



Trading in Agricultural Products: Past Future Opportunities *The African Perspective*

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Outline

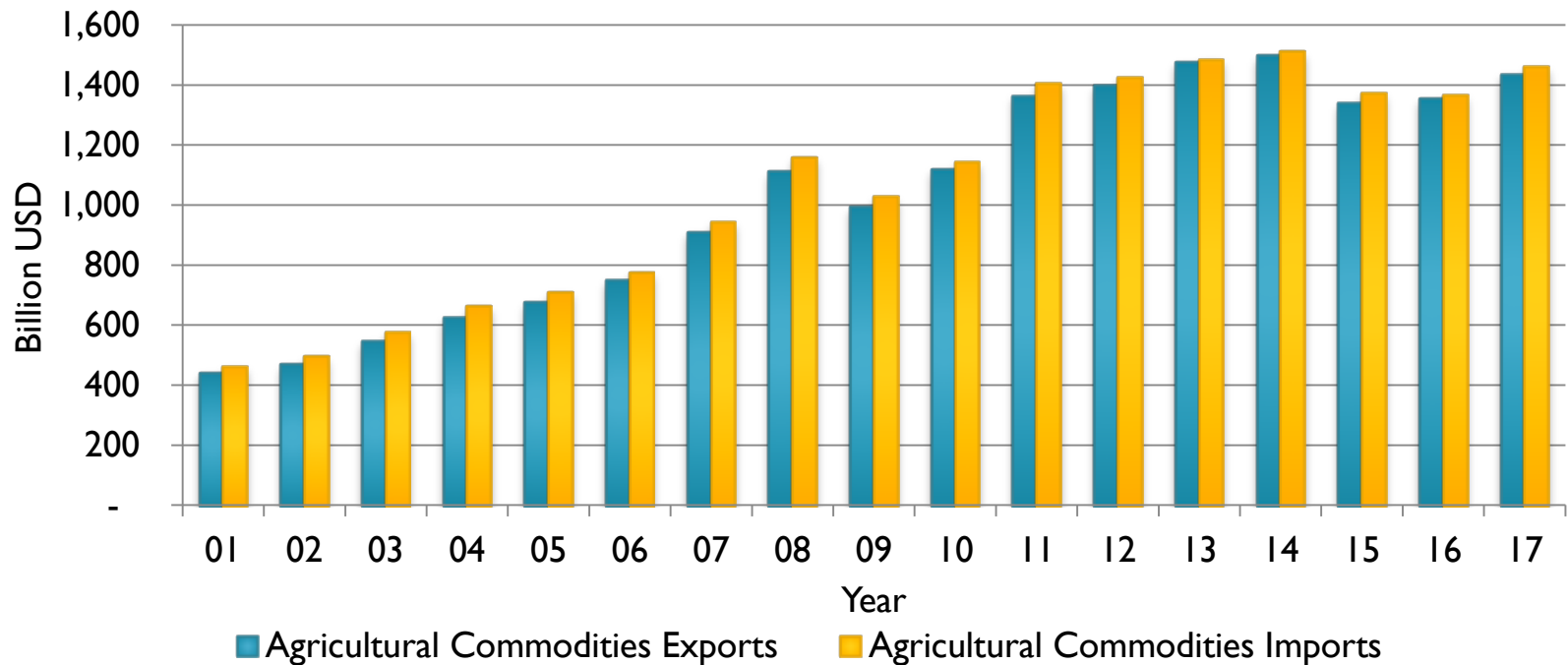
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Introduction

- Agricultural products or commodities are made up of staple crops and animals produced or raised on farms or plantations, they are defined in Annex I on the WTO agreement on Agriculture.
 - Some agricultural commodities are source of food (grain, livestock, dairy).
 - Others such as wool or latex are industrial products.
 - Other agricultural commodities such as corn (maize) are both an industrial as well as food product.
- This presentation looks at trends in world agricultural trade and key players and the African experience in agricultural commodities.
- The level of intra-Africa trade is fundamental indicator of the how much effort must be put in to achieve deep integration.

