

2014 ReSAKSS Annual Conference

Addis Ababa · Ethiopia · 8-10 October

PROMOTING AGRICULTURAL TRADE TO ENHANCE RESILIENCE



More Resilient Domestic Food Markets Through Regional Trade

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ReSAKSS

Africa Wide

Regional Strategic Analysis and Knowledge Support System

FACILITATED BY IFPRI A PROGRAM IN SUPPORT OF CAADP IMPLEMENTATION



I. Overview

Trade raises the availability and accessibility of food

- Reducing the unit cost of supplying to local markets; lowering food prices or reducing their increasing pace; improving their affordability

Trade contributes to resilience

- helping stabilize domestic supplies of food; reducing the associated risks for vulnerable groups

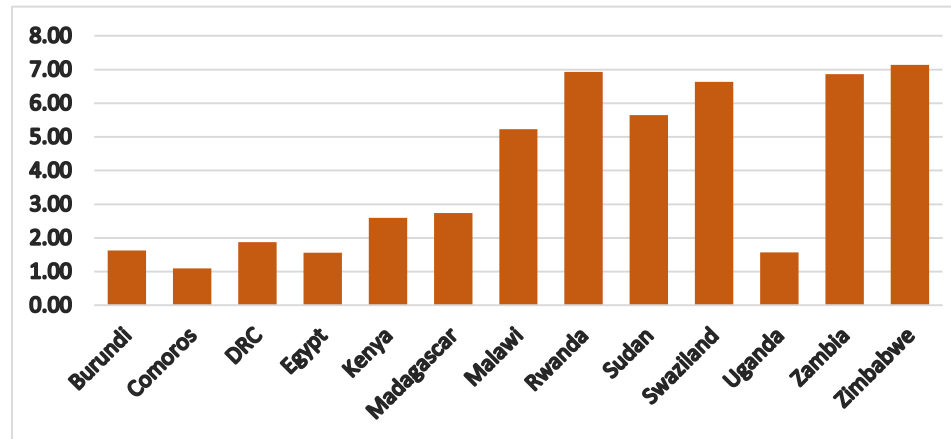


I. Overview (cont.)

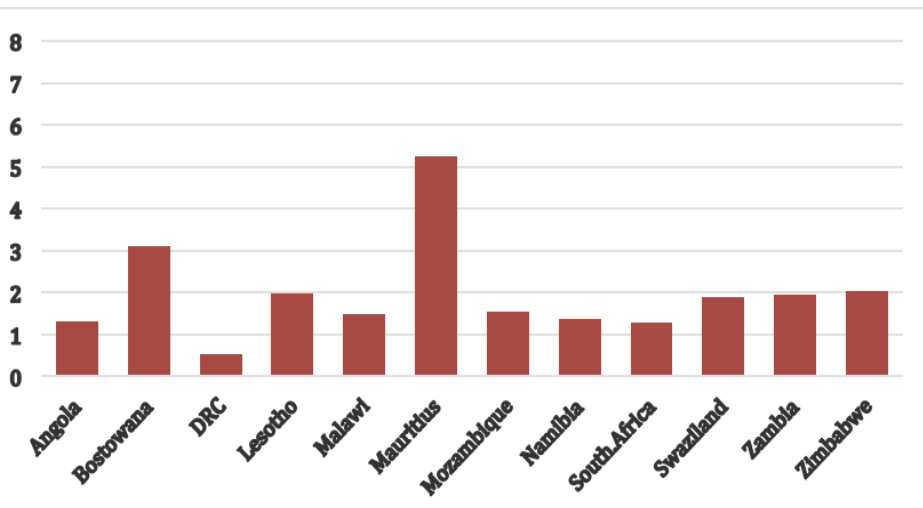
Greater variability of country vs. regional production levels

Potential for local market stabilization through expansion of regional trade.

