Tanzania** to access financial services including insurance, payments, savings and credit.
3. **They need better ways to manage their harvests:** Today many African farmers lose up to 30 per cent of the grains produced due to inadequate post-harvest management, lack of structured markets, inadequate storage, and limited processing capacity. However, if you go to southern Tanzania today, they are now better secured through 'YieldWise' a postharvest program by Rockefeller Foundation in partnership with AGRA to reduce losses in staple crops.

## **CUE NOTE 8: Farmers needs**

1. **They need supportive policies:** Governments need to focus on what they do best and let the private sector handle the rest. AGRA's 6-year Policy Action Nodes and Hubs project in **Ghana, Mali, Mozambique and Tanzania generated local evidence and policy uptake actions** for agricultural transformation. Many of these countries have since provided the right policy environment to support agriculture.
  
1. **We need governments to honor their commitments to invest 10 percent of national budgets in agriculture.** That's less than the 11 to 14 percent that fueled Asia's growth. Over the last decade, where countries have increased investments in agriculture as per CAADP targets (or have exceeded), they have seen reductions in hunger and poverty, and increases in productivity. This includes countries such as Ghana, Togo, Zambia, Burundi, Burkina Faso, Mali, Niger, Congo, Senegal, Ethiopia and Malawi.

## **CUE NOTE 9: AGRA's new trajectory**

1. Perhaps most important, **all of these interventions need to be integrated into a cohesive package. And that's where things are getting very interesting today in Africa.**
2. **Today AGRA is in the midst of a major transition.** We are taking our hard-won expertise in seeds, soils and markets—along with finance and policy— and scaling it all up as a full package of agriculture solutions for smallholder farmers. No more pilot projects. We are targeting an entire country's agriculture sector.
3. **In the first half of this year, we have had extensive consultations with partners in Tanzania, Ghana, Mali, Burkina Faso, Kenya, Mozambique and Malawi.** They have included productive dialogue with governments, donors, civil society and the private sector. We have reached consensus on detailed, country-specific, strategies for pursuing large and sustainable economic growth that is driven by smallholder farmers.

## **CUE NOTE 10: It's time for Africa**

1. AGRA's new integrated plan is focused on what each targeted country needs.

For example in Kenya, AGRA is addressing the 'missing middle' in crop value chains, primarily through supporting smallholders to grow produce at the quality and quantity required by market actors and unlock investment from the private sector. In Ethiopia, AGRA is aligned with national priorities and are focusing investments in wheat, maize, tef, haricot beans, and sorghum in Ethiopia's principal production zones: Amhara, Oromia, and Tigray

2. The support we are seeing for these very ambitious, country-wide plans tells us that an alignment of interests is emerging, a consensus that it's time to go ALL IN on agriculture in Africa. Our partners in the public and private sector, in African governments and donor countries, are ready to embrace the market potential of smallholder agriculture—to improve food security, to create jobs, to build a future for Africa as has been the case in the Latin America and in Asia.

1. That's why you saw such strong support last week in the United States for President Obama's Global Food Security Act, which is very closely aligned to AGRA's market-oriented strategy and our partnership with the USAID In Africa

## **CUE NOTE 11: It's time for Africa**

1. As the former president of Nigeria has said, **agriculture can be the NEW OIL for much of Africa**—only that it is better than oil. It can bring prosperity that is shared across all income levels, which is something oil has never done for our continent.
2. **One reason I am optimistic is that I owe my success to agriculture.** I am here because my parents farmed a small piece of ground and raised a few cows so that they would have enough money to send me to school. I stand before you today because people and institutions who invested in African agriculture were really investing in me.
3. Today, my work at **AGRA brings me in regular contact with situations where access to basic agriculture knowledge and technology is making a dramatic difference** in people's lives.

## **CUE NOTE 12: Why should you care?**

- 1) Just a few months ago I was in Malawi talking with a farmer who was heading to market with a surplus crop. As you know southern Africa countries are dealing right now with severe drought with almost half the people in some counties like Malawi in need of urgent food assistance.
- 2) While maize was failing everywhere, this woman had access to sweet potato vines through an informal farmers' network that helps its members sell their produce and obtain inputs. Here was a woman who in her own way was operating in a learning economy. She thrived while many others were seeking food aid.
- 3) I routinely go into villages where farmers are now starting to earn \$100 even \$1000 a season for their labor and you can see the change in their facial expressions, their posture, in their sense of focus and determination for the future. That is the reality - farmers with money to spend, are sending sustained ripples through an entire country's economy.

### **CUE NOTE 13: Finally**

That's what motivates me. If you perceive what I see playing out at smallholder farmer households all over Africa you will comprehend that this often feared 'commodity crash' is nothing but a façade that Africa can overcome when we:

- 1) Seize the opportunity to make agriculture a top priority for Africa economies
- 2) Place the smallholder farmer at the center of this agenda; and
- 3) Bet on them to break away from commodity dependence.

Thank you.