ROUND TABLE III – The business of agriculture: Creating successful agribusiness

Facts and figures

Agribusiness contributes significantly to the African economy but still faces challenges

- Based on available data, agricultural production and agribusiness together constitute an average of about 45 per cent of the gross domestic product (GDP) of Africa (not including North Africa).

- The share of agribusiness alone in Africa’s GDP is estimated at around 20 per cent. The agribusiness sector is valued at around $313 billion.

- Food processing contributed the most (62 per cent) in value added to Africa’s agroprocessing sector over the period 2014-2016, followed by garments (25 per cent), textiles (7 per cent) and leather (6 per cent); and this dominance has increased over time.

- Investment in infrastructure, technology and access to finance are major challenges to the expansion of agribusiness and its productivity.

Agribusiness in Africa is typically small-scale and dominated by domestic firms

- Though small agroprocessing firms dominate in Africa, this dominance has reduced over time, with 52 per cent of agroprocessing firms classified as small in the period 2010-2014.

- The size of agribusiness firms varies significantly among agroprocessing subsectors. The garment subsector has the largest share of small firms (72 per cent).

- 12 per cent of agroprocessing firms are young, indicating that the survival of firms is an important issue in Africa.

- Africa’s agro-industry is, in general, still dominated by domestic firms (82 per cent).

Africa’s agribusiness production and trade is constrained by low productivity

- Land productivity increased by 5.2 per cent over the period 2001-2012, but is still less than 55 per cent of the world average yield for rice, and 34 per cent for maize, for example.

- Labour productivity increased by 3.32 per cent over the period 2001-2012 but remains less than 60 per cent of Asia and Latin America’s labour productivity.
- African agriculture is typically rain-fed and carried out on a subsistence basis with limited processing: 90 per cent of output is produced by small-scale farmers in holdings of less than 2.5 hectares.

- Low productivity in agriculture has contributed to an expanding agricultural trade deficit in Africa: agricultural imports and exports increased by 307 per cent and 234 per cent, respectively, over the period 2000-2012, and Africa accounted for only 3.27 per cent and 5.05 per cent of world agricultural exports and imports, respectively.

**Agribusiness in Africa holds significant potential to positively impact economic growth and job creation**

- Africa spent approximately $35 billion on food imports in 2016 and, if left unchecked, the continent’s food import bill is expected to surge to $110 billion by 2025.

- Meanwhile, the continent is home to 50 per cent of the world’s cultivatable land, and has vast unexploited water resources and various agro-ecological zones.

- The agribusiness sector is projected to reach $1 trillion in 2025, supported by a rapidly growing middle-income class and continental programmes in support of agro-industrialization, such as the African Agribusiness and Agro-industry Development Initiative (3ADI) and the Africa Agribusiness Strategy.

- Intra-African trade in agricultural products is underexploited (see the figure below). Trade liberalization under the Continental Free Trade Area (CFTA) is expected to result in significant export volume growth across several food sectors, including raw milk and dairy products (101.0 per cent), sugar cane and beets (38.6 per cent) and meat products (26.2 per cent).

**Share of intra-African trade in agricultural products (percentage), 2016**

![Chart showing share of intra-African trade in agricultural products](image)

*Source: ECA calculations using UNCTADstat data.*
Critical questions for discussion

1. How can African Governments and donors work together to re-emphasize the importance of promoting agribusiness in Africa so that it can play a role in eradicating extreme poverty and hunger?

2. How can the private sector be engaged to identify the critical agricultural reforms needed to achieve agro-transformation and take advantage of the agribusiness opportunities created by the CFTA and continental agro-industry programmes?

3. What are the most effective means for African Governments to establish strong partnerships with the private sector to advance investments in transport, energy and processing infrastructure?

4. How can African Governments more effectively promote agribusiness development and create transparent processes along the entire agricultural value?

5. How can African countries more effectively approach farming as a business just like other private sector activities?