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**POTENTIAL FOR REGIONAL TRADE TO STABILIZE  
MARKETS AND INCREASE RESILIENCE OF  
SMALLHOLDER FARMERS**

Sunday Odjo, AKADEMIYA2063

*January 20, 2022*

**ReSAKSS**  
Regional Strategic Analysis and Knowledge Support System  
by AKADEMIYA2063

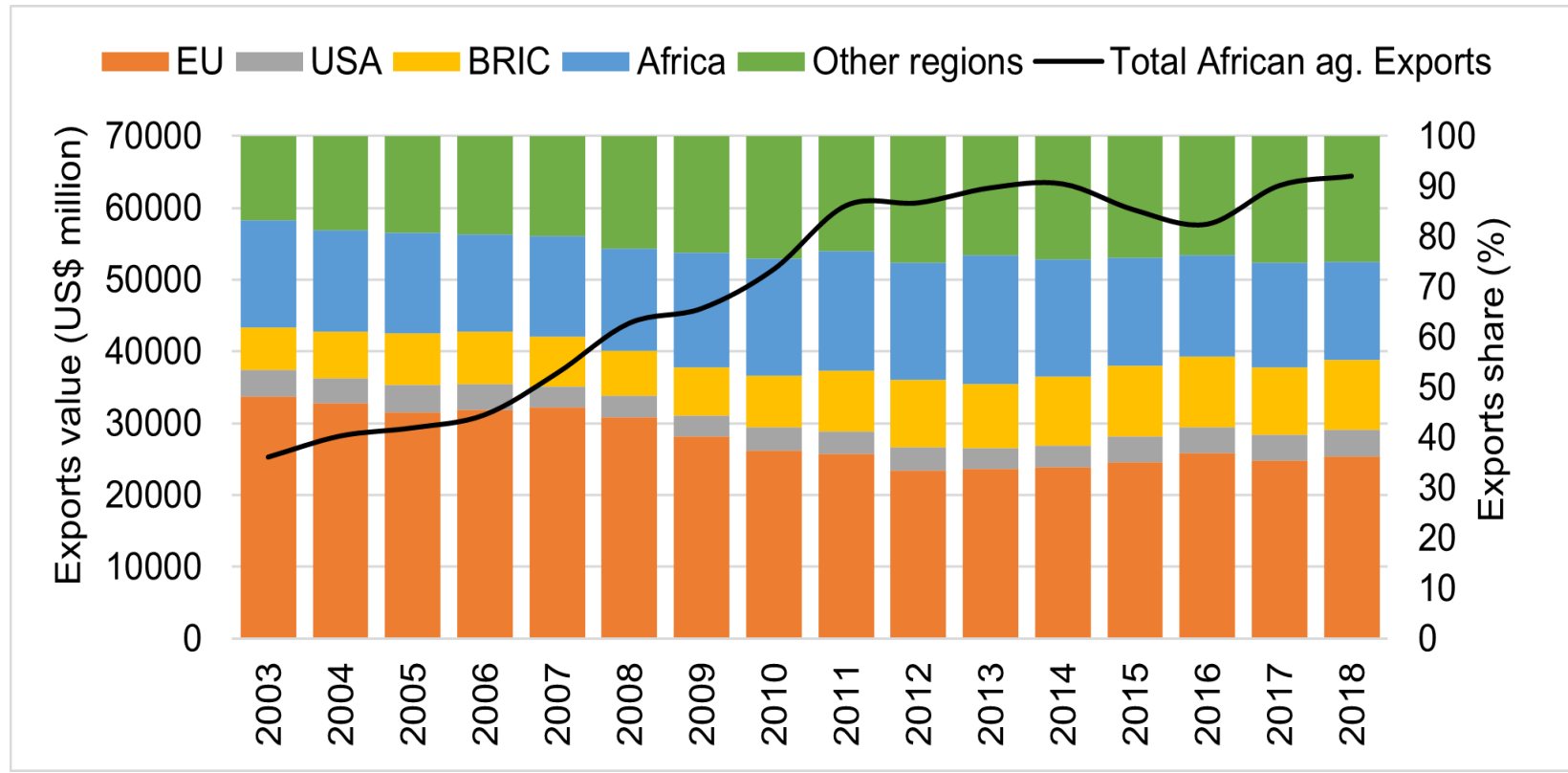


## PRESENTATION OUTLINE

- ❑ RECENT TRENDS IN AFRICA'S AGRICULTURAL TRADE
  
- ❑ REGIONAL TRADE POTENTIAL FOR DOMESTIC MARKET STABILIZATION
  - PRODUCTION FLUCTUATIONS INSTABILITY AND CORRELATIONS
  - PRODUCTION AND EXPORT SIMILARITY
  - THE TRADE OVERLAP INDICATOR
  
- ❑ REGIONAL TRADE PROSPECTS UNDER BUSINESS AS USUAL AND ALTERNATIVE SCENARIOS

# FAST GROWTH OF AFRICA'S GLOBAL AGRICULTURAL EXPORTS, INCLUDING TO NEW DESTINATIONS

WHILE THE EU REMAINS THE MAIN DESTINATION, AFRICA'S AGRICULTURAL EXPORTS ARE GROWING FASTER TOWARDS EMERGING ECONOMIES



Source: Odjo and Zaki, Africa Agriculture Trade Monitor 2020, Chapter 2.

