Ad hoc Expert Group Meeting on
“Agro-industry Development for Food and Nutritional Security in Southern Africa”

Concept note
1. Background

The Southern Africa region is endowed with climatic conditions suitable for a broad range of agricultural activities. Approximately 70 percent of the population in Southern Africa depends on agriculture for food, income and employment while agricultural commodities and produce are the principal exports in many countries, on average contributing approximately 13 percent to total export earnings and 66 percent to the value of intra-regional trade. Agriculture is the dominant economic sector in the SADC regional economy contributing up to 35 percent to its GDP. The agricultural sector performance has a strong influence on the economic growth, employment, demand for other goods, economic stability, food security and overall poverty of SADC member States and the region as a whole. According to analysts, whether looked at from exports or domestic market, the agro-industry\(^1\) is fundamental to income and employment creation in developing countries.

Despite the predominance of the agricultural sector, food and nutrition insecurity remain threats to sustainable socio-economic development in Southern Africa. The combination of the HIV/AIDS pandemic, high poverty levels and low agricultural productivity compound regional food insecurity, especially among the vulnerable. As a region, Southern Africa has a high average hunger rate, currently above 20 percent\(^2\), with nine of 15 Southern African countries having rates between alarming and extremely alarming (FAO, 2014). Thus, food insecurity is a major socio-economic and political challenge in the region.

Various definitions have been proffered for food security and insecurity. The Food and Agriculture Organisation (FAO)\(^3\), defines food security as “a situation that exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life”. The Botswana National Food Security Strategy (NFS, 2000) supports this assertion adding that food security is “stable and sustainable, physical and economic access for all people to basic supplies of safe and nutritionally adequate food for an active and healthy life”. Food insecurity manifests itself as a situation of “limited or uncertain availability of nutritionally adequate and safe foods or limited or uncertain ability to acquire acceptable foods in socially acceptable ways. It arises from several sources and is multidimensional in nature and extent. Many indicators of food insecurity are produced and published by the FAO and other international organizations to guide policy prescriptions. As observed by the FAO (2014), food insecurity and malnutrition are complex problems that cannot be solved by one sector or stakeholder alone, but need to be tackled in a coordinated way, with the necessary political commitment and integrated leadership. The FAO classifies the indicators of food security into four dimensions; availability, access, utilization and stability, each with peculiar components.

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\(^1\) Although agro-industry is often defined as the large-scale production, processing, and packaging of food using modern equipment and methods, this paper broadens that to include the whole agricultural sector irrespective of size of enterprise. The concept note uses agribusiness and agro-industry interchangeably.


\(^3\) World Food Summit, 1996
Facilitating access to affordable food and creating conditions under which society is food secure, enhanced participation in the food value chain through value addition and agri-business contributes to food security. Equally important is investing in mechanisms to enhance agricultural productivity. Agribusiness encompasses business activities that are performed from farm to fork and covers the supply of agricultural inputs, the production and transformation of agricultural products and their distribution to final consumers. It is therefore no coincidence that agribusiness is a key generator of employment and income worldwide due the diverse activities along the value chain. It can help jump-start economic transformation through the development of agro-based industries that provide jobs and incomes and thus contribute to both food and nutrition security.

An improvement in food security, results in better nutrition and health which in turn contributes to labour productivity (FAO, 2014). Malnutrition is usually considered to be a direct consequence of poverty but malnutrition itself is actually also a cause of poverty. According to the FAO’s Agribusiness Development Programme, in modern economies, more coordinated and better planned linkages between agribusiness firms, farmers, retailers and others in the supply chains have replaced traditional methods in the sector. The FAO advises on policies and strategies to improve agribusiness competitiveness, including fostering better coordination and linkages among business partners in agribusiness.

