



# Agro-Processing & Horticultural Exports from Africa

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# Road Map

- Determinants of exports
- Changing Export Patterns
- Impacts of policy reform
- Policy Principle

# Determinants of exports



# “Common sense” view

- Africa can't succeed in manufacturing
- Is a big exporter of raw agriculture
- “Add value” to raw agricultural products
  - Perhaps by taxing/restricting exports of raw product



# Determinants of exports

- Fundamental determinants include factor endowments & technology
- Prior to the 1980s developing countries tended to supply raw materials
  - First (preservation) stage processing co-located
    - eg cotton ginning; tea, coffee processing
  - Most manuf value chains in industrial countries
- Improved transport & communications allow unbundling of value chains
  - Labor-intensive activities in developing countries



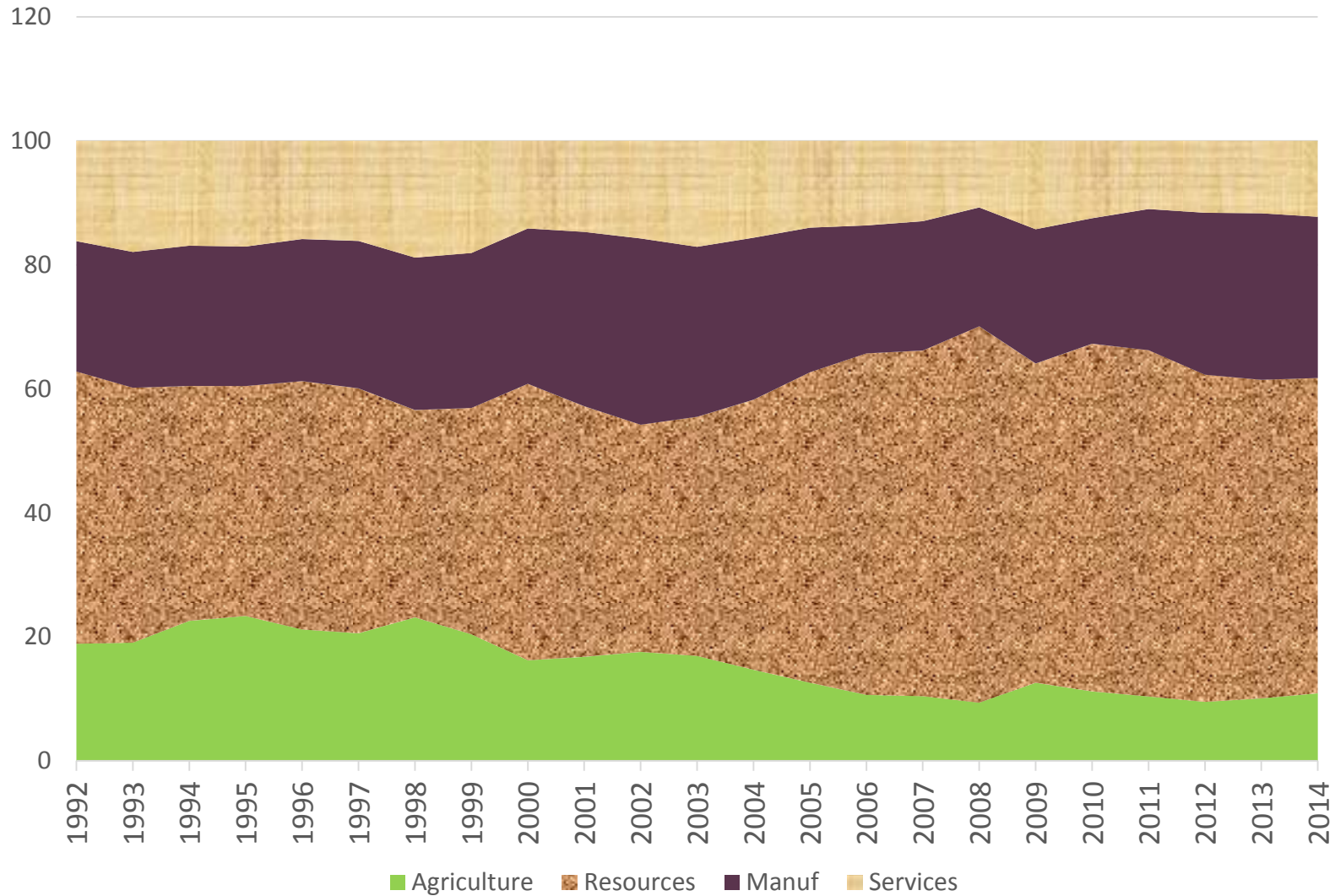
# Nature of exports

- Generally good to be involved in growing markets
- Countries' exports tend to be very specific
  - Challenging to identify which products will succeed
  - Usually relatively few, highly-productive firms involved
    - Increases internalized benefits from export success
  - Also makes exports potentially volatile
    - Further processing does less to reduce volatility than move into entirely new products
- For processing, usually want raw matls to process
  - Need to look for processes that fit endowments