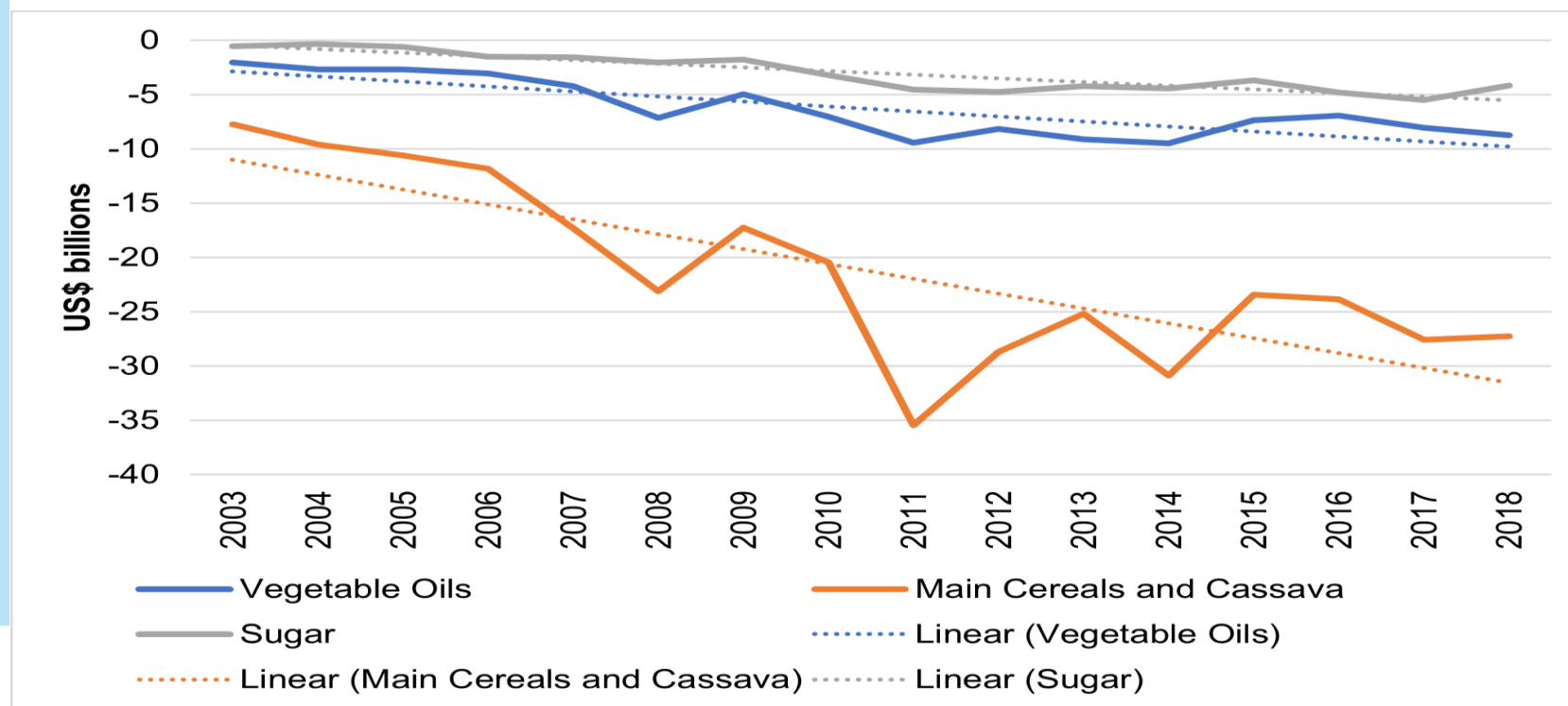


## THE OVERALL DEFICIT OF AGRICULTURAL TRADE IS DECLINING SINCE 2012 BUT THE DEFICIT IN MAJOR FOOD VALUE CHAINS IS CONTINUOUSLY INCREASING



- ❑ Increasing food trade deficit is triggered by high economic growth, demographic pressure and rapid urbanization
