



## AGRICULTURE SECTOR

### Background

Agriculture is an important sector in the COMESA region with over 60 percent of the population depending on the sector for their livelihoods and employment. The sector's contribution to employment ranges from a low of 5 percent of the economically active in Libya to a high of over 90 percent in Rwanda. This notwithstanding, agriculture potential in the COMESA region remains under-exploited due to less mechanized production, infrastructure challenges and dependency on rain-fed agriculture. This negatively affects the economic significance of agriculture, leading to food insecurity and slow development of the sector in the region.

According to the COMESA Agriculture Report 2015, generally agriculture in the region is characterized by low agricultural productivity whereby yields of most crops in the member countries are below world averages. The crops on which the majority of the population in COMESA depend for food and incomes have very low yields e.g. maize was only 35% of the world average in 2015. Further, per capita production has declined in COMESA over the last 30 years for most crops, except soybeans, potatoes, tea and wheat, yet these are not the most important crops in terms of providing food or cash income for most people in the region. Notably, the per capita production of key staples such as cassava, banana, and yams declined with the same scenario being experienced for key cash crops including tobacco and coffee.

A myriad of challenges exist in the agriculture sector undermining the efforts towards food and nutrition security in Africa. Key among them is: poor policies (export bans, import duties, subsidies, price and inflation regulation) and weak institution hindering market access and demand driven agricultural development and limited access to land. Secondly challenges is poor market access which is mainly caused by lack of market information, poor infrastructure,

tariff and non-tariff barriers (NTBs), SPS barriers, labeling and traceability requirements. This results especially to exclusion of small farmers from formal markets. Thirdly, underdeveloped infrastructure which includes limited electricity supply, poor storage facilities and road networks as well as lack of access to water and irrigation technologies. Poor road networks in particular tend to increase the cost of doing business while the poor storage facilities result in post-harvest losses. Fourth, is poor of research, innovation and extension services which affect agricultural productivity throughout the value chain. There is a lack of well-trained scientists but in addition diffusion and adoption of technology remains very low.

Other challenges in the sector include:

- i. *Lack of market information:* This affect planning resulting in production that is not demand driven and informed by market forces.
- ii. *Poor technology and mechanization:* Poor technology affects the whole production chain, including agro-processing. In particular, poor harvesting and storage techniques result in post-harvest loses (PHLs).
- iii. *Low investments and private sector participation:* This results in poor productivity along the whole value chains. Financing requirements for African agriculture remain substantial.
- iv. *Climate change and unsustainable use of land and water:* Of key importance to combat climate change is to invest water harvesting techniques and irrigation. There is also need to set up clear water policies and strategies for proper management of water resources.
- v. *Lack of value addition and agro-processing:* There is need to promote agro-food industries and Small and Medium Enterprises (SMEs) involved in agro-processing activities. Private investment in the agro-processing industry in Africa is low.

## Opportunities

Despite the challenges discussed above, opportunities exist in increasing agricultural role in sustainable economic development. Some of the challenges above in fact can be turned into opportunities. Key identified opportunities are the following:

1. **Import substitution:** Trade statistics reveal clear evidence that Africa is still a net food importer. In this regard, efforts should be geared towards import substitution programmes. To tap on this potential, there is a need to develop agricultural productivity and agro-processing industries.
2. **Use of ICT:** ICT platforms are important in data collection and reporting; for example in capturing

data on markets, prices, inputs and genetic banks, financial services, genetic engineering and breeding for resistant and fast growing species of plants and animal etc.

3. **Engaging the youth in agriculture:** The continent youth unemployment and youth flair for ICT and innovation offer great opportunity for the continent to use their skills in agriculture. This includes use of ICT to offer extension services.
4. **The rapid economic growth of Africa:** With growing middle class, demand for value added, processed foods is increasing. The growing population also translates to increasing demand for food. There is therefore an opportunity for Africa to meet this demand through internal production, with reduced reliance on imports as is the case at the moment.

## Sub-sector Briefs

### 1. Horticulture Sub-sector

Horticulture presents great potential for trade in COMESA region if fully exploited. The sector mainly includes fresh vegetables and fruits and is considered to have low volume/high value as opposed to high volume/low value agricultural commodities such as maize.