Agricultural Commodity Trade Patterns

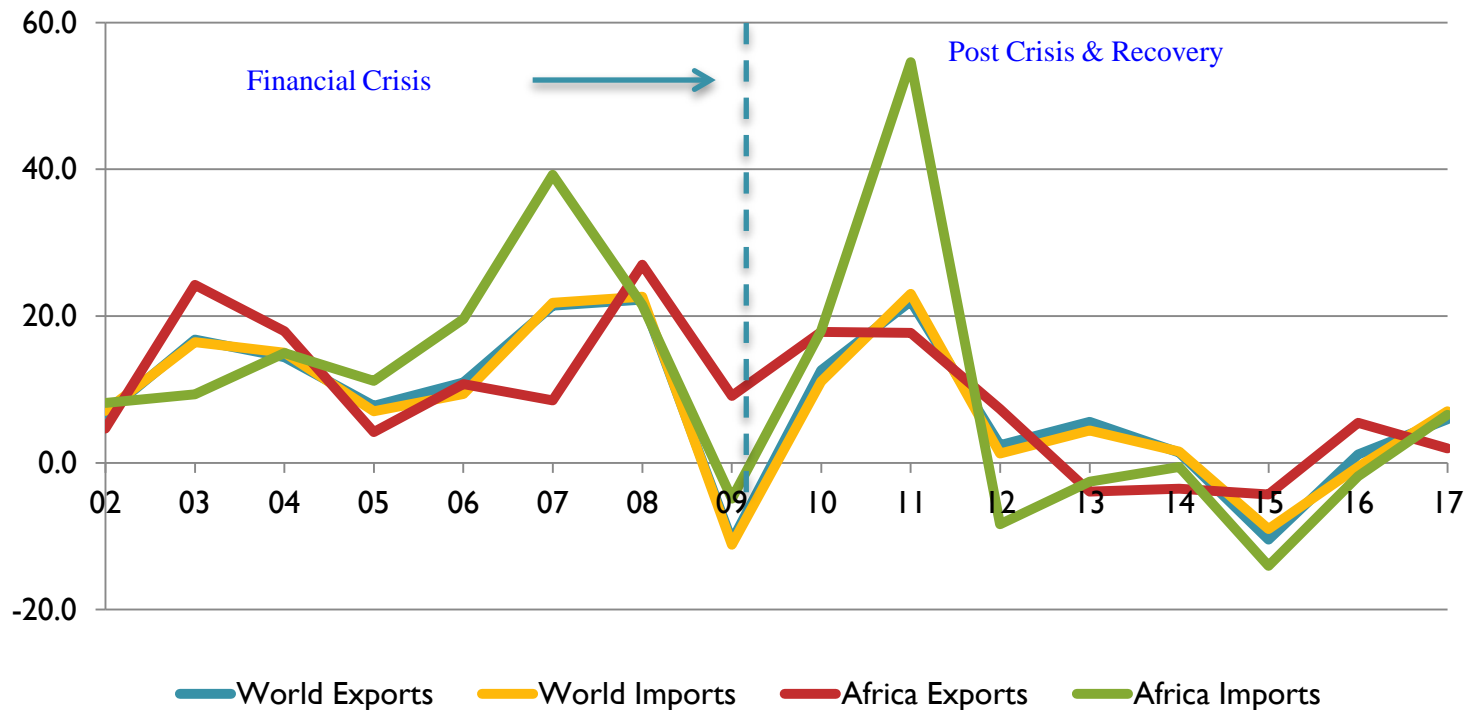
Figure 1: Value of World Traded Agriculture (Billion USD)



- The financial crisis drastically affected agricultural commodities trade growth;
 - Pre-financial crisis (2001-2008) total agricultural trade growth rate averaged 14.1%.
 - Post financial crisis period (2009-2017) growth rate averaged 4.6%.

Agricultural Commodity Trade Patterns

Figure 2: % Growth Rate Agricultural Commodities Trade



Source: Trade Map database

- World- total agricultural commodities exports and imports grew by 7.7% and 7.5% respectively.
- In Africa- Total agricultural commodities exports and imports grew by 8.7% and 9.4% respectively.

Agricultural Commodity Trade Patterns

Leading Exporters (USD Billion)	2017
1. United States	148.10
2. Netherlands	102.46
3. Germany	86.30
4. Brazil	81.22
5. France	69.26
6. China	62.18
7. Spain	50.40
8. Italy	46.53
9. Canada	45.89
10. Belgium	45.16

Source: Trade Map database

- The United States remains the market leader in both agricultural commodity exports and imports, particularly food products.
- The leading exporters are: United States, Netherlands and Germany.
- The top common exports for these countries include:
 - Meat and edible meat offal (HS02);
 - Dairy produce, birds' eggs (HS04);
 - Edible vegetables and certain roots (HS07)
 - Edible fruit and nuts (HS08),
 - Live trees and other plants (HS06),

Agricultural Commodity Trade Patterns

Leading Importer (USD Billion)	2017
1. United States	137.78
2. China	116.91
3. Germany	100.78
4. Netherlands	68.46
5. United Kingdom	61.99
6. Japan	59.72
7. France	57.71
8. Italy	46.34
9. Belgium	38.90
10. Canada	35.58

- The top importers of agricultural commodities are: United States, China and Germany.
- The top common commodities imported are:
 - Beverages, spirits and vinegar (HS22)
 - Edible fruit and nuts (HS08),
 - Edible vegetables (HS07),
 - Coffee, tea, mate and spices (HS09),
 - Preparations of vegetables, fruit, nuts (HS20),
 - Oil seeds and oleaginous fruits; (HS12),
 - Meat and edible meat offal (HS02),
 - Animal or vegetable fats and oils (HS15),
 - Cereals (HS10), Edible fruit and nuts (HS08), Dairy produce (HS04),
 - Beverages, spirits and vinegar (HS22),
 - Meat and edible meat offal (HS02)
 - Edible vegetables and certain roots and tubers (HS07).