- ❑ Missed market opportunities for African agriculture

FROM US\$10 BILLION IN 2003, THE DEFICIT IN CEREALS, VEGETABLE OILS AND SUGAR VALUE CHAINS REACHED US\$40 BILLION IN 2018

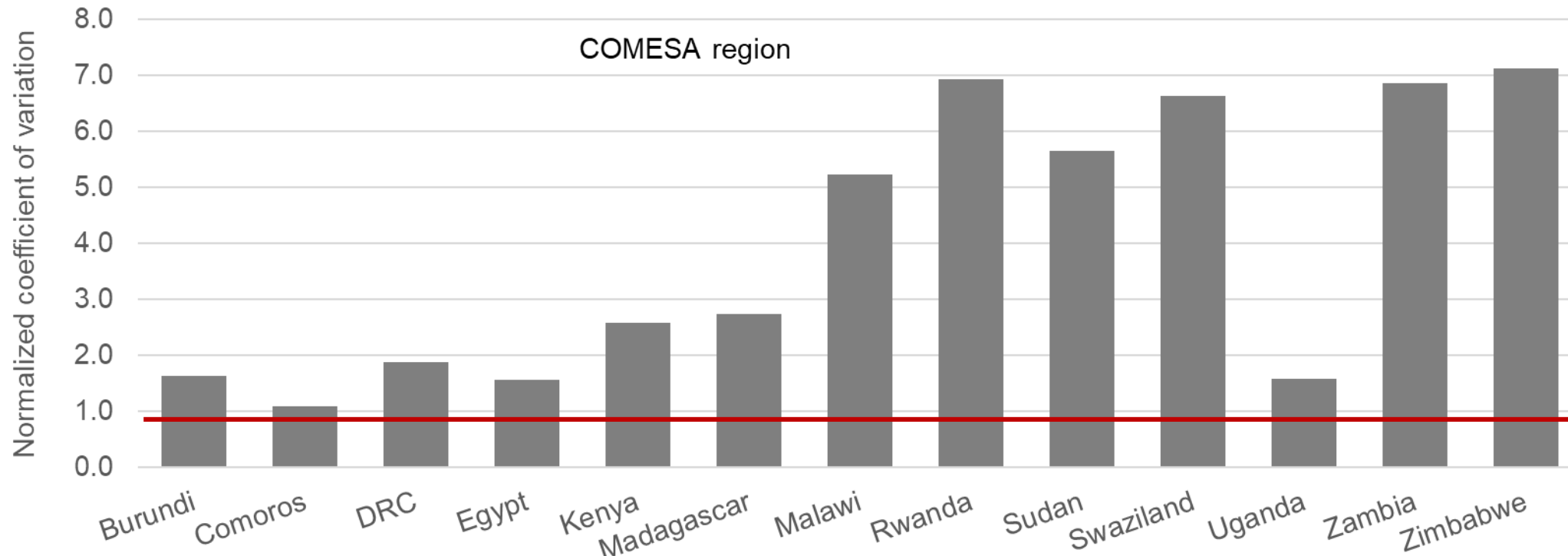


Source: Bouët, Goundan and Zaki, Africa Agriculture Trade Monitor 2020, Chapter 4.

