Agro-Allied Industrialization and Regional Value Chains

Ousmane Badiane, Director for Africa
ECONOMIC GROWTH AND DEMAND OUTLOOK

- Most Countries Will Reach Middle Income Status In 2030
- All Countries Will Reach Middle Income Status By 2050

Source: Sulser T. B. et al. 2015.
Intraregional Trade By 2025
Under Current Trends

Source: Badiane et al. 2014
Potential agribusiness growth and expected income to farmers

US$ billion

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2030</th>
</tr>
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<tbody>
<tr>
<td>High value exports</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Commodities</td>
<td>8</td>
<td>10.5</td>
</tr>
<tr>
<td>Urban food</td>
<td>50</td>
<td>150</td>
</tr>
</tbody>
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Increase in Demand and Incomes in Billion US$

Potential Increased farmer income in 2030

$100B = Growth of staple food demand in urban markets in Africa

$30B = Potential income for smallholder farmers
# ECONOMIC GROWTH AND DEMAND OUTLOOK

## THE RISE OF PROCESSED FOODS

Projected Demand Growth 2010 – 2014  
(Estimated Purchased Food Budget Share in 2040)

<table>
<thead>
<tr>
<th></th>
<th>Unprocessed</th>
<th>Processed Low Value Added</th>
<th>Processed High Value Added</th>
</tr>
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<tbody>
<tr>
<td>Non-Perishable</td>
<td>4x (8%)</td>
<td>5.5x (17%)</td>
<td>7x (23%)</td>
</tr>
<tr>
<td>Perishable</td>
<td>6.5x (20%)</td>
<td>8X (18%)</td>
<td>10X (15%)</td>
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RAPIDLY TRANSFORMING REGIONAL VALUE CHAINS

1. TRADITIONAL MILLET VALUE IN SENEGAL
RAPIDLY TRANSFORMING REGIONAL VALUE CHAINS

2. MILLET BASED MEALS
RAPIDLY TRANSFORMING REGIONAL VALUE CHAINS

3. THE NEW MILLET VALUE CHAIN

HOME BASED MILLET PROCESSING

READY TO COOK MILLET PRODUCTS ON THE SHELF
RAPIDLY TRANSFORMING REGIONAL VALUE CHAINS

3. THE NEW MILLET VALUE CHAIN

HOME BASED MILLET PROCESSING

READY TO COOK
MILLET PRODUCTS ON THE SHELF

TRADITIONAL MILLET BASED MEALS
RAPIDLY TRANSFORMING REGIONAL VALUE CHAINS

3. THE NEW MILLET VALUE CHAIN

HOME BASED MILLET PROCESSING

READY TO COOK
MILLET PRODUCTS ON THE SHELF

TRADITIONAL MILLET BASED MEALS

READY TO EAT
MILLET MEALS ON THE SHELF
Current characteristics of regional agro-allied industries

- Rising number of firms producing the same low quality, often imitated goods

Source: Badiane, O. and M. McMillan. 2016; Based on Otsuka and Sonobe (2011)
Current characteristics of regional agro-allied industries

- *Rising number of firms producing the same low quality, often imitated goods*
- *As new entrants copy same products, profitability declines for everyone*
- *No capacity to invest and innovate; stifling firm growth and maturation*

Source: Badiane, O. and M. McMillan. 2016; Based on Otsuka and Sonobe (2011)
Two Key Questions

How to bend the profitability curve and escape from low and declining profits?
How to promote enterprise growth through consolidation and specialization?

Dotted (solid) lines denote progression of number of firms and profitability without

Source: Badiane, O. and M. McMillan. 2016; Based on Otsuka and Sonobe (2011)
AGRO-ALLIED INDUSTRIALIZATION STRATEGIES

Three Priority Areas for Policy and Investment

A. **Process and product innovation**: Vocational training & Technology acquisition

B. **Market development**: Trade & competition policy, quality & standards

C. **Cost of services and Infrastructure access**: Power, Telecom, Transport

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Absence of professional & vocational training opportunities means:

① No skill upgrading for existing smallholder farmers

② No skill development for emerging value chain professions

- Machine operations and maintenance
- Processing technology skills
  - Product and process innovations
  - Management and sales
- Packaging and distribution
- Food quality and safety
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B. TRADE & COMPETITION POLICIES FOR TRANSFORMING VALUE CHAINS

Three policy options for competitive domestic value chains in regional markets

Notes: * COMESA+Tanzania. Figures on top of bars indicate cumulative increases in regional export supply in 1000 mt.
Source: Badiane et al. 2014
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C. INFRASTRUCTURE CHALLENGES AND OPPORTUNITIES

Harness ICT for Quick Gains

- Africa’s infrastructure gap is lowest in the Telecom Sector
- While investing in power and transport infrastructure
- Tap into Modern ICT to leapfrog

Torero, M. (2014)
USING ICT TO INNOVATE, CUT COST AND GO TO SCALE

How ICT can be leveraged for smallholder agriculture

① Lower cost of overcoming physical and institutional obstacles
  ▪ Bridge the distance to millions of dispersed smallholders
  ▪ Extend the reach of limited technical staff

① Lower cost of access to technology and services
  ▪ Tap into global knowledge networks
  ▪ Enable self-learning and peer-to-peer learning

① Link smallholders to other value chain operators
  ▪ Traders, exporters, processors
  ▪ Financial services providers
  ▪ Technology services providers
Current ICT tools target an isolated business problem for a separate segment of a given value chain often in specific geographies. They provide solutions that are not replicable nor scalable.

Needed are integrated solutions that digitize all major interfaces between smallholders and other value chain actors.
References


Thank you!