Agricultural Commodity Trade Patterns

- The top ten agricultural commodity importers and exporters hold at least 50% of their respective market shares. In the import market:
 - The top 10 agricultural commodity exporters have approximately 50% of the import market.
 - The supplying markets are concentrated around the same importers.
 - The average growth rates for agricultural commodity imports are highest in France (7%), China, Italy and Canada's growth rate ranges from 6.1% to 6.9%.
- Even though the United States is the top importer of agricultural commodities, the growth rate is quite low at 2.3%.
- Assuming similar growth rates for imports, Germany will be the top agricultural commodity importer by 2023; United States will fall to second position while the Netherlands will rank third

Agricultural Commodity Trade Patterns

Importers	Market Share (2017)	Average growth rate 2015- 2017	List of supplying markets
United States	9.4%	3.3%	Mexico, Canada, France, China
China	8.0%	3.3%	Brazil, United States, Australia, Canada
Germany	6.9%	5.1%	Netherlands, Italy, France, Spain
Netherlands	4.7%	5.5%	Germany, Belgium France, Brazil
United Kingdom	4.2%	-0.9%	Netherlands, France Ireland, Germany
Japan	4.1%	2.7%	US, China, Australia, Thailand
France	3.9%	5.0%	Spain, Netherlands, Belgium, Germany
Italy	3.2%	2.6%	Germany, Spain, France Netherlands
Belgium	2.7%	6.7%	Netherlands, France, Germany, Spain
Canada	2.4%	1.0%	US Mexico, Italy, China

Agricultural Commodity Trade Patterns

- In the export market:
 - The top 10 agricultural commodity exporters capture approximately 54% of the market share;
 - The importing markets are largely concentrated among the top 10 exporters.
 - For both exports and imports, proximity to other countries plays an important role in determining trading partners.

Agricultural Commodity Trade Patterns

Exporters	Market Share (2017)	Average growth rate 2015- 2017	List of importing markets
United States	10.3%	2.3%	Canada, Mexico, China, Japan
Netherlands	7.1%	6.8%	Germany, Belgium, France, UK
Germany	6.0%	4.4%	Netherlands, France, Italy, Austria
Brazil	5.7%	4.6%	China, US, Netherlands, Hong Kong
France	4.8%	1.7%	Germany, Belgium, UK, Italy
China	4.3%	4.6%	Hong Kong, Japan, US, Vietnam
Spain	3.5%	7.0%	France, Germany, Italy, Portugal
Italy	3.2%	6.3%	Germany, France, US, UK
Canada	3.2%	1.2%	US, China, Japan, Mexico
Belgium	3.1%	6.3%	France, Netherlands, Germany, UK

Agricultural Commodity Trade Patterns

Leading Exporters	2017 (Billion USD)
South Africa	9.40
Côte d'Ivoire	7.07
Egypt	4.82
Morocco	4.26
Kenya	3.40
Ghana	3.12
Ethiopia	2.42
Uganda	1.58
Zimbabwe	1.20
Madagascar	1.14

The African Continent's total agricultural commodity trade constitutes 4% of the world's total trade.

This proportion has remained relatively constant from 2001 to 2017.

- The leading exporters are South Africa, Cote d'Ivoire; Egypt, Morocco and Kenya,
- Top agricultural commodities exported are cocoa and cocoa preparations (HS18), edible fruits and nuts (HS8), coffee and tea (HS09), edible vegetables (HS07) and tobacco (HS24).

Agricultural Commodity Trade Patterns

Leading Importers	2017 (USD Billion)
Egypt	13.04
Algeria	9.32
South Africa	6.46
Morocco	5.16
Nigeria	4.19
Kenya	3.17
Angola	2.56
Libya, State of	2.41
Ghana	1.90
Tunisia	1.88

- The top importers of agricultural commodities are Egypt, Algeria, South Africa, Morocco and Nigeria.
- The top (5) imported products are: cereals (HS10), animal vegetable fats and oils (HS15), sugar and sugar confectionery (HS17), Dairy produce (HS07) and Meat and Edible Offal (HS01).