Agro-industries are a component of the manufacturing sector where value is added to agricultural raw materials through various processing and handling operations. In most developing countries, agro-industries are dominant in terms of their contribution to value-added in manufacturing. This sector can promote industrialisation and urban employment, break the ‘productivity gap’ of development, reduce food costs and supply uncertainties and improve the diet. Furthermore, food processing improves food nutritionally by removing toxic substances, extending shelf-life and making it more palatable. Food processing, through value addition is a source of income generation and increases the demand for raw materials i.e. promotes crop production while enabling food to be transformed from a raw commodity (from the farm) to the table, hygienically. Thus, agro-business can be instrumental in attracting investment to rural areas and driving rural industrialization and economic structural transformation as locational advantages will in most cases demand that food processing (value addition) on bulk products is best carried out where the raw materials are produced. Investments in agro-industries are also known to have significant multiplier effects through their backward and forward linkages along the value chains. Increases in per capita incomes, higher urbanization and growing numbers of women in the workforce have led to greater demand for processed foods, further propelling the importance of agro-industry development. Uniquely situated between raw and natural sources of supply and the dynamics of food and fibre demand, agro-industries enhance food security by reducing post-harvest losses and extending the shelf-life of food and fibres for the rapidly increasing urban poor.

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4 **FAO**, Innovative policies and institutions to support agro-industries development, Rome, 2011
6 **Mabaya, E.; Christy, R.D.; and Bandama, M.**., The Current State of Agribusiness Education and Training in Africa, Contributed Paper presented at the Joint 3rd African Association of Agricultural Economists (AAAE) and
The efficient improvement of food processing at household level will improve food safety, security and nutrition (EMRC, 2011). In most countries in southern Africa, the full benefit of food processing and the improvement of the nutritional status of food is often not well appreciated. However, the extent of food losses associated with post harvest is significant to affect food supply. Market oriented development in agriculture combined with processing and marketing can considerably contribute to reduction of food losses, improvement in nutrition and overall stimulation of agricultural production which remains the backbone of the SADC economy.

2. Issues and Challenges in Agro-Industry Development in Southern Africa

The important role of agro-business in promoting sustainable development is recognized (see FAO, 2014). However, the sector faces challenges including the constrained agricultural supply and the low inclusiveness of the agricultural and food value chains to encompass smallholder farmers’ interests.

The need to promote inclusive partnerships, as highlighted by the Johannesburg Declaration on Inclusive African Agribusiness Public-Private Partnerships, is needed if Southern Africa’s agro-industrial potential is to be leveraged. Developing strong and viable agro-industries requires a different mix of skills, policies and institutions going beyond the traditional mostly farmer focused ones. While agricultural education and training in Africa has traditionally focused on increasing productivity on the farm, the role of Agricultural Education and Training in fostering agribusiness growth is relatively underexplored.

Private sector participation is crucial for the development of the agro-industry sector in the SADC sub region. In order to attract investors into the sector, governments will have to improve the business environment, strengthen roads and marketing infrastructure, enhance credit markets and resolve land tenure problems. The agro-industry sector can play a vital role in addressing food security and nutrition problems in an environment of enhanced competitiveness. However, there is need to identify business models in which agro-industries must follow focusing on sustainability, climate change, emerging farmers and markets, technology, systemic risks and the balance of power.

Agro-industry development opportunities in Southern Africa include beneficiation of local raw materials, available production capacity, strong domestic and sub regional demand, existing

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7 EMRC - Agribusiness Forum 2011, Conference Report, Engaging the Private Sector for Africa’s Agri-food Growth, 16-19 October 2011, Johannesburg, South Africa.


9 Louw, A., Geyser, M. and Schoeman, J., Determining the factors that limit agro-processing development in the wheat milling and baking industries in rural areas in South Africa, Department of Agricultural Economics, Extension, and Rural Development, Absa Chair in Agribusiness, Faculty of Natural and Agricultural Sciences, University of Pretoria, August 2010.
preferential export markets (for example, AGOA Act). The development of agribusiness enterprises in developing countries faces many challenges. The IDC (2010) identifies these challenges to include, difficult access to funding, lack of expertise to develop high quality products and dumping practices and subsidized imported products which are a threat to the local industries and constitute strong barriers to growth in the agro-industry sector. Furthermore, the other factors that limit agro-processing development include, rising costs and difficult access to working capital, deficient raw material procurement and inward logistics and transportation infrastructure constraints. Weaknesses in agribusiness development are related to inadequate protection against unfair competition, high input costs, highly-distorted international market, low export orientation and lack of innovation for new products. Furthermore, the threats of unfair competition from cheap subsidized imports, non-tariff barriers, rapid changes in consumer preferences, changing regional dynamics and multilateral arrangements and poor domestic/regional market economic conditions present challenges for agribusiness development.

