

25TH ANNUAL SYMPOSIUM

BANK OF NAMIBIA

**THEME: GLOBAL VALUE CHAINS FOR INCLUSIVE DEVELOPMENT:
HOW CAN NAMIBIA POSITION ITS AGRICULTURAL SECTOR**

**MERCURE (SAFARI) HOTEL, WINDHOEK
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INTEGRATING NAMIBIA'S AGRICULTURE PRODUCE IN GLOBAL VALUE CHAINS: STRATEGIES AND POLICY OPTIONS

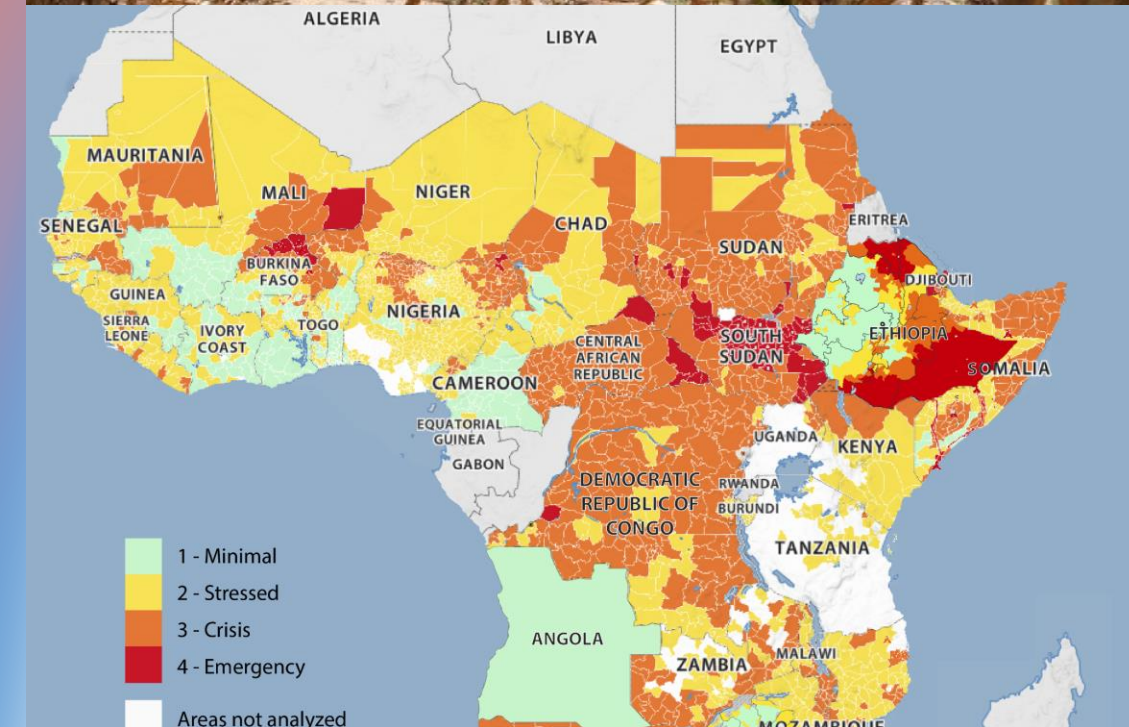
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Introduction (1)



- ❑ Africa may be experiencing food insecurity on a wide scale partly due to
- ❑ Agricultural sector straining under burden of rising demand from population growth and urbanisation
- ❑ Dominant smallholder farmers are severely constrained:
 - Low-input low-yield equilibrium
 - Vulnerable to natural risks, in part accentuated by climate change
- ❑ At postharvest: losses are very high and;
 - Access to remunerative markets is uncertain; and
 - Prices are highly volatile but hedging instruments largely unavailable



Introduction (2)

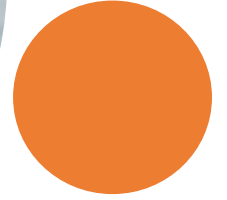


Yield gap can be bridged with available and emerging technologies (not just agro-chemicals)

Scope for extensification exist; plus high potential to reduce postharvest losses and improve food safety

Growing global demand for superfoods (fonio, baobab, tef, millet etc); industrial offtake of e.g. sorghum, cassava etc)

Urbanization driving demand for convenient but nutrient-dense and safe foods – domestic/subregional markets



Opportunities to scale up investment in global agricultural value chains (GAVCs), enabling transition from:

(a) Exporting agricultural raw materials with low share in value of product on shelf

(e.g. Devil's Claw – only 4% in value of herbal product in UK)

(b) Shipping finished food products into subregional/continental markets (e.g. SA supermarkets)

GAVCs: encompass sequence of dispersed activities occurring in several countries through which raw materials are transformed into final consumer products



Cases in maize VCs

- Kenya imports low-grade maize from Uganda plus high quality grains from Tanzania. Blends with local maize for milling for domestic market.
- Exports blended grains to Uganda to be processed into grits for the breweries.
- Burkina traders buy wet maize from Ghana in July/August; sundry and consume but also re-export into the Ghanaian market.