Agricultural Commodity Trade Patterns

Importers	Market Share (2017)	Average growth rate 2015-2017	List of supplying markets
Egypt	17.5%	-3.7%	Brazil, Russia, Ukraine, Argentina
Algeria	12.5%	-3.5%	Argentina, France, Brazil, New Zealand
South Africa	8.7%	15.2%	Brazil, Thailand, Argentina, US
Morocco	6.9%	10.4%	Brazil, Argentina France, US
Nigeria	5.6%	-6.0%	US, Brazil, Russia, Canada
Kenya	4.3%	31.4%	Indonesia, Uganda, Brazil, Mexico
Angola	3.5%	0.8%	Portugal, Brazil, South Africa, US
Libya	3.2%	-16.9%	Germany, Ukraine, Egypt, Argentina
Ghana	2.6%	34.7%	Vietnam, Canada, Malaysia, China
Tunisia	2.5%	-8.5%	Ukraine, US, Brazil, Italy

Agricultural Commodity Trade Patterns

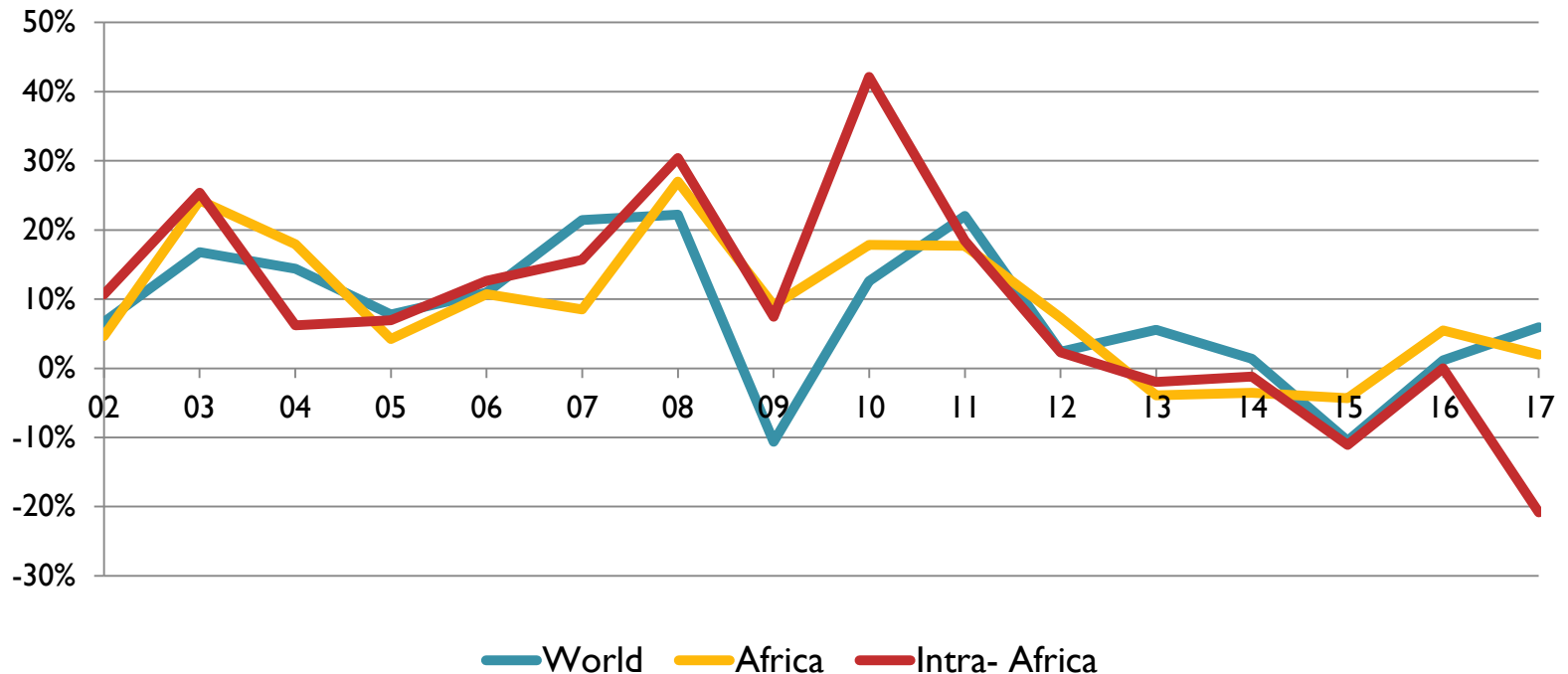
Exporters	Market Share (2017)	Average growth rate 2015- 2017	List of importing markets
South Africa	19.1%	9.5%	Netherlands, UK, Namibia, Botswana
Côte d'Ivoire	14.4%	1.7%	Netherlands, US, Belgium, Vietnam
Egypt	9.8%	-0.5%	Saudi Arabia, Russia, UAE, Jordan
Morocco	8.7%	10.5%	France, Spain, Netherlands, Russia
Kenya	6.9%	4.4%	Pakistan, Netherlands, UK, UAE
Ghana	6.3%	-1.9%	Vietnam, India, Netherlands, Malaysia
Ethiopia	4.9%	3.0%	Somalia, China, Saudi, Arabia, Netherlands
Uganda	3.2%	11.8%	Kenya, Sudan, Italy, DRC
Zimbabwe	2.4%	5.3%	South Africa, Mozambique, Zambia, Botswana
Madagascar	2.3%	38.9%	US, France, Germany, Singapore