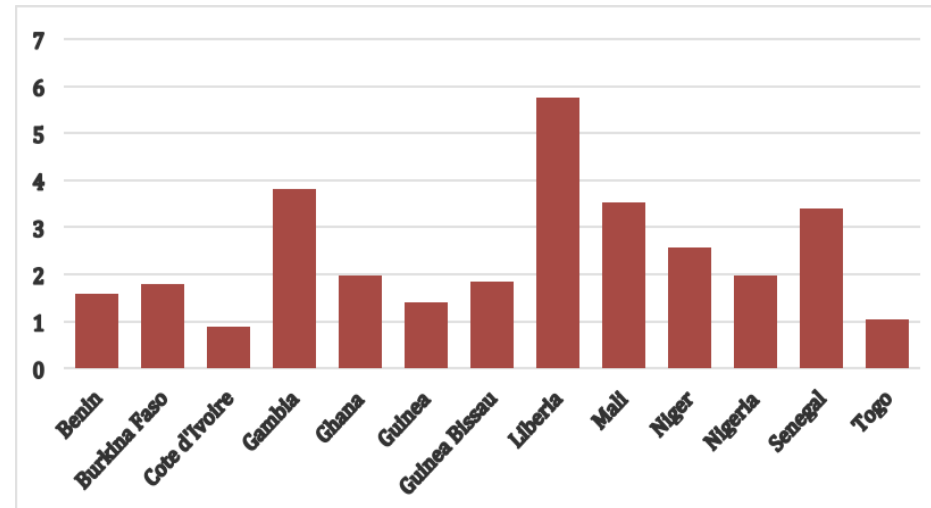
COMESA cereal production instability, 1980-2010



SADC cereal production instability, 1980-2010



ECOWAS cereal production instability 1980-2010?



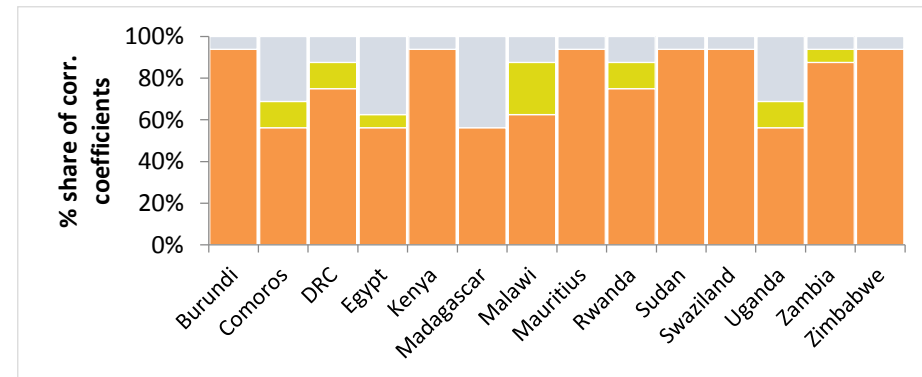


I. Overview (cont.)

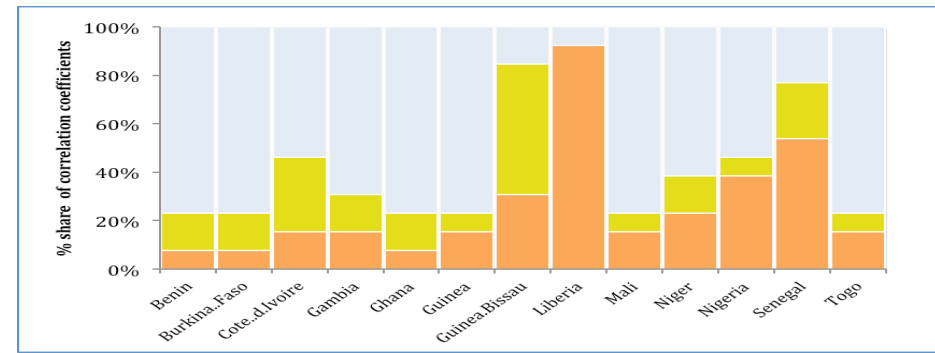
In general, higher concentration of weakly correlated country production levels.