Benefits from development of GAVCs (1)

Support for participating smallholder farmers:

- Lead firms use formal or informal contracts with farmers as anchors for supporting them with inputs, extension services and market information – boosting their yields and incomes
- They are assured of supply of quality produce

Inflow of capital and investments:

- GAVCs attract inflow of private capital and investments into lead firms plus service providers in transport and logistics, cold storage, preservation, processing and packaging etc.

Benefits from development of GAVCs (2)

Enhancing food safety:

- Enforcement of quality standards and more efficient management of logistics improves produce quality and enhances food safety.
- Key success factor is payment of quality premium to suppliers (who otherwise vote with their feet e.g. groundnuts value chain in Malawi).

Positive job creation effects associated with GAVCs:

- GAVC participation is associated with an increase in agricultural employment growth, especially in downstream rather than in the upstream raw commodity production segments of the chains.
- The impacts tend to be more pronounced in middle-income countries than in low-income ones.

Benefits from development of GAVCs (3)

Catalyst for urban food supply chains:

- GAVCs found to catalyse rapid expansion of fast-food chains, street vendors, restaurants, cafés, institutional food service providers, etc. in urban areas as in Africa.

Economic impacts:

- Can lead to inclusive, economic transformation which is achieved through:
- Agriculture-based industrialization, including technology upgrades as well as export diversification.

Challenges and Concerns associated with GAVCs

Type of challenge/concern	Brief details
Asymmetric power relations	Benefits obtained by smallholder farmers depends on how inclusive contracting is. That has impacts on their household incomes and wellbeing.
Adverse environmental impacts	Drive to increase output and productivity may risk agricultural intensification and lead to adverse environmental consequences e.g. land degradation, acute water stress and communal strife.
Price risk for consumers	Anticipated that food prices will rise to higher levels and become more volatile.
Policy risks	Ineffective regulatory oversight in the multiple countries can compromise the quality of final products.
	Disabling macroeconomic policy environment and restrictive trade policies can deter investments.

Addressing challenges/concerns: (1)

- ❑ Starting point: a framework for analysis that provides:
 - Robust evidence on financial viability of operation of all actors (for private investment and lending decisions);
 - But not exclusively on that but also on following:
 - Estimates of contribution to agricultural GDP; public finances (taxes and levies); as well as in foreign exchange generation and employment creation.
 - Provides basis for policymakers to assess economy-wide impacts of investments in target GAVCs and whether it is worthwhile to provide supportive actions/services.

Addressing challenges/concerns: (2)

- Assessment of social implications of GAVCs and identifying measures to ensure inclusiveness and higher incomes.
 - The environmental sustainability of the value chain also has to be assessed (e.g. using a robust lifecycle analytical framework).
 - Again, these results can inform decisions by direct participants and other stakeholders.
- ❑ Studies should not be confined within national boundaries.

Policy actions and strategies (1)

More open trade policies/facilitation: why it matters

- Objective to enhance competitiveness and development of long-term trade relationships (beyond crisis seasons)
Contrasting cases of South Africa (open trade policy) and Zambia's ad hoc interventions in 2018/19

- Government of the Dominican Republic allowed importation of non-premium mangoes from subregional suppliers as part of its promotion of exported processed mango products.
- Ghana is following a similar pathway as it promotes upscaling of export of processed cocoa products.

Policy actions and strategies (2)

Robust enforcement of quality standards:

- Growing evidence suggests that improved produce and/or product standards do foster participation in GAVCs as well as export growth.
- Evidence further shows that growth in GAVCs has been strongest in sub-sectors where product standards are important.

- Harmonised quality standards as in EAC, ease cross-border trade, e.g. impersonal trade flourishes
- Also allows for collateralisation of produce/products, easing liquidity constraints in value chains.