Agricultural Commodity Trade Patterns

- Agri-food products (exc. Fish products) on the average constitute 70% of agricultural commodities traded.
 - Total trade in food products has been growing at 11% per annum for the period 2001 to 2013, based on the most recent FAO trade data available.
 - In 2009, following the financial crisis, total food trade dropped by 11%.
- In 2013, the top traded Agri-food commodities were soya beans, food preparations (n.e.s), maize, wheat and palm oil.
 - **The top 5 exporters of soya beans** are: Brazil, United States, Argentina, Paraguay and Canada. **The top importers** are China, Mexico, Netherlands, Japan and Spain.
 - **The top Maize exporters** are: United States, Brazil, Argentina and Ukraine and **importers** are Japan, Mexico, Korea and Egypt.
 - **Wheat** is largely imported by Indonesia Egypt, Algeria and Italy and exported by US, Russia, Canada and Australia.
 - Palm oil is exported by Indonesia, Malaysia, Netherlands and Papua New Guinea and imported by India, China, Pakistan and Netherlands.

INTRA- AFRICA AGRICULTURAL COMMODITIES TRADE

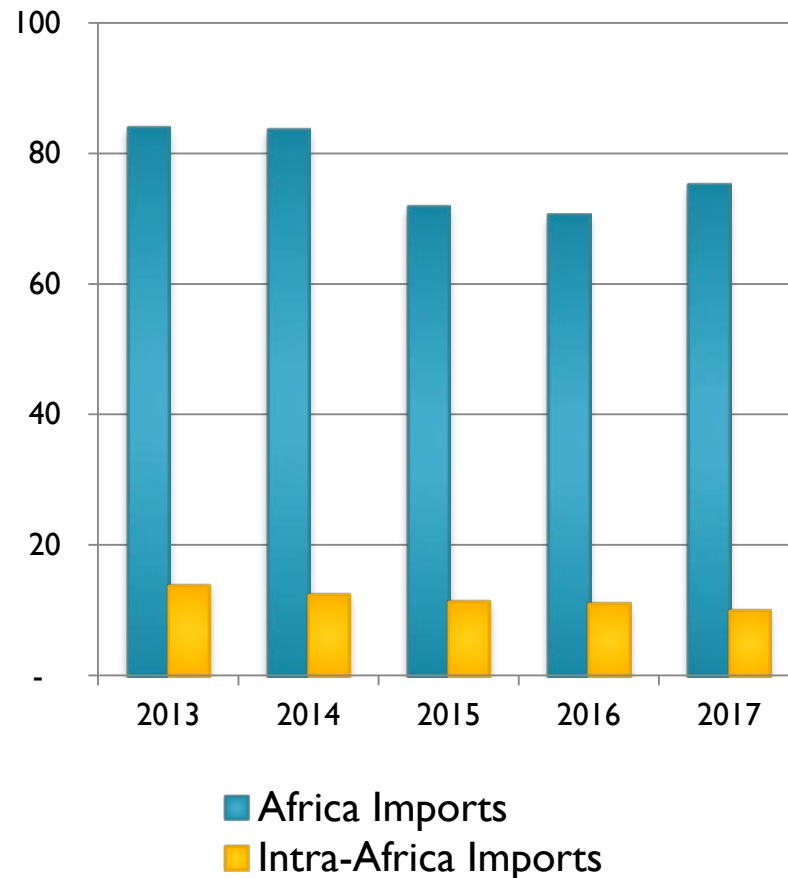
Figure 3: Intra Trade Africa Growth Rate Trends (%)



- In 2002, total African trade was valued at USD 31 billion of which total intra-Africa trade was USD 6 billion.
- In 2017, total African trade increased to USD 126 billion in 2017, of which intra-African trade was valued at USD 20 billion.

