



Agriculture

The challenge faced by raw commodity producers

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The challenge faced by raw commodity producers

African countries with large agricultural sectors mainly export raw products without **value addition** and need help to go up the value chain. For example:

- Africa produces about 45% of the world's cashew nuts, with 90% of the crop exported for processing overseas but with little benefit to the 2.5 million farmers involved in the industry. The **African Cashew Alliance** estimates that a 25% increase in raw cashew nut processing in Africa would generate more than US\$100 million in household income. As it is, a recent report noted that Tanzania's farmers get rock-bottom prices, and the country imports its nuts back after processing to meet buoyant domestic demand.
- Africa also produces 70% of the global total of **cocoa**, with much of that from Ghana and Côte d'Ivoire, the two largest **producers** globally. Yet these two countries only receive 5% to 6% of the revenue from an annual market estimated to be worth US\$130bn annually.

Many efforts have been made to address such **unequal relationships**. Recently, the March 2018 Abidjan Declaration by the presidents of Côte d'Ivoire and Ghana again seeks a common sustainable cocoa strategy that would increase the prices received by cocoa farmers. The subsequent **Côte d'Ivoire-Ghana Cocoa Initiative** (CIGCI) announced that from October 2020, the two countries would charge a fixed premium of US\$400 a ton over the benchmark futures price plus a country premium linked to quality. The Living Income Differential (LID) initiative is intended to guarantee producers a minimum price in a market that some describe as a quasi-oligopoly with a small number of buyers and sellers who have to sell goods that cannot be easily stored.

These **measures** will only succeed with simultaneous better management and control of domestic production. This remains a challenge, and many countries across the continent need help to implement these measures and policies. The LID, for instance, while yielding short-term benefits, has since struggled in practice. A combination of the COVID-19 pandemic, corruption, opposition from significant purchasing companies, pressure from environmental lobbyists and the lack of regulation in the production sector all contributed to **limited adherence** to the LID. The sector faces additional pressures as Ecuador and Brazil emerge as non-African cocoa-production competitors.

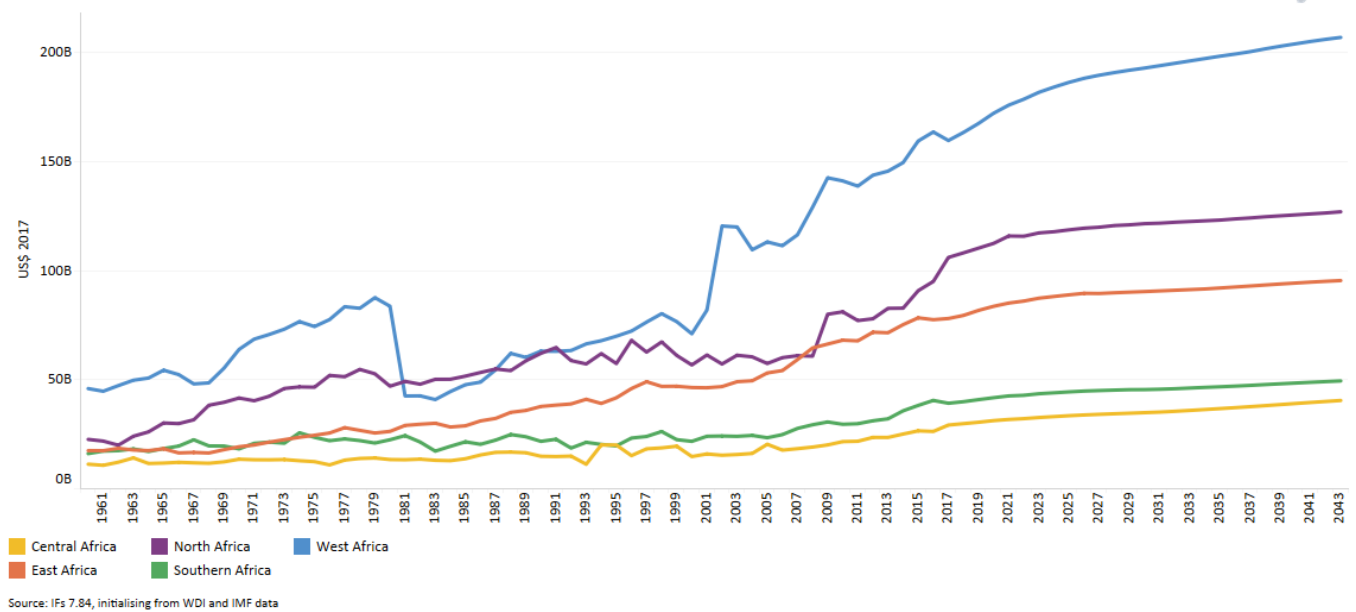
Beyond commodity-specific efforts regarding cocoa and cashew nut production, there have also been many public and private initiatives on the continent to boost agriculture production and food security. Some of these include:

- The Comprehensive Africa Agricultural Development Programme (CAADP) led by the African Union encourages countries to invest 10% of national budgets in agriculture.
- The Green Revolution Programme involves public and private initiatives to produce and distribute improved seeds, fertilisers and pesticides.
- The African Continental Free Trade Area (AfCFTA) can give access to a more extensive consumer base while promoting the trade of various agricultural inputs (e.g. access to better seedlings, fertiliser, modern technologies, farming knowledge and climate-smart practices). The AfCFTA will also aid in removing trade barriers and diversifying access to a larger agricultural market and is discussed and modelled in the **AfCFTA theme**.

Given the continent's massive geographic extent and diverse topography and climate, agriculture potential and production differ vastly from region to region and country. Chart 2 presents the contribution from the agricultural sector for each African region and country from 1960 and includes a forecast for 2043.