Among the top exporters of horticultural products in COMESA are Egypt (46%), Ethiopia (36%) and Kenya (11%), while the rest of the countries share small proportion. In terms of fruits, Egypt is the major exporter accounting for 82%, of the amount exported by COMESA with Kenya accounting for 9%. Exports of horticultural products rose by 13% from 2012 to 2014. Imports of horticultural products rose by 68% from 2010 to 2014. A huge market for horticultural products within COMESA exists.



### Key Challenges in the sub-sector

- ✦ High cost of transportation – the horticultural products can only be transported by air freight due to their perishable nature.
- ✦ High costs of energy required to provide water for crops.
- ✦ Failure to meet all the Sanitary and Phyto Sanitary (SPS) measures by the European market coupled with poor farming methods that lead to products of less quality and standards.
- ✦ Investment in alternative sources of energy so as to mitigate the shortage of electricity as a result of low hydro power generation.
- ✦ Lack of reliable data on levels of products.

### 2. Dairy Sub-sector

In COMESA the dairy sector is crucial for rural development, poverty reduction and food and nutrition security, yet it potentially remains underexploited. The sector faces many production, marketing and trade constraints that hinder its development. The sector is plagued by low dairy farm productivity and inadequate milk quality stemming from various constraints

including technological, capacity, organizational and policy ones.

In terms of milk production the sub-sector is one of the fastest growing agricultural sub-sectors. It has generated significant economic returns and employment opportunities along the dairy value chains.

According to the European Centre for Development Policy Management Briefing Note N0. 78, the demand and supply of dairy products is raising with the Eastern Africa countries leading in consumption of dairy

products. On the supply side, the production of dairy products is increasing but trends differ among countries in the region.

### Dairy Production in Eastern Africa in 2011

Country	Milk (million t) 2011	Milk (% growth rate 2000-2011)	Butter (1000 t)	Cheese (1000t)
Ethiopia	4.4	14.2	17.6	5.8
Kenya	4.3	5.5	14.7	0.3
Rwanda	0.2	5.3	0.7	n/a
Tanzania	1.8	7.8	31.5	13.0
Uganda	1.2	8.0	n/a	n/a

Source: ECDPM Note No. 78

In terms of trade dynamics dairy production in the region essentially remains a domestic, or even localized, business. Very low percentage of the raw milk supply, depending on the country and sources, is marketed and distributed through formal channels, whereas less than one per cent of dairy products are exporters within or outside the region. To a large extent, this is explained by the fact that milk and dairy products are difficult to trade due to their perishability, tropical temperatures that exacerbate the perishability issue and also to the relatively high costs of trading across borders in the region. The dairy production systems are generally categorised into three types, pastoral, agro-pastoral and sedentary systems.

In terms of the marketing structures, about 90% of the milk produced by smallholder milk producers sold through formal or informal channels, whereas the remaining 10% is retained for the own consumption of households and for feeding calves. The collection and bulking of raw milk from farmers is the first step in the marketing chain. Milk channeled onto the market is delivered through a diverse range of actors in the informal and formal chains, including collectors,

transporters, and traders operating on the informal market, and collection agents, transporters or employees operating on behalf of the processing companies. Milk collection centres, also called “milk hubs”, facilitate this step. The cooperative is the most common structure for milk marketing.

### Key Challenges

- ❖ High milk production and collection costs.
- ❖ Inadequate quality of raw milk which limits the volumes of processed products that processors can supply, especially for value-added products such as milk powder, sour milk, cheese and yoghurt.
- ❖ The loss of milk due to spoilage is also cited as a major risk for all stakeholders in the dairy supply chain, with impacts on income loss, supply disruptions, the lack of broad-based use of modern farm technologies/practices and improved breeds explain a great deal of the productivity gap
- ❖ Throughout most of the region, fodder availability is inadequate and prices are too high for smallholder dairy farmers to access.

### 3. Tobacco Sub-sector

In COMESA region more than 17.76 million people are reliant on the tobacco sector for employment or household income. The tax revenues generated by the tobacco value chain were valued at \$3.79bn during 2011. The exports of tobacco and related products totaled \$1.4 9bn in 2011 compared to imports of only \$622m. In order to promote the tobacco sector there is need for an enabling legislation environment which is among the key challenges in the sector. Further, support to creation of trade flow of other crops based on mapping of tobacco production; creating warehousing networks, creation of small local processing units to add value is also essential.