INTRA- AFRICA AGRICULTURAL COMMODITIES TRADE

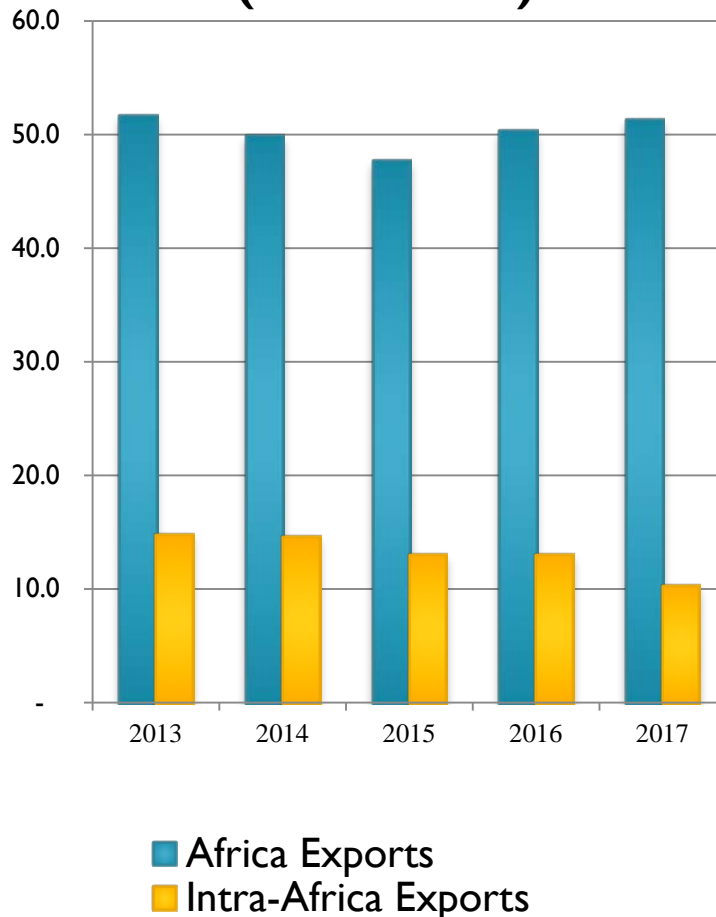
Figure 3a: Import Trends Intra-Africa Trade (Billion USD)



- Total African imports were 7 times intra-African imports
- The top commodities imported include: sugar and sugar confectionary (HS17), Beverages, spirits vinegar (HS22), edible vegetables (HS07), coffee, tea, mate (HS09) and cereals (HS10)
- The leading intra-African importers are: South Africa, Kenya, Namibia, Botswana and Zimbabwe.

INTRA- AFRICA AGRICULTURAL COMMODITIES TRADE

Figure 3b: Export Trends Intra-Africa Trade (Billion USD)



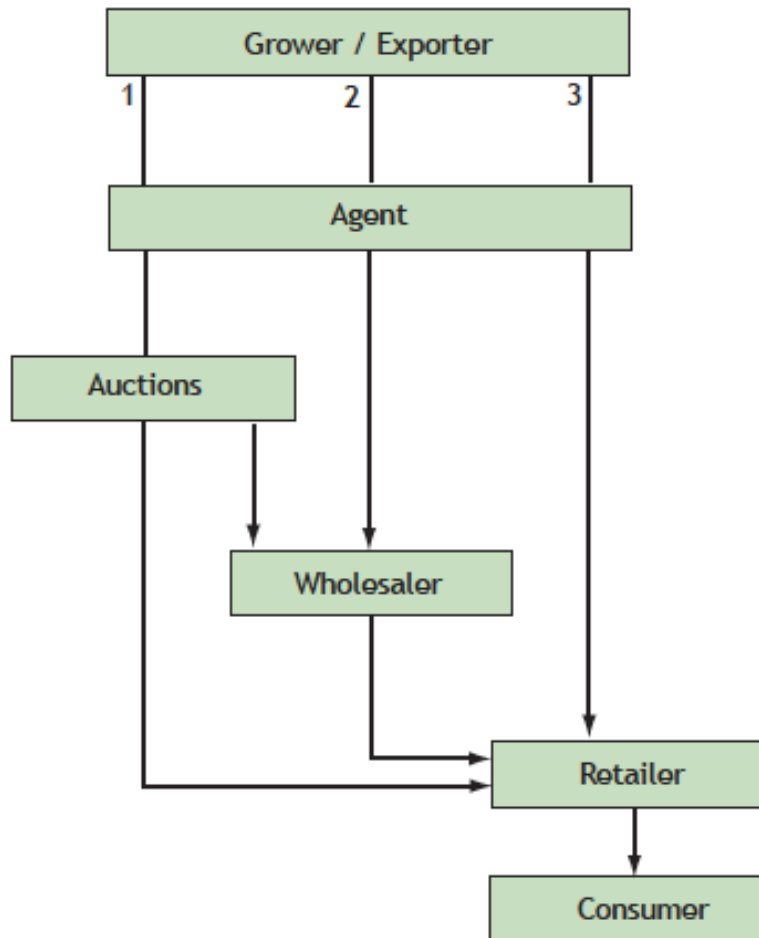
- Total African exports were five times that of intra-African Exports.
- The top commodities exported include: sugar and sugar confectionary (HS17), Beverages, spirits vinegar (HS22), edible vegetables (HS07), coffee, tea, mate (HS09) and cereals (HS10).
- The leading intra-African exporters are South Africa, Egypt, Uganda, Kenya and Morocco.

