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Towards establishing African common markets for strategic products to address longer term food security concerns : situating the issues within African Union resolutions

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ENHANCING THE FUNCTIONING OF CEREAL MARKETS IN WEST AFRICA

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WITH ECOWAS/ROPPA/CILSS/SWAC/OECD PARTNERSHIPS & SUPPORT



Plan of intervention

▪ 1. Where we are ? – The African context

▪ 2. AU Responses to meeting the challenges
& opportunities ahead... *towards implementation of more
harmonized common strategies, programs, Instruments for a more integrated,
food secured, prosperous and peaceful Africa*



The numbers – where Africa stands ?

2010-2030

Africa is a market potential of 900 millions today of which 75 % lives in rural areas growing to reach 2 billion ... and set to surpass China by 2050

- Already home to 216 million undernourished people, representing 30 % of the population, the greatest number of countries (with dietary energy consumption per capita below the minimum level for optimal health (less than 2,200 kcal per capita per day) suggesting serious and long term consequences for the affected individuals, for the social and economic welfare of their communities, countries and the world as a whole (before 2008).
- with almost no ownership rights incl. land along global food supply chains
- crop yields , cereal outputs set to drop in most countries by 2050 with climate
- final agricultural value-addition and retention barely exceeding 5 %
- accounting for only 2% of world exports and 14 % of global imports
- negligible intra African trade faring, 9 % (2009) suggesting indicative high intra trading potential

The Genesis of the AUCMAP and ACX



1) A broad consensus that extra africa trade has been detrimental to Africa, intra african trade is under performing, increased intra regional trade liberalization will be beneficial for the continent.

2) The genesis of a concerted effort to integrate the African countries economically can be traced directly to the Lagos Plan of Action (Final Act of Lagos, april 1980) and to the OAU Charter (into signature 25 may 1963 - in force 13 september 1963). A roadmap exists in the form of the Treaty establishing the African Economic Community (AEC) (entered into force 12 May 1994). A roadmap also exists in the form of the Treaty establishing the ECOWAS (establ. 1975-entered into force 24 july 1993)

3) The challenge now lies in **devising a simple, pragmatic, yet comprehensive but binding Framework that can be easily implemented and which will be acceptable to all five RECs and Member states.**



The "AUCMAP & ACX frameworks"

- Until 1987, food and nutrition were never part of the agenda of OAU summits.
- Chapter VIII, art. 46 of Abuja Treaty provides that member shall cooperate in the development of agriculture, forestry, livestock and fisheries in order to
 - (a) ensure **food security**
 - (b) to **increase production** and **productivity** (agriculture, livestock, fisheries, forestry) ,... generate **employment opportunities** in rural areas.
 - (c) to **protect the prices** of export commodities on the international market by means of **establishing an African commodity exchange (ACX)**.
- To this end, and in order to promote integration of the production structures, member states shall cooperate in the following fields, ... :
 - (e) the **harmonization** of agricultural development strategies and policies at the regional and community levels in particular, in so far, as they relate to the production, trade and marketing of major agricultural **products** and **inputs**;
 - (f) the harmonization of food security policies in order to ensure:
 - (i) the reduction of losses in food production;...; (iv) the provision of food aid to member states in the event of serious food shortage; and... (v) the protection of regional and continental markets primarily for the benefit of African agricultural products.



The "AUCMAP & ACX frameworks"

- Decision taken by the 37th Summit of the OAU to create a common market in agricultural products, July 2001
- Decision to adopt the CAADP at the Maputo summit, July 2003 as a framework for accelerating agricultural development and food security in Africa
- Decision to establish an information network in the field of agricultural production for food security and the trading of commodities between markets and countries. A 2nd extraordinary session, Assembly AU heads of States, 27-28 February 2004, Sirte declaration on the challenges of implementing integrated and sustainable development on agriculture on agriculture and water in Africa, Libya.
- => Resolution of AU Abuja food security summit, December 7, 2006



2006 Abuja food security summit resolution calls for...

- **Member states** and **RECs** to promote and protect African strategic food commodities
 - rice, legumes, maize, cotton, oil palm, beef, dairy, poultry and fisheries (continental level); Cassava, sorghum, millet (sub regional level)
 - to fast track the lowering of tariff barriers and elimination of non tariff barriers both technical and non technical by 2010.
- **AUC/NEPAD/UNECA** to facilitate Africa self reliance by 2015 for selected staples (rice, maize, cassava, beef... to process 50% of cotton produced in Africa by 2015, rapidly increase share of local processing for other commodities.
- Limited results to date => **legally binding frameworks are needed** to secure an African common market and ownership rights, critical for increased investments into supply & value chains development, regional integration expansion instruments.



The "AUCMAP & ACX frameworks"

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- Decisions in the 1st session of the Conference of African Ministers of Trade (CAMT), Mauritius, June 2003 and 3rd CAMT, on the importance of addressing Africa's commodity problems and the mandate given to the AUC to develop a scheme to handle aspects of the commodity problem in African continent.
- The Summit of the AU Heads of state and government also endorsed a report by the Ministers of Trade that recommended the undertaking of a feasibility study on the implementation of an African Commodity Exchange, Maputo, July 2003.
- => **Arusha Declaration** on African commodities, December 7, 2006; AU conference of ministers of trade on commodities, 21-23 November, 2005. Arusha, Tanzania.
- => **Arusha Plan of action** on African commodities, December 7, 2006; AU Conference of Ministers of Trade on commodities, 21-23 November, 2005. Arusha, Tanzania.