# Changing export patterns



# Agric small share of Africa Exports

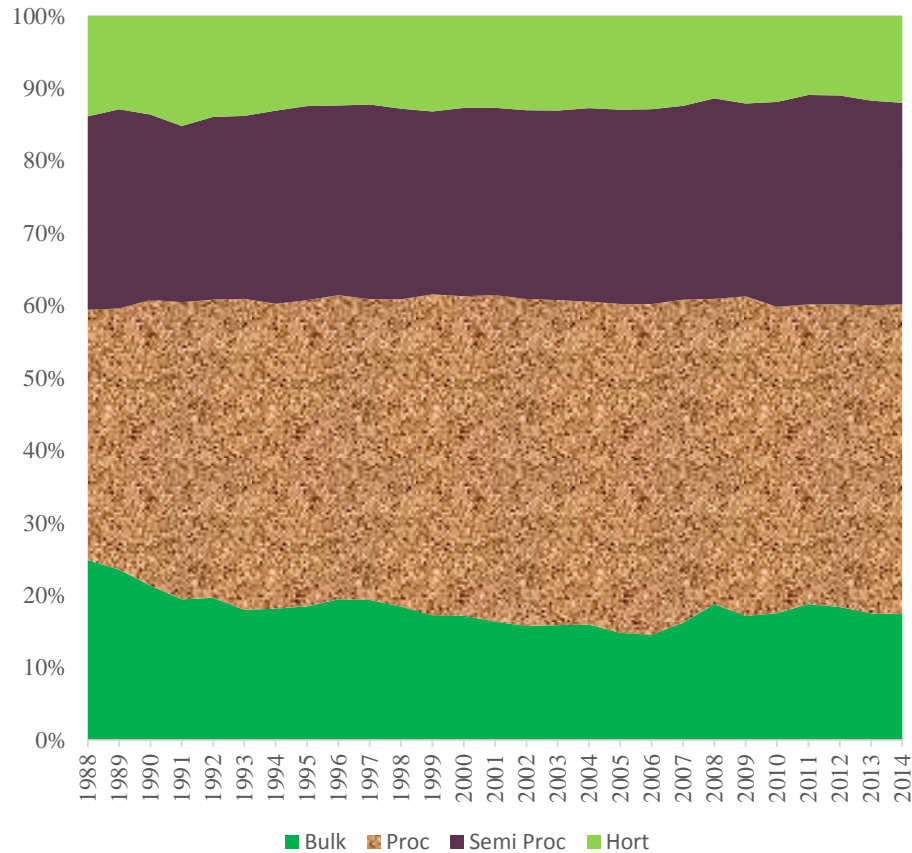




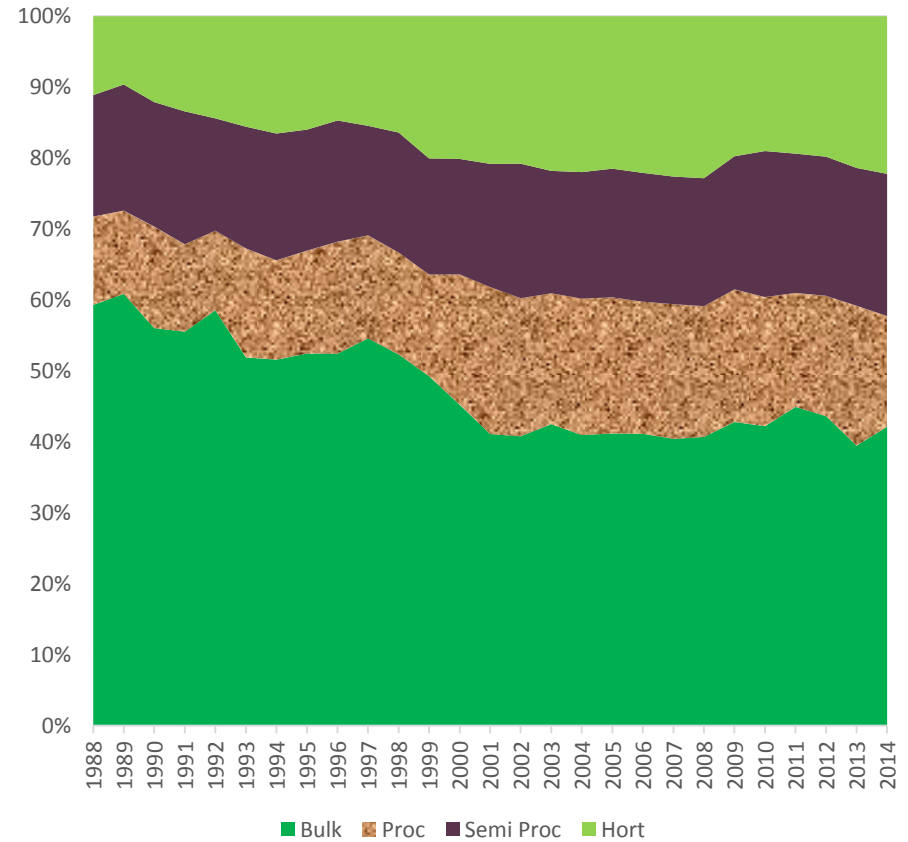


# Changing composition of agr exports

## World

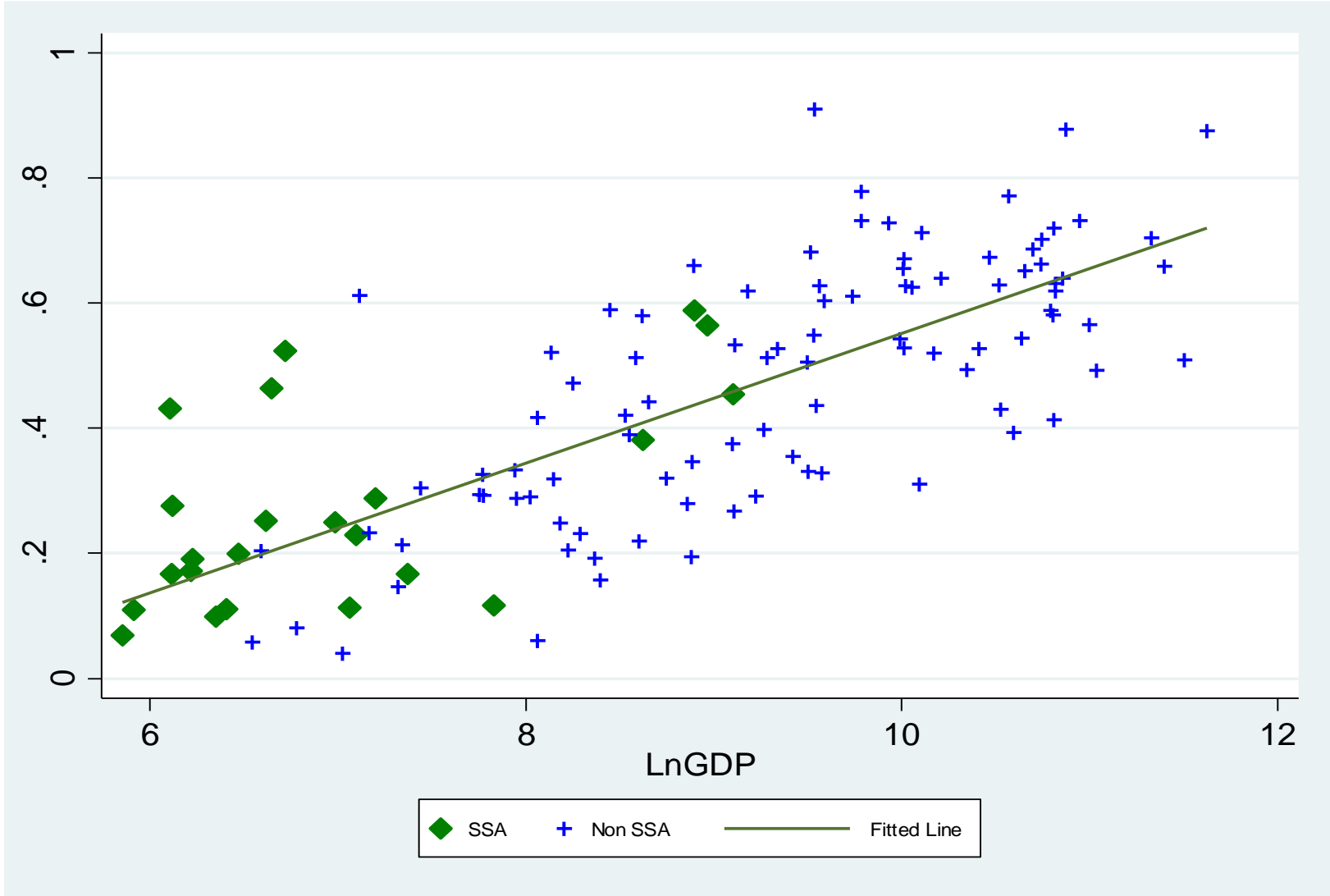


## SSA





# Income vs (agric process/raw ag)





# SSA Agricultural exports, 6 digit

	#	Share 1	Share 20	Nos Equiv
SSA	670	13	56	33
Côte d'Ivoire	386	46	96	4
Ethiopia	249	23	96	7
Ghana	362	59	96	3
Nigeria	299	32	90	7
Rwanda	233	22	93	9
Tanzania	357	12	80	18
Uganda	402	30	82	9

# Policy impacts



# Qualitative impacts

- Protection on intermediates hurts processing
  - Value adding in processing often small