EFFECTS OF GLOBAL VALUE CHAINS ON AGRICULTURAL TRADE –CUTFLOWERS

- The GVC framework includes production, processing, distribution and marketing of specific globally trade commodity. At each value node, there are different stakeholders involved as well as governance issues related to the sector/node.
 - Buyer-driven which consist of retailers, traders or large processors, these lead players determine the division of labour in the value chain, and hence their actions have implications on whether new entrants make losses or gains.
 - Producer driven chains - characterized by barriers to entry in the production chain and economies of scale.
- African countries have geared their efforts towards upgrading through value addition in order to capture more value in the chain as opposed to traditional raw commodities exports specialization whose terms of trade remain volatile

EFFECTS OF GLOBAL VALUE CHAINS ON AGRICULTURAL –CUT FLOWERS

Figure 3: Cut Flower Production Chain and Characteristics



- The growers and exporters cut flowers reach the market through:
 - Directly to the auction
 - *This system is efficient with quick payment systems. Exporters must have licenses showing specific varieties of flowers being supplied. Small and medium flower producers compete with large firms.*
 - Through an agent who sells to auction
 - *They handle logistics involved from receiving the flowers to transportation to the auction. Most developing countries use agents due to absence of local presence.*
 - Through an import wholesaler
 - *They may sell at the auction or directly to retailers and supermarkets. Quality issues and payment problems occur a lot with wholesalers.*
 - Directly to retailers or supermarket stores
 - *More logistics involved even though it is a growing trend with increasing volumes going to retail.*