## EXPANDED CROSS-BORDER TRADE CAN ACHIEVE GREATER STABILITY OF DOMESTIC SUPPLIES

- Within COMESA, Malawi, Rwanda, Sudan, Eswatini, Zambia and Zimbabwe would benefit the most from increased regional trade in terms of domestic supply stability.

### CEREAL PRODUCTION IS MORE STABLE AT THE REGIONAL LEVEL THAN AT THE COUNTRY LEVEL



- The red line indicates the regional production instability level

Source: Badiane and Odjo 2016, using FAOSTAT data (1980-2010)



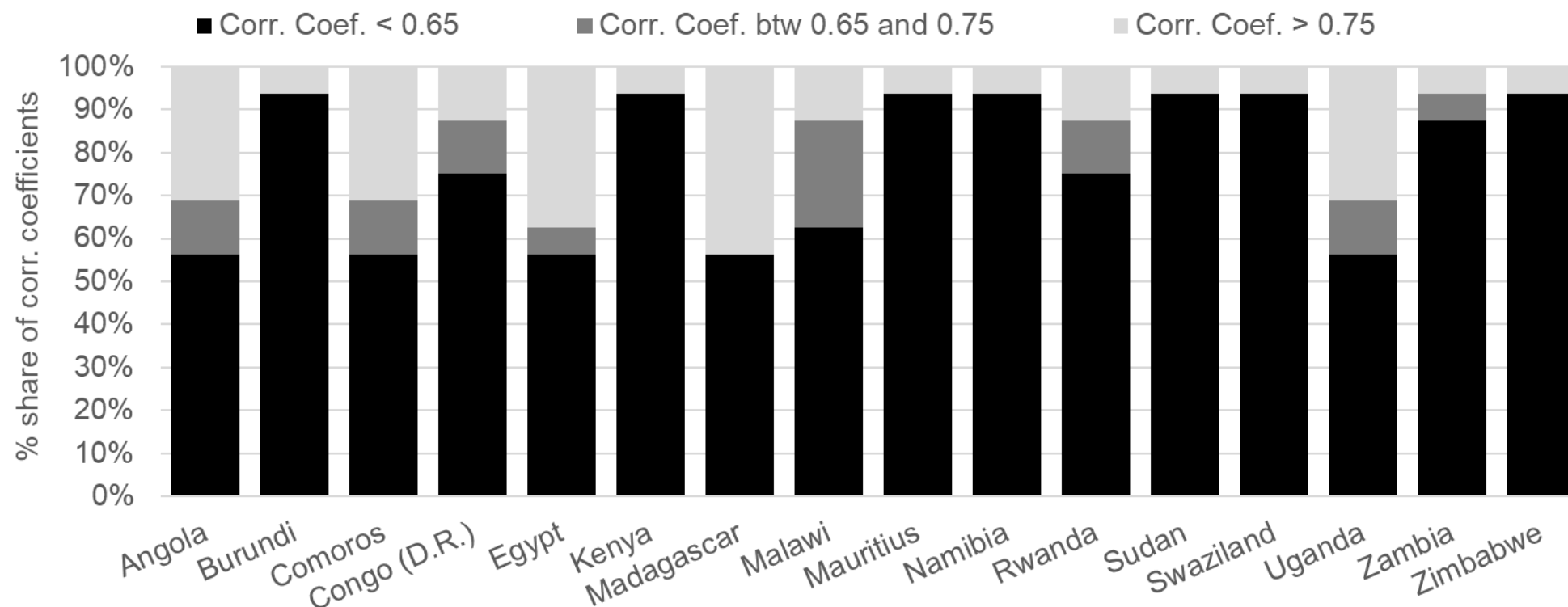


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## HIGH VOLATILITY AND LOW CORRELATION OF PRODUCTION FLUCTUATIONS REVEAL OPPORTUNITIES FOR EXPANDING CROSS-BORDER TRADE