Policy actions and strategies: infrastructure

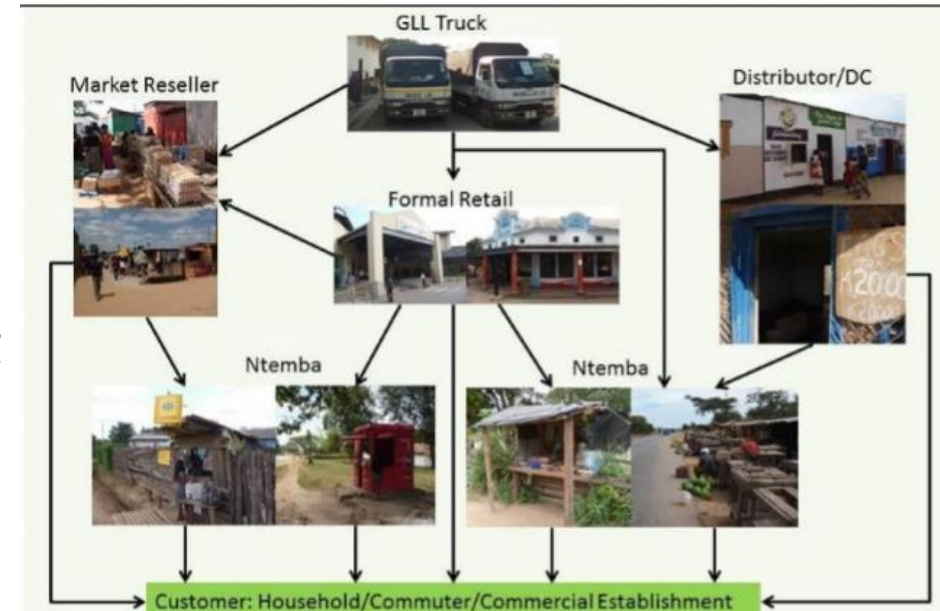
- ❑ Transport infrastructure (road, rail and air) crucial but simpler investments can also be transformative
- ❑ Case of Kibaigwa Regional Grain Market in Tanzania, investment in:
 - Space for grain drying, loading and offloading trucks
 - Installation of cleaning equipment, notice board for market information and weighbridge
 - Setting up a grain laboratory with basic equipment
 - ❖ Village: with informal roadside grain market emerged as a regional hub.



Policy actions/strategies: blended finance makes a difference (1)

❑ Upstream investment in upscaling egg production capacity in Zambia

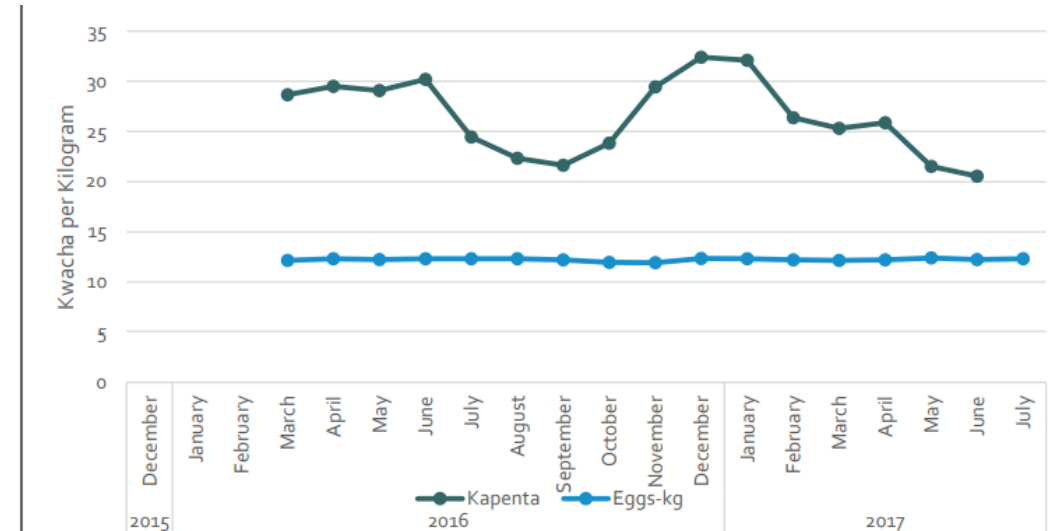
- In 2012 the leading egg producer in Zambia obtained equity investment by the African Agriculture Fund (AAF), which invests in food value chains across Africa.
- It enabled the egg producer to more than double its production capacity, reaching 750,000 in-lay hens; (becoming more than 3 times bigger than closest competitor and accounting for over 20% of Zambia's egg production capacity)
- The investment was complemented by Technical Assistance Facility (TAF) to develop BOP distribution system targeting relatively poor urban consumers



Policy actions/strategies: blended finance makes a difference (2)

❑ Outcome of investment in egg producer in Zambia

- The egg producers become more dominant, the VC appearing less inclusive at the level of production
- However, micro/small-scale traders rather than supermarkets became dominant in egg distribution
- Consumption in relatively poor urban communities spiked when eggs became lowest cost animal protein source due to:
 - Economies of scale gained by leading producer; and the
 - Competitive pressures it created in driving down prices in the VC
 - Company responded by developing highly inclusive bottom-of-pyramid (BOP) network



Other actions to improve access to finance

Working capital finance by domestic banks/NBFIs:

- Competitively-priced finance is key as actors compete against major global, subregional and continental actors
- Not just about access but also cost of borrowing – in most of Africa driven by public sector borrowing requirements.

Cross border structured trade/finance should be explored:

- South Africa leads; Tanzania is gaining ground; Zambia/Zimbabwe have been trotting (due mainly policy obstacles)
- Subregional collaboration to promote these structures will benefit Namibia.



Okuhepa Tjinene