Agro-processing, value chains and regional integration in Southern Africa

SA-TIED Webinar

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Overview

- Regional integration in Southern Africa making progress BUT…the benefits need to be spread
- The case for agro-processing
- What is happening with agro-processing trade in the region?
- Opportunities and constraints
- Supplier development
Regional industrialisation and the role of agriculture and agro-processing

• Agriculture as an engine for growth
  – Potential to add value in the agricultural sector; strong forward and backward linkages
  – Increasing demand for processed foods

• Potential for pro-poor development
  – Boosts demand for agricultural products, increasing rural employment opportunities
  – Highly labour intensive
The dimensions of agricultural/agro-processing trade

1. Growth in aggregate agricultural exports
   - Most countries are net exporters
   - Agriculture a major export product
   - Generally weak export growth
     • Only 6 out of 10 countries expanded $ exports from 2010-2017

2. Intra-regional trade
   - Has not grown rapidly
   - Very unbalanced - SA dominates (exports $3.3 bn; imports $1.1 bn)

3. Role of agro-processing
   - High proportion of exports are agro-processed goods
   - Agro-processed goods more important in regional exports
4. Participation in GVCs

Foreign value-added share by origin in exports of food by country, 2015 (%)
Upgrading through integration into regional value chains? The development of local suppliers

• All stakeholders have an interest in development of agro-processing regional value chains (RVCs)

• What are the entry points?
  – Supermarketisation; large food firms?
    • Debate about impact of ‘supermarketisation’ on suppliers
    • Outward expansion being reversed?
    • Scepticism among business leaders about closer regional integration (e.g. AfCTFA)
  – Codes of conduct
  – Creeping protectionism
Constraints on supplier development

• Supplier development in SA’s neighbours?
  – Scale
  – Certification and quality
  – Infrastructure
  – Finance
Modes of supplier development

• Outcome has been under investment and limited upgrading
• Many initiatives to address this, for example….
  – Massmart supplier development fund
  – Namibian Retail Charter
  – Mount Meru Group (Zambia)
  – PEPZ - Value chain initiative
  – Muzika Zambia – market development
• Addressing coordination failures and missing markets across supply chains – facilitating entry by small and medium enterprises
Modes of supplier development: Nando’s PERi farms project

- 937 fast food restaurants
- Chillis used to be globally sourced
- Now from 1400 smallholders in Malawi, Mozambique and Zimbabwe
- Extension services; prices and contracts directly with farmers

• Implications for addressing market failure in the development of suppliers?
Conclusion and Policy Recommendations

• RVCs create potential in the region but are no silver bullet
• How to drive industrialisation without resort to protectionism?
  – Improved regulatory and investment environment; greater support for agriculture; better infrastructure; easing border controls etc.
  – SA government – genuine ‘developmental regionalism’ agenda e.g. infrastructure, easing cross border investments, opening its market to the region
  – Neighbouring governments – improve operating environments, avoid protectionism, codes of conduct can work
  – Large regional firms – far sighted approach to establish regional supplier base
  – International agencies and donors - align support to incentivise investment in supplier base e.g. partnering, feasibility studies, finance for small suppliers