- At least 60 % of correlation coefficients are below 0.65 for most COMESA countries

### DOMESTIC PRODUCTION FLUCTUATIONS ARE WEAKLY CORRELATED AMONG COMESA COUNTRIES



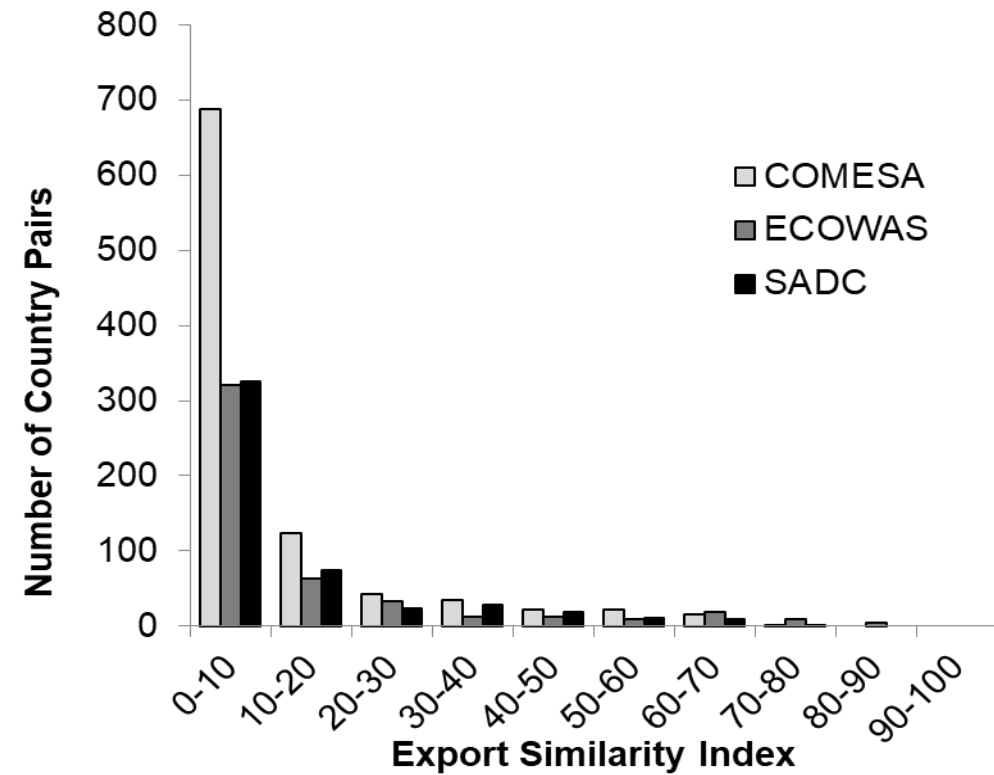
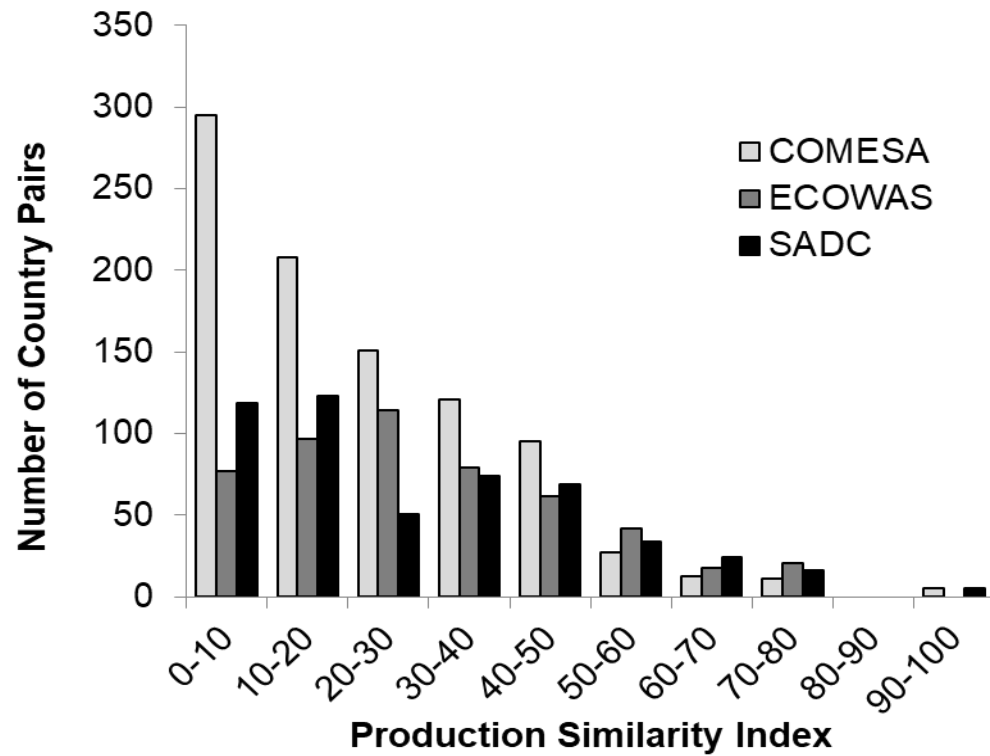
Source: Badiane and Odjo 2016, using FAOSTAT data (1980-2010)



