

# **STRUCTURAL TRANSFORMATION AND AFRICAN AGRICULTURAL PRODUCTIVITY: WHAT PATHWAY TO FOOD SECURITY AND SOVEREIGNTY**

By

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# Introduction

African economies have undergone transformation driven by

- exports of natural resources and commodities,
- improved macroeconomic management,
- a growing middle class, and
- increased domestic demand fuelled by consumption

Challenges confronting structural transformation towards growth in Africa include

- Relatively neglected agricultural sector
- Lack of inclusive agricultural policies and non-effective industrialization strategies

# Introduction Cont.

Africa's growth has not been inclusive as evident in

- High poverty rates,
- Food insecurity
- Low levels of farm productivity,
- limited growth of non-farm employment and
- high rates of population growth

Structural transformation is therefore fundamental to meeting this challenge and ensuring growth inclusiveness.

# What is Structural Transformation (ST)?

Structural transformation is the foundation and bed rock of economic growth and development

It is the reallocation of economic activity away from the least productive sectors of the economy to more productive ones (McMillan and Rodrik, 2011).

Components of ST (two)

- ❖ *the rise of new, more productive activities and*
- ❖ *the movement of resources and labour from traditional activities to newer ones, raising overall productivity*

# Structural Transformation Cont.

Structural transformation in agriculture is needed

- to increase overall productivity,
- to bring about improved and increased living standards and
- poverty reduction.

To accomplish this, interactions between following four factors is necessary

- increased agricultural productivity,
- rural industrialization,
- the expansion of agricultural markets, and
- the demographic transition

# Role of Agriculture in Africa's ST

Globalization, integrated value chains, rapid technological and institutional innovations, and environmental constraints have rapidly changed the agriculture's role

It is important to recognize agriculture's multiple functions for development through Structural transformation :-

- Triggers economic growth,
- Reduces poverty,
- Narrow income disparities,
- Ensure food security and fosters food sovereignty.

# Role of Agriculture in Africa's ST Cont.

Early theorists have viewed agriculture as playing a passive role in the process of ST (*Badiane and Collins, 2014*).

ST in agriculture is needed to increase overall productivity, living standards and poverty reduction

Involves not only moving labour out of agriculture to more sophisticated and commercial enterprise but ensuring that this transformation further drives industrialization, employment creation technological innovation towards increasing agricultural productivity and ensuring food security



# Trend of Africa's Agriculture Productivity

Agriculture constitutes only about one-fifth of Africa's GDP and about half of the total value of its exports.

## Average annual agricultural growth rate

- 1.8% in 1964-1983 which was behind population growth rate.
- 3.2% (1984-2003)
- In 2003-2010 was 3.5% of GDP.

Africa's agriculture is the least productive in the world

- Average productivity rate of 36%
- Current food imports is about US\$25 billion/year (*Ojukwu Chiji, 2014*)

# Trend of Africa's Agriculture Productivity Cont.

Africa's participation in global agricultural market remains limited (about 2%).

- Its highest trade volume in 2012 for food exports was 16% compared with West Asia 45%.

African current internal trade is about

- 10% of its total trade
- Asia has 17%
- Member countries of European Union have more than 60%

Productivity levels in Africa, in terms of both land and labour productivity, still lag far behind other developing regions

Structural transformation will ensure faster and sustainable annual growth rates of about 6.2% required for total factor productivity growth rates of 4.4% per year (*FARA, 2006*).

# Food Security and Food Sovereignty

The two concepts provides a platform that showcase effect of Africa's agricultural productivity in the region.

Food security is “when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life” (*FAO 1996*)

Components of food security include

- availability,
- access,
- utilization, and
- stability (*FAO 2009*).

# Food Security and Food Sovereignty Cont.

Food sovereignty is the right of people to healthy and culturally appropriate food produced through ecologically sound and culturally appropriate methods, and their right to define their own food and agricultural systems (*Nyéléni Declaration on Food Sovereignty 2007*).