- In 2019, the agricultural sector in West Africa was the largest at US\$168 billion. The sector has seen astonishing growth over the past two decades, recording a 118% increase between 1999 and 2019. According to the Current Path forecast, it is expected to grow to US\$207 billion by 2043 (a 23% increase).
- North Africa has also seen strong agricultural growth, growing by 80% between 1999 and 2019. The 2019 value of US\$110 billion is Africa's second most significant agricultural region. Growth is expected to be lower in the next two decades at US\$127 billion by 2043.
- Agricultural growth in East Africa is expected to be minimal, with a forecasted 17% increase over the forecast horizon, representing an agricultural sector worth US\$96 billion by 2043.
- At US\$41 billion in 2019, the agricultural sector in Southern Africa is the second smallest on the continent; it is expected to grow by 22% to US\$50 billion by 2043. Central Africa's small agricultural sector has only recently (in the past decade) seen noticeable growth. Strong growth, at 32%, is forecasted between 2019 and 2043, with an expected agricultural sector worth US\$41 billion by 2043.

Chart 2: Agricultural value added per African region: 1960-2043



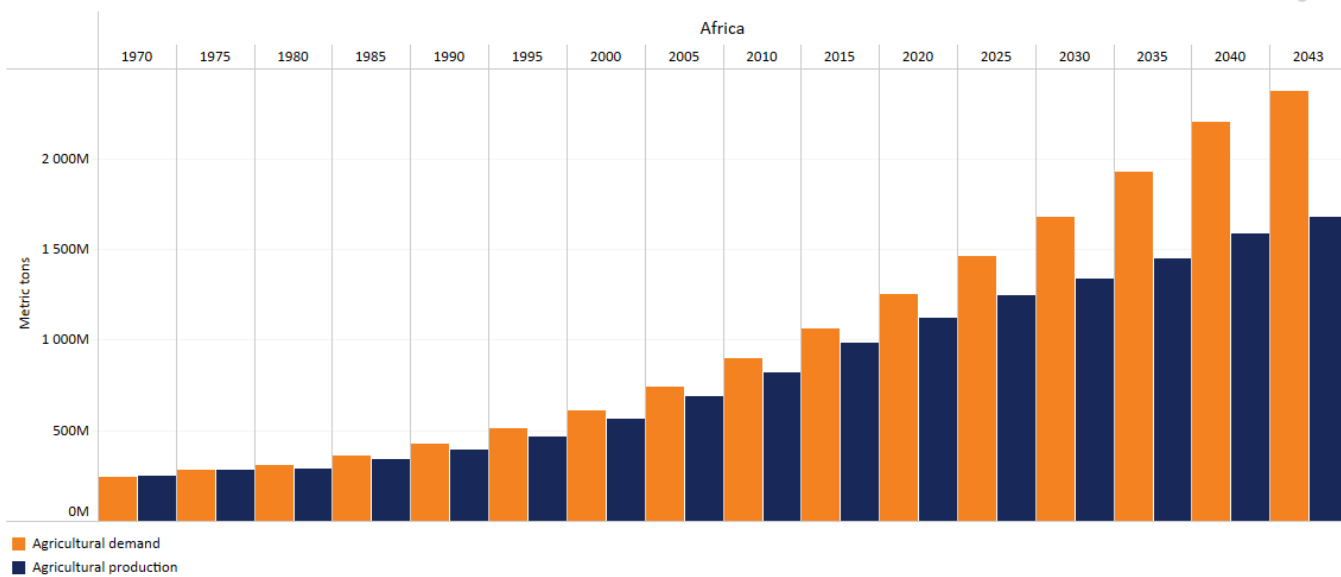
The uninspiring improvement in agricultural productivity and high levels of inequality in Africa amidst rapid population growth contributes to the slow rate of poverty reduction. Evolving dietary preferences also contribute to food insecurity because African countries import more food yearly as Africans turn to non-African foodstuffs.

In 2019, 1 007 million metric tons of crops were produced in Africa—a significant increase from the 365 million metric tons produced in 1990. In the Current Path forecast, crop production will increase to 1 213 million metric tons by 2030 and an estimated 1 473 million metric tons by 2043. Agricultural crop demand is set to increase from 1 125 million metric tons in 2019 to about 1 537 million metric tons by 2030 and to 2 126 million metric tons by 2043. This illustrates a growing demand for foodstuff that will be unmet by local production, as shown in Chart 3.

In the Current Path forecast, Africa's agricultural import bill will likely grow from US\$114 billion in 2019 to US\$510 billion in 2043. Food imports are forecast to increase from 174 million metric tons in 2019 to 754 million metric tons by 2043,

leaving the continent extremely vulnerable to fluctuations in international food prices. Chart 3 allows the user to view and select total agriculture production and demand for any African country or group from 1970 with a forecast to 2043.

Chart 3: Agricultural production and demand: 1970-2043



Source: IFs 7.84 initialising from FAO Food Balance Sheets

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Ms Alize le Roux joined the AFI in May 2021 as a senior researcher. Before joining the ISS, she worked as a principal geo-informatics researcher at the CSIR, supporting various local and national policy- and decision-makers with long-term planning support. Alize has 14 years of experience in spatial data analysis, disaster risk reduction and urban and regional modelling. She has a master's degree in geographical sciences from the University of Utrecht, specialising in multi-hazard risk assessments and spatial decision support systems.

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria office of the Institute. His 2017 best-seller *Fate of the Nation* addresses South Africa's futures from political, economic and social perspectives. His three most recent books, *Africa First! Igniting a Growth Revolution* (March 2020), *The Future of Africa: Challenges and Opportunities* (April 2021), and *Africa Tomorrow: Pathways to Prosperity* (June 2022) take a rigorous look at the continent as a whole.

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