# THERE EXISTS SUFFICIENT DISSIMILARITY AND HENCE A LARGE SCOPE OF TRANSBORDER TRADE AMONG AFRICAN COUNTRIES



THE VAST MAJORITY OF COUNTRY PAIRS FALLS WITHIN THE 0-50 RANGE, INDICATING A LOW DEGREE OF SIMILARITY IN CURRENT PRODUCTION AND TRADING PATTERNS

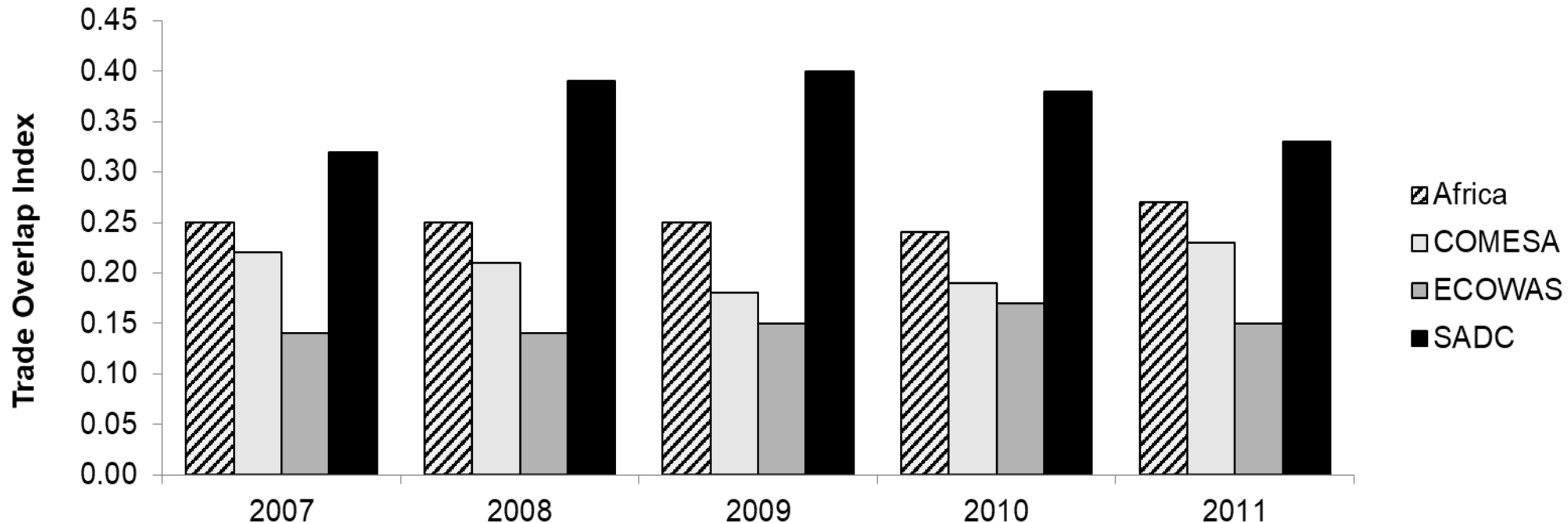


Source: Badiane and Odjo 2016, using FAOSTAT data (2007-2011)



