Agribusiness in Africa: Prospects and challenges for contributing to industrialization and economic transformation

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The Diet Transformation
(opportunities and challenges)
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First proliferation, then consolidation of firms
(The J curve)
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(opportunities and challenges)  

First proliferation, then consolidation of firms  
(The J curve)  

Global employment deindustrialization
Urbanization and income growth in Africa are driving a **Diet Transformation**

- **Fresh produce**
- **Prepared foods**
- **Animal protein**
- **Processed packaged foods**
Urbanization and income growth in Africa are driving a Diet Transformation. Fresh produce, prepared foods, animal protein, and processed packaged foods are under increasing demand through markets.
... which will (need to) drive other transformations...

Science applied to...

... large farms ...

... and small farms
Agribusiness orientation at large scale...

... and small scale
Reaching consumers through modern retail ...

... and improved traditional retail
... all of which will be heavily influenced by public policy and investment.
Implications for ...

• Nutrition

• Energy and water use

• Market opportunities
  • 7x to 8x growth in market demand next 30 years
    • 7% annual
    • Rising value added over time

• Employment and skill needs

• Public policy
Three questions

• Can African firms capture most of this market growth?
• If so, what kind (size) of firm is likely to do so?
  • The J curve
• What level of employment might this generate?
  • Global employment deindustrialization
#1: Imports, or local / regional?

- Data from inventory of processed foods
- Three cities each in Tanzania and Mozambique
- Categories:
  - Milled grains including rice
  - Dairy
  - Juices
  - Poultry
#1: Imports, or local / regional? (2)

Share of all processed products by place of manufacture

<table>
<thead>
<tr>
<th>Place of Mfr</th>
<th>Mozambique</th>
<th>Tanzania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>0.14</td>
<td>0.60</td>
</tr>
<tr>
<td>Regional</td>
<td>0.00</td>
<td>0.12</td>
</tr>
<tr>
<td>International</td>
<td>0.86</td>
<td>0.27</td>
</tr>
</tbody>
</table>

Note: South Africa considered “International”
#2: What kind of local / regional firm?

![Graph showing food system transformation with high or low concentration of firms.](image-url)
#2: What kind of local / regional firm?
#2: What kind of local / regional firm?

First proliferation, then consolidation
#2: What kind of local / regional firm?

- High concentration (few firms)
  - Fewer, larger firms

- Low concentration (many firms)
  - Rapid entry of small firms
  - Many small firms

Food system transformation
#2: What kind of local / regional firm?

High concentration (few firms)

Low concentration (many firms)

Low labor:output ratio

High labor:output ratio

Food system transformation
#2: What kind of local / regional firm?

Policies and programs to promote competitiveness of small- and medium firms
#3: Global employment deindustrialization

- Countries reaching peak manufacturing employment at
  - Much lower levels of pc income
  - Much lower share of mfg employment in total employment
- Driven by automation
  - IT
  - Robotics
  - Big Data

Ever smarter and more capable machines
#3: Global employment deindustrialization
#3: Global employment deindustrialization

Mostly OECD, 1960s and 70s
#3: Global employment deindustrialization

- Mostly OECD, 1960s and 70s
- Mostly SSA, LAC, 1970s and later

Income at which manufacturing employment peaks (logs)
What policy stance?

• Promote labor intensive mfg wherever possible
  • Business environment
    • Including industrial policy
  • Openness to trade
    • Especially regional
  • Investment in transport and communications
  • Investment in human skills
    • Labor must be productive, not just cheap

• Realize that much employment will be in informal services
  • Legal protection of workers
  • Investment in skills
  • Infrastructure to reduce costs of operation
What policy stance? (2)

- Unlink social benefits from employment
  - Expanded public provision of a basic package of benefits for all

All this requires more fiscal revenue that is well-spent ... requires effective public institutions