In addition, the activities of small and medium scale enterprises (SMEs) along the agricultural value chain are crucial for employment and regional development and contribute significant share to total value added (EMRC, 2011). Furthermore, SMEs in new niche markets and integrated into regional and global value chains, or organized into clusters provide opportunities to address development challenges. The importance of promoting domestic agro-food systems is key to averting the challenges imposed by long-term increases in food prices.

3. Objectives and Aims of the Meeting

The United Nations Economic Commission for Africa Southern Africa Office (UNECA-SA) will organize an Ad Hoc Experts Group Meeting (AEGM) on “Agro-industry development for food and nutritional security in Southern Africa” to discuss the attendant challenges and opportunities and to proffer recommendations to ensure the long term sustainability of the sector in Southern Africa. Sustainability of the sector is key to meeting the needs of the domestic and international markets as well as promoting sustainable development, food and nutritional security. The Meeting will seek to provide concrete recommendations to strengthen the agro-industry sector by encouraging partnerships, promoting best practices and drawing lessons.

To facilitate focused discussions at the AEGM, UNECA-SA will prepare an issues paper on “Agro-industry development for food and nutritional security in Southern Africa” and present the paper for review and discussions. Among other issues, the paper will review recent trends and structure of the agro-industry sector in southern Africa, highlight challenges and opportunities and discuss strategies aimed at strengthening contribution to food security and nutrition. The paper will identify factors that constrain the development of the agro-industry sector and the ability of the sector to promote food and nutrition security in the sub region.

From the issues paper findings, the AEGM will:

- Map the structure and conduct of the sector including performance trends in the SADC sub region;
• Identify investment opportunities for the benefit of existing as well as emerging actors within the industry;
• Identify constraints that limit agro-processing development in the sub region and analyze short and long term issues that influence the effective establishment and development of agro-processing industries and affect their ability to promote food and nutrition security;
• Audit the current policy support mechanisms and their ability to promote an efficient, profitable, competitive, sustainable and inclusive agro-industry which sustains food security and nutrition in the SADC sub region, draw lessons and highlight success stories;
• Discuss alternative business models and approaches to agro-industrial development and innovative institutions to support the development of agro-industries with a clear focus on the possible role of governments, the private sector and civil society in the process; and
• Recommend strategic directions for strengthening agro-industry development and linkages with food and nutrition security in southern Africa.

4. Implementation Strategy, Partnerships, Stakeholders and Participants

(a) Implementation Strategy

The workshop will discuss emerging issues and challenges in strengthening agro-industry for food and nutritional security in the SADC region. The issues paper on “Agro-industry development for food and nutritional security in Southern Africa” will be the major discussion paper during the AEGM. Other papers addressing specific issues in agro-industry development will be presented by other stakeholders. These include, “Agro-industry development in East and Southern Africa: Exploring Regional Value Chains (COMESA)”, “Agro-industry development: capacity and operational needs for take-off”(UNIDO), “Agro-industry development: The Experience of the Milling Industry in Zambia” (Zambia Millers Association), Agribusiness development and participation in regional value chains in Southern Africa and “Financing agro-industry for food and nutritional security in Southern Africa” (DBSA).

(b) Partnerships, Key Stakeholders and Participants

UNECA-SA will collaborate with the COMESA and SADC Secretariats, FAO and member States in organizing the AEGM. Participants to the AEGM will include 25 agro-industry and agribusiness experts from government institutions and Ministries, the private sector, SADC institutions, academia, civil society organizations and others development partners.
5. AEGM expected outputs

The main output of the AEGM will be a comprehensive report outlining issues and challenges affecting agro-industry development for food and nutrition security in Southern Africa. The report will include national and regional level recommendations to strengthen agro-industry development and enhance its impact of growth, poverty alleviation and food and nutrition security.

6. Dates, venue and logistical arrangements

The AEGM will take place from 9th to 10th March 2015 at Kingdom Hotel, Victoria Falls, Zimbabwe. UNECA-SA will cover the costs of a round trip economy class air ticket and Daily Subsistence Allowance at the prevailing United Nations per diem rates for Victoria Falls for the sponsored participants for meeting days. Ground logistics, including hotel reservations, airport reception and transportation to and from hotels will be organised by UNECA-SA.

7. Contacts

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