## COUNTRIES CAN EXPAND TRANSBORDER TRADE BY REDIRECTING OVERLAPPING TRADE FLOWS TO OR FROM THEIR REGIONAL GROUPINGS

THERE IS A CONSIDERABLE DEGREE OF OVERLAPPING TRADE FLOWS AMONG AFRICAN COUNTRIES



Some countries are exporting (importing) the same products that are being imported (exported) by other countries in the region, but in both cases to and from countries outside the region

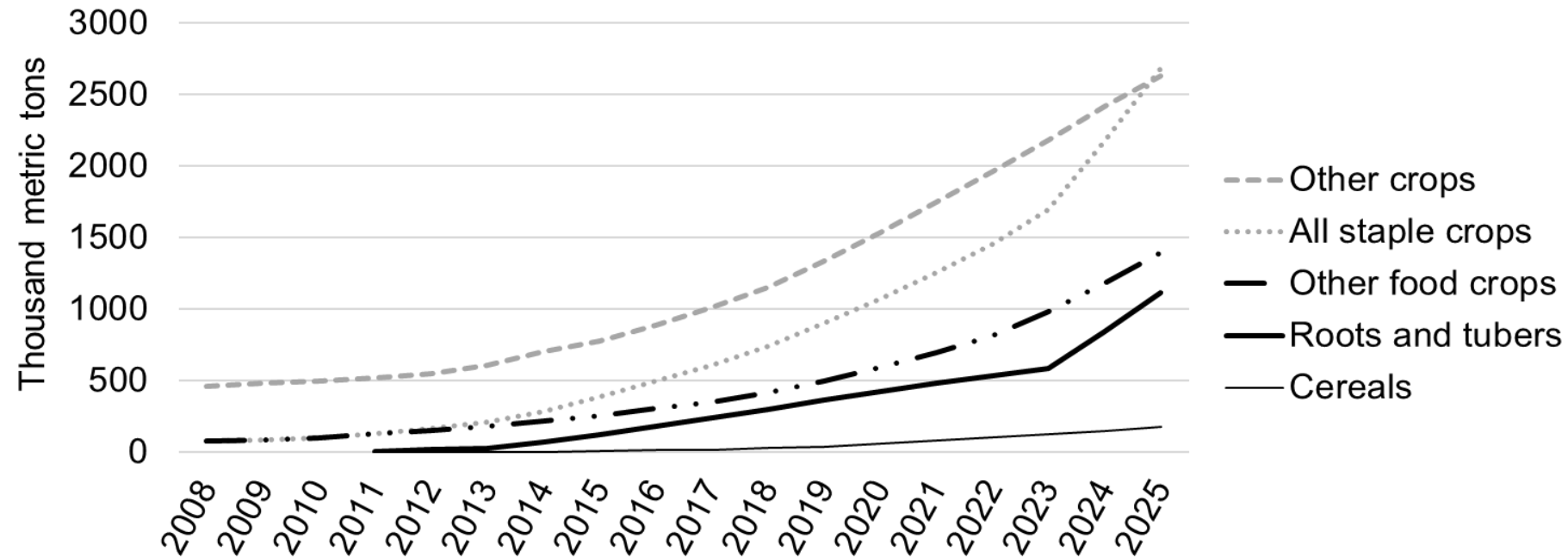


# INTRA-REGIONAL TRADE OUTLOOK UNDER CONTINUATION OF CURRENT TRENDS (CROP YIELDS, CULTIVATED AREAS, POPULATION AND GDP)



- ❑ Cereals would see the smallest gains, while roots and tubers as well as other food crops would grow much faster