Arusha Plan of actions calls for...

- **Member states** and **RECs** to promote intra African trade and protect African commodity markets
 - (a) facilitate and support the creation of effectively functioning domestic and regional markets for agricultural products and for inputs to agriculture, inter alia through removal of regulatory obstacles and through the introduction of competition legislation.
 - (b) eliminate tariff and non tariff barriers to regional trade in commodities.
 - (c) strengthen the capacities to reduce the negative impacts of commodity price instability at the macro and micro levels



Arusha Plan of Actions

■ AUC Member states commits to

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- 1- to establish commodity exchanges and call upon AU to establish a forum for discussions on the implementation of commodity exchange initiatives, and in particular, to enable private sector parties to discuss such initiatives, their requirements and potential obstacles;
- 2- provide *a forum* for the review of exchange performance (once operational), in order to highlight the problems met, identify remaining obstacles that governments are in position to remove and identify the specific supportive actions through which the public interest can best be served.
- 3- co-organize, with interested groups, including the private sector, regional and national workshops and conferences on commodity exchanges issues, provides support to such events.



Arusha Plan of Action

■ AUC Member states commit to

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- 4- sponsor the writing of technical papers on the practicalities of commodity exchange development in the African context, including a set of best practices and guidelines with respect to areas such as currency controls, intra-regional trade, ownerships rights and taxation of commodity exchanges transactions;

- 5- call upon the African business sector to: i) develop and support commodity exchanges; iv) be willing to interact with governments to identify and remove barriers to commodity exchanges establishment and operations; with respect to those interested in initiating an exchange, adopt a partnership model – cooperating not just a broad range of private sector interests (including banks, warehousing companies and collateral managers), but also with government entities.



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Arusha Plan of Action (APA)

- The IC must strive to
 - 6- support the review process of policies, laws and regulations in order to create a supportive endorsement for commodity exchanges;
 - Support capacity-building programs focused on domestic banks (as intermediaries between exchanges users and the exchange) and farmers' associations (as exchange users)
 - Support the development of guidelines and sets of 'best practices' in this area;
 - Consider investing in African commodity exchange initiatives
 - To set up an international task force on commodities launched at UNCTAD XI to monitor the implementation of APA

- The AUC to set up a follow up mechanism established under the AUC - an African commodities task force to monitor the implementation of the Arusha Plan of Action as well... to be further strengthen under the the UN RCM for Africa (TYCBP).



The AUCMAP & ACX frameworks

- 1) The AU Plan for Accelerated Industrial Development for Africa (AIDA), CAMI, RSA, October 2008.
- 2) The LDCs Plan of Action adopted in Vienna, Austria, December 2009.
- 3) The African Agribusiness and Agro-Industries Initiative (3ADI), Abuja, Nigeria, March 2010.



The "AUCMAP & ACX frameworks"

- 3ADI or the Abuja Declaration (March 2010) focuses on:
 - Agri-business value chains, Food-security, Policies, Financing, Trade

- It is consistent with the Accelerated Industrial Development for Africa (AIDA, 2008) and the LDC Plan of Action (December 2009) which add on:
 - Infrastructure , Energy and environment, Innovation



The "AUCMAP & ACX frameworks"

- NEPAD/UNECA/... Rural transformation platform launch, October 2010, Addis Ababa focuses on:
 - Rethinking strategically African people/strategies/programs/tools ... in terms of what need to be done, what need to be developed in Africa strategically...



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Progress made and future tasks

- Studies have been carried out to identify the necessary conditions for a successful launch of an African common market in basic products including ACX, under the two options for establishing an African common market for Agricultural commodities (i.e directly or indirectly thru the harmonization of policies in existing sub regional economic communities) leading eventually to increased intra-regional trade in basic food products.
- What is **more needed now is concerted action to fast track implementation of retained AUCMAP/ACX business models** drawing from experiences, best practices, lessons established elsewhere.

Accessing trade intensity potential in African rice markets

Rice in
intra
regional
food
trade ?

✓ Global rice markets are in crisis with volatile and relatively high level prices, but there enormous opportunities exist to promote rice trade within and between Africa RECs subject to removing underlying trade impediments.

Trade intensity potential for accelerating intra regional rice trade in Africa

	CEN SAD	COMESA	ECCAS	ECOWAS	AMU	EAC	SADC	WAEM U
Rice	75%+	63-74%	75%+	75%+	63-74%	63-74%	63-74%	75%+
Potential	VH	H	VH	VH	H	H	H	VH

Source: FAO 2008, COMTRADE ; HP High Potential ; VHP Very High Potential

Accessing trade intensity potential in African rice markets

Cotton
in intra
regional
Trade ?

✓ Global cotton markets are in disarray, but there enormous opportunities to promote cotton trade do exist within and between Africa RECs (CENSAD, ECOWAS, WAEMU, COMESA, SADC, AMU) subject to removing underlying trade impediments.

Trade intensity potential for accelerating intra regional rice trade in Africa

	CEN SAD	COMESA	ECCAS	ECOWAS	AMU	EAC	SADC	WAE MU
Cotton	75%+	75%+	63-74%	75%+	75%+	75%+	75%+	75%+
Potential	VH	VH	H	VH	VH	VH	VH	VH

Source: FAO 2008, COMTRADE, ; **HP High Trade Intensity Potential ; VH Very High Trade Intensity Potential**



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Thank you