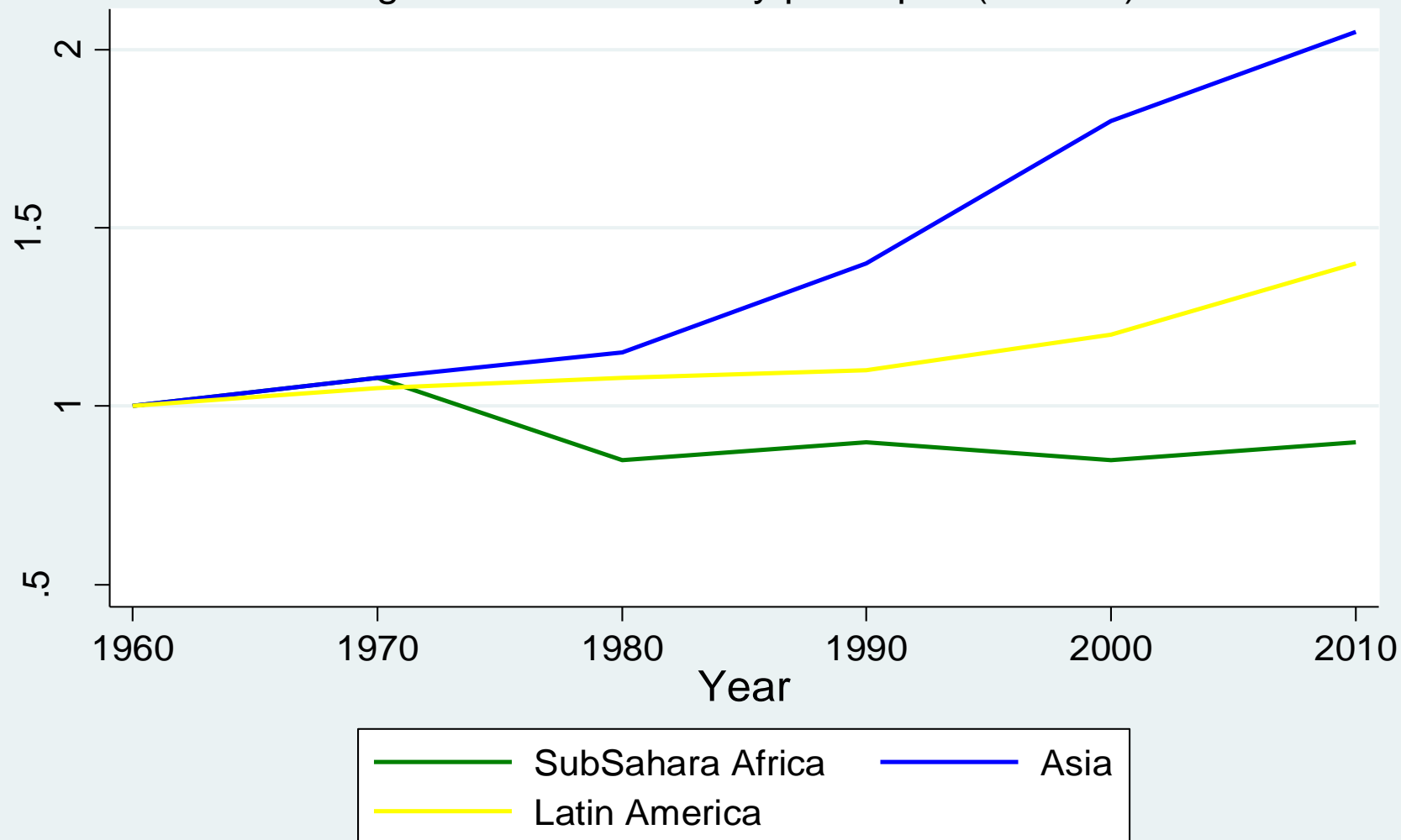
In order to effectively chart pathway for Africa's sustainable agricultural productivity through ST, the two frameworks must be explored.

# ST in Emerging Economies of Asia and Latin America

Agricultural output per worker has risen fast in developing Asia; average growth in Asia was 2.2% per year during 1980–2010, in Latin America and the Caribbean it was 1.8% while in Sub-Saharan Africa it was only 0.6%, (*Asian Development Bank 2013*).

Emerging economies such as China, Japan, Korea India, Brazil among others have been more successful than most African countries in ST, achieving impressive reductions in poverty for more than two decades.

## Agricultural Productivity per capita (1961=1)



Source: FAOSTAT, May 2012.

# Lessons from East Asian's Experience of ST Process

- ✓ Substantial increases in agricultural productivity.
- ✓ Positive interactions between agricultural and industrial development.
- ✓ Interactions depend on the expansion of the marketed share of agricultural output, which enables farm cash incomes to rise.
- ✓ Demography matters- increase in growth of non-farm employment relative to the growth of the total labor force.
- ✓ Technological change in agriculture led to significant improvements in yields of traditional crops

# How are they Different from Africa?

One answer is that they have undergone a more rapid structural transformation; that is, the process by which new, more productive activities arise and resources move from traditional activities to the newer ones.



# Way Forward

- ✓ Adoption of sustainable structural transformation principles (*slide 5*)
- ✓ Commitment to strengthening the rural infrastructure
- ✓ Need to raise agricultural trade competitiveness
- ✓ Build on long term trends in local food demand to stimulate smallholder agricultural growth.
- ✓ Domestic and sub regional markets need to be recognized as representing the main opportunities for African producers in the short-to-medium term

# Way Forward Cont.

- ✓ Investment in agricultural research and technology generation and dissemination to help increase resilience against the many stressors affecting agricultural activities
- ✓ Public–private partnerships in improving agricultural value chain

Thanks for *your* Attention