## INTRA-ECOWAS EXPORTS ARE EXPECTED TO EXPAND UNDER CURRENT TRENDS



- ❑ Other crops include all or subset of the following crops: fruits and vegetables, cotton, sugar, cocoa, coffee, tea, tobacco, spices, and nuts

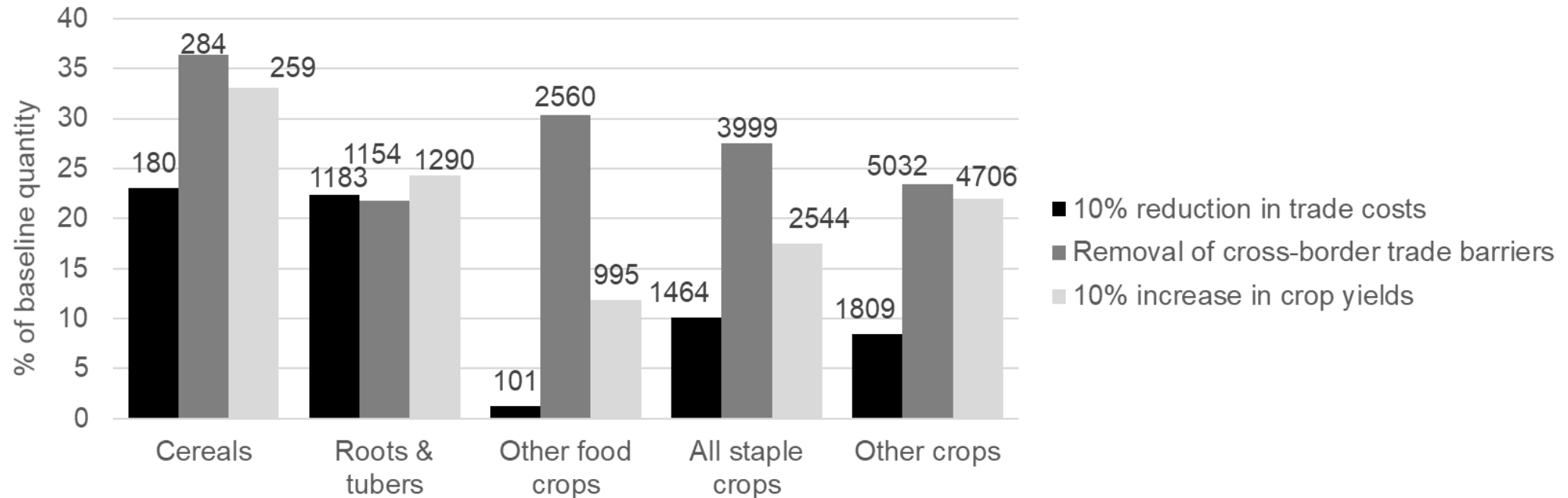
Source: Badiane and Odjo 2016, using FAOSTAT and World Development Indicators data (1990-2010)

# MODEST CHANGES IN YIELD AND TRADING COSTS CAN TRIGGER SIGNIFICANT EXPANSION OF REGIONAL TRADE



- ☐ Cereals tend to respond better than other products in general
- ☐ Removing transborder trade barriers would have the strongest impacts on trade flows

## INTRA-ECOWAS EXPORTS OF MAIN FOOD CROPS SIGNIFICANTLY RESPOND TO CHANGES IN YIELD AND TRADING COSTS



- ☐ The numbers above the bars indicate cumulative increases in regional exports supply in 1000 mt

Source: Badiane and Odjo 2016, using FAOSTAT and World Development Indicators data (1990-2010)

## CONCLUDING REMARKS

- ❑ More stable production at the regional level and less than perfectly correlated country-level production fluctuations suggest regional trade can stabilize domestic supplies
- ❑ The low similarity of production and trading patterns among African countries and sizeable overlapping trade flows reveal a potential for expanding regional trade and creating more resilient domestic food markets
- ❑ The current pace of regional trade growth can be boosted through policy interventions that would reduce overall trading costs, increase crop yields, or remove cross-border trade barriers



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**THANK YOU FOR YOUR ATTENTION**