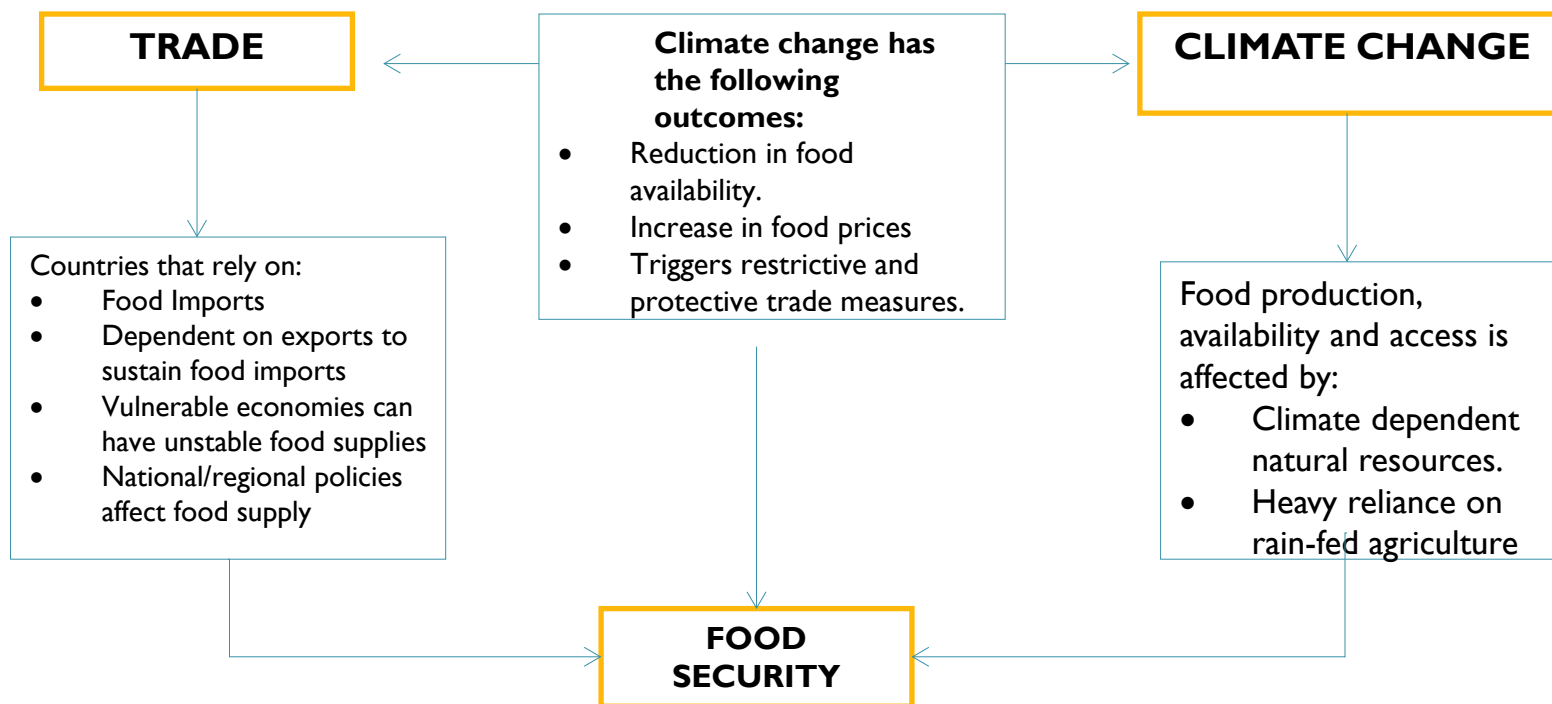
EFFECTS OF GLOBAL VALUE CHAINS ON AGRICULTURAL TRADE –CUT FLOWERS

The increased demand for exotic flower varieties and pressure for product diversification has resulted in greater competition and an increasing vertically integrated flower market.

- The increased competition has necessitated companies to establish commercial presence in their export destination in order to manage and market their flowers.
 - Cut flower firms from Colombia and Ecuador established bases in the Miami flower market in the United States in order to meet the demand and competition.
 - Flamingo flowers based in Kenya, (previously a flower exporter) had to expand its market to the UK in order to market and manage its flowers.
 - Dole flowers even though based in Miami, United States, has invested in the production of flowers in Ecuador and Colombia, sales of cut flowers and even leases airplanes to transport flowers from the production point back to the United States.
 - The top importers of cut flowers are: United States, Netherlands, Germany, UK and France.
 - The top exporter is the Netherlands (4.4 billion USD), followed by Colombia, Ecuador, Kenya and Ethiopia whose combined export value is 3.0 billion USD.

EFFECT OF CLIMATE ON TRADE PATTERNS IN THE EAC

Figure 4: Linking Climate Change, Trade and Food Security



Source: Adopted from Scavione 2010

- A country can adjust to such scarcity by :
 - increasing food imports
 - impose restrictive trade measures that inhibit exports

EFFECT OF CLIMATE ON TRADE PATTERNS IN THE EAC

- Climate change has varied effects on agricultural production and as a result demand response determines the level of trade, which varies across countries within a common region, as was the case in the East Africa Community.
- Omolo (2017) examined the effects of climate change in the East African Community's (EAC) four countries (Kenya, Uganda, Tanzania, and Rwanda)
 - *How would demand respond to changes in output?*
 - *How much will be exported? sold domestically?*
 - *Would importation take place in order to meet consumption needs.*

EFFECT OF CLIMATE ON TRADE PATTERNS IN THE EAC

- Increase/decrease in output would result in exports and domestic sales adjusting by either each reducing or increasing
- Depending on the adjustment related to domestic sales, imports would increase or decrease in order to meet demand.

Table 5: Demand Adjustment to Changes in Output due to Climate Change

	Kenya (2003)	Uganda (2007)	Tanzania (2009)	Rwanda (2006)
Agricultural Output	-0.12	-12.50	-2.57	71.42
Demand				
<i>Exports</i>	0.06	-2.30	-0.42	-6.20
<i>Domestic Sales</i>	-2.43	-2.28	-0.99	25.43
<i>Imports</i>	0.04	-1.15	-0.27	-1.74

Conclusion

- At least 50% of agricultural commodities trade is concentrated in 10 countries
 - These countries tend to trade among themselves
 - The top performing export/import commodities are still consumed by these countries.
 - In the future trade is likely to remain concentrated among these countries- with slight shifts in the ranks
- Intra Africa trade in agricultural commodities is low (20%).
 - A lot of effort required if CFTA is to be a success
 - Compare Trans-Pacific Partnership (TPP), which will affect 23% of world trade, and the Transatlantic Trade and Investment Partnership (TTIP) which affects 44% of global FDI. US and EU

Conclusion

- Global value chains
 - The imbalance in the trade patterns still play out in the value chain
 - For example flowers- more wholesalers, agents come from the top trading countries.
 - As long as the trade patterns remain the same, the value chain mapping (players) will be unchanged- of course there are other key factors at play
- Climate change and Trade.
 - The impact varies even with countries in the same region sharing the same weather patterns.
 - National polices (including trade policies) determine how countries cope with climate change and the mitigating responses.
 - Some countries are more vulnerable than others.
 - Rwanda positively affected, other 3 EAC countries negatively affected.