### Challenges in the sector

1. Disconnect between international policy proposals and socioeconomic realities, regional & national strategies/laws on agriculture, trade, fiscal development and public participation in policy formulation

2. Lack of evidence and science based regulation that takes into consideration both health and trade obligations of the Member States
3. Policy formulation before undertaking robust impact assessments on socio-economic development, revenue, trade and agriculture
4. Lack of proper consultative mechanisms involving all stakeholders with fair representation and participation of affected sectors at all international, regional and local fora

### CBC approach/ Way forward

To promote agriculture sector in the region there is need to address the various challenges hindering growth. Interventions of attention include increasing investment in agriculture and access to farm inputs especially seeds, fertilizer and water harvesting techniques and irrigation among others; capacity building for small scale farmers with a focus on good agricultural practices, record keeping, food safety management systems, business skills and ICT; research and technology; market linkages and organization of smallholders into groups whereby they can amplify their voice in negotiating for better terms with big buyers and also invest in logistics and farm inputs.

### **Local Sourcing for Partnerships Project**

COMESA Business Council has been implementing the CBC Local Sourcing for Partnerships Project in six countries namely: Ethiopia, Kenya, Malawi, Rwanda, Uganda and Zambia. The objective of the project is to build the technical capacity of SME's agro food suppliers in on standards and to promote business linkages into the supply chains of corporate industries. The project's focus is on tourism and food and beverages sector. Below are result areas of the initiative:

1. **Capacity building for the small and medium enterprises in the agro-processing sector:** Through the Local Sourcing for Partnerships project COMESA Business Council is facilitating training of farmers and SMEs in the agro-processing sector on standards and food safety management systems. The training is mainly based on international HACCP.
2. **ICT and information:** To facilitate access to market information an online business platform has been established – the CBC BIZNET. The platform contains market information from the various countries. It affords the seller in the various sectors a platform to market their products and also for the products they need online. <http://comesabusinesscouncil.org/Account/Login>
3. **Market Linkages:** CBC facilitates market access through organizing the buyer-seller forums. The platform provides an avenue for the national and regional buyers to meet and interact with the suppliers of various agricultural products in order to learn the key requirements for suppliers. It also avails the suppliers a chance to market and show case their products to potential buyers.





Participants exhibit their products during the Local Sourcing for Partnerships Project Training Workshops

In 2017, under the Tripartite, CBC is leading in the expansion of the initiative to three more countries namely Tanzania, Madagascar and South Africa.

### Corridor Supply Chain mapping project: *Towards Fostering Business and Trade within the Supply Chain Networks along the Transport Corridors in COMESA*

The COMESA Business Council with funding from Africa Development Bank is implementing the COMESA-Agro and Industry Corridor Project. The main objective of the Project is to show how corridors can generate economies of scale in agriculture and other priority sectors by through fostering potential business partnerships that will be identified along the corridor. The project focus is on two corridors the first being the North South Corridor (NSC) which links Southern African to East African markets comprising of 5 countries – South Africa, Zimbabwe, Zambia, DRC and Tanzania. The second one is the Northern Corridor which provides access to regional and international markets for the landlocked countries of

East Africa which covers the following 5 countries, Kenya, Northern Tanzania (Arusha region), Uganda and Rwanda.

The study is focusing on agro and industry supply chains and will result in a detailed assessment report on potential opportunities to establish sustainable partnerships along the corridors and secondly a Business Guide will be developed on the purchasing and other requirements to facilitate sustainable business partnerships between the potential buyers and existing supplier enterprises operating along the targeted corridors.

### Policy influencing

In 2016, the 11<sup>th</sup> COMESA Business Forum focused on the agro-processing sector with an aim of promoting partnerships within the agroindustry sector and also engaging the high level policy makers on some of the key constraints faced by the local enterprises in region. Among the key recommendations adopted include:

1. Policy and regulatory frameworks whereby MS were requested to adopt balanced frameworks that support consistency of production I agriculture through integrated production systems.



Delegates during the 11<sup>th</sup> COMESA Business Forum held in Madagascar in October 2016

2. ICT, Innovation and access to information whereby MSMEs were urged to increase investment in ICT and use of technology driven solutions while the MS were requested to increase platform for access to information and also to link policy research institutions in science and technology to support MSMEs in products development.
3. MSME certification, standards and quality assurance whereby the Member states are requested to support MSMEs in the

certification of their companies and to initiate a financial mechanism to support the certification and market access compliance by MSMEs.

4. MSME financing MS were urged to develop specialized SME financial solutions with customized facilities for access to finance; and the implementation of a COMESA SME Fund.

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