- Tariff escalation creates incentives to process for the domestic market
- Foreign tariff escalation discourages processing



# Agricultural Protection

	<b>SSA's Exports</b>	<b>SSA Imports</b>	<b>EU on SSA</b>	<b>Intra -SSA</b>
<b>Bulk</b>	7.7	7.4	0.1	3.3
<b>Horticulture</b>	3.8	10.6	1.4	8.8
<b>Proc Agriculture</b>	7.6	13.6	1.3	12.6
<b>Total Agriculture</b>	7.0	12.2	0.8	10.1



# Impacts of Reforms on Exports

	<b>Remove Ag Escalation</b>	<b>Lose EU Ag Prefs</b>	<b>Remove intra-SSA Ag</b>	<b>10% Prod in Ag Proc</b>	<b>Cut own Protection on all</b>
<b>Bulk Ag</b>	-4.6	-1.0	0.3	-2.5	6.4
<b>Horticulture</b>	-3.5	-3.3	1.5	-1.9	4.3
<b>Proc Ag</b>	114.3	-12.2	13.1	30.3	10.5
<b>Tot Ag Exports</b>	39	-5.5	5.1	9.6	7.5
<b>All Exports</b>	1.1	-0.2	-0.3	-0.3	9.3

# Policy principle





# Policy experimentation

- Create an environment without too many disincentives for exports
  - Particularly important to have access to intermediates at world prices
  - Seems important to do this beyond SEZs
- Encourage firms to experiment with different export activities
  - Including exporting



# Conclusions

- African exports of agriculture a small & declining share
- African exporters moving to processed agric
  - And particularly in expanding horticultural exports
    - From many countries
- Important to encourage experimentation
  - While minimizing disincentives to exports