



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)

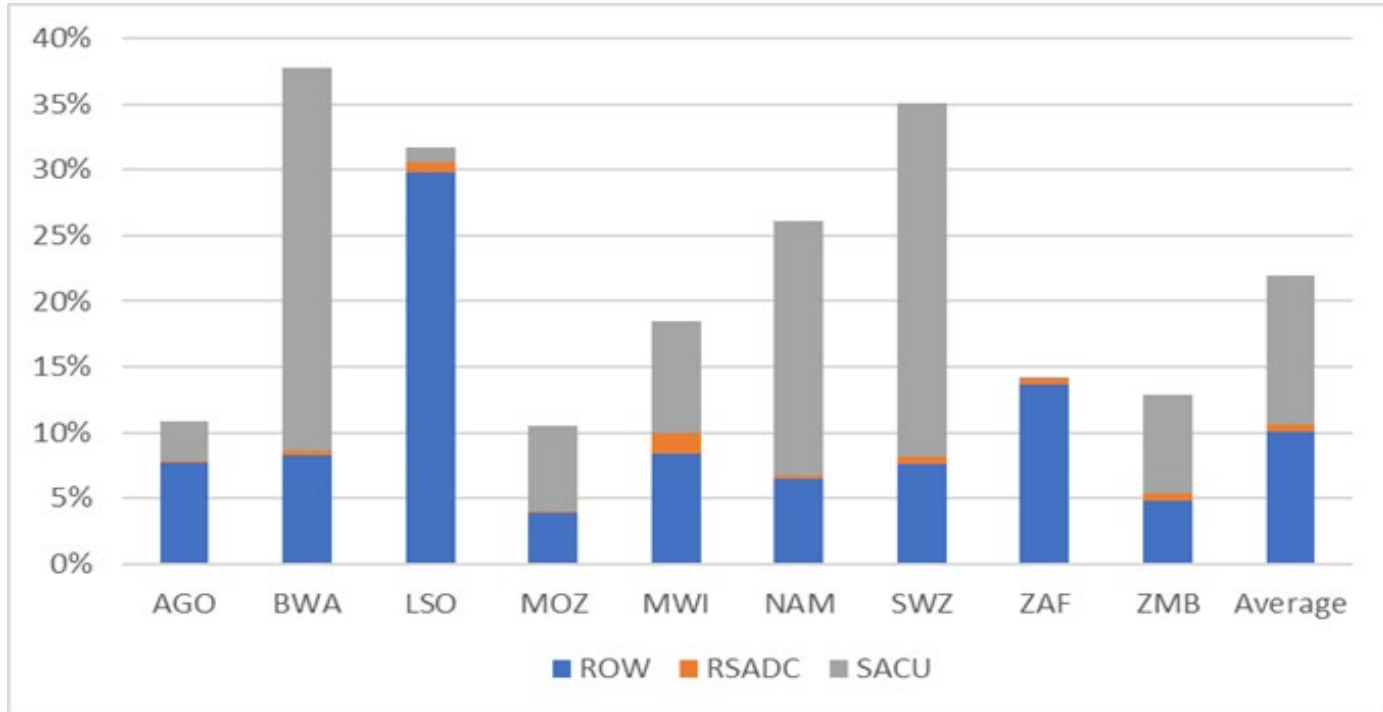
3. Role of agro-processing

- High proportion of exports are agro-processed goods
- Agro-processed goods more important in regional exports

Dimensions of trade (continued)

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



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