Distribution of correlation coefficients between individual country production levels for each regional group

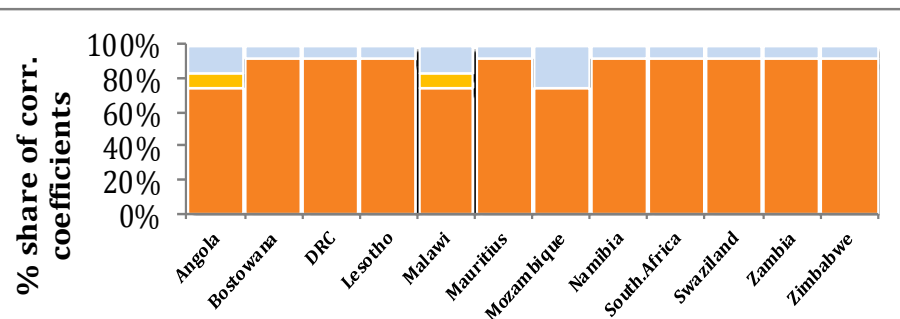
Distribution of correlation coefficients, COMESA



Distribution of correlation coefficients, ECOWAS



Distribution of correlation coefficients, SADC





I. Overview (cont.)

The combination of high variability and weak correlated of domestic production levels suggests increased regional trade would contribute to stabilize domestic markets.

This chapter analyses the potential of regional trade to enhance the resilience of domestic food markets to supply shocks

- Trade performance by African countries in regional agricultural markets
- The scope for specialization and regional trade expansion in agriculture to reduce the level of instability of local food markets
- The Outlook for regional cross-border trade among leading RECs



II. Trade performance in regional agricultural markets

African countries have experienced rising competitiveness in trade with all goods during the period 2007-2011.

	Competitive Effect				Market Effect		
	Goods (Value)	Agriculture (Value)	Agriculture (Kcal)		Goods (Value)	Agriculture (Value)	Agriculture (Kcal)
Africa	1.39	1.25	0.52	Africa	1.03	1.04	0.99
COMESA	1.21	0.81	4.57	COMESA	1.02	0.80	0.20
ECOWAS	1.38	1.75	2.14	ECOWAS	1.04	1.03	1.17
SADC	2.40	1.59	5.53	SADC	1.04	1.03	1.26

The increased competitiveness has in general translated into higher shares of regional markets in total exports.

	Initial Regional Market Share			Final Regional Market Share		
	Goods (Value)	Agriculture (Value)	Agriculture (Kcal)	Goods (Value)	Agriculture (Value)	Agriculture (Kcal)
Africa	0.05	0.15	0.86	0.21	0.34	0.44
COMESA	0.13	0.11	0.06	0.12	0.20	0.32
ECOWAS	0.22	0.10	0.09	0.11	0.06	0.37
SADC	0.14	0.07	0.94	0.28	0.42	0.56

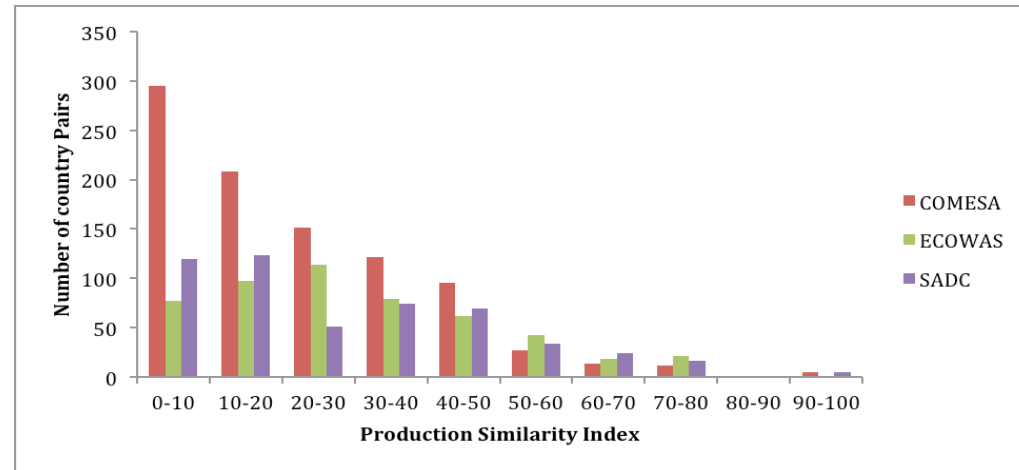


III. Scope for specialization and regional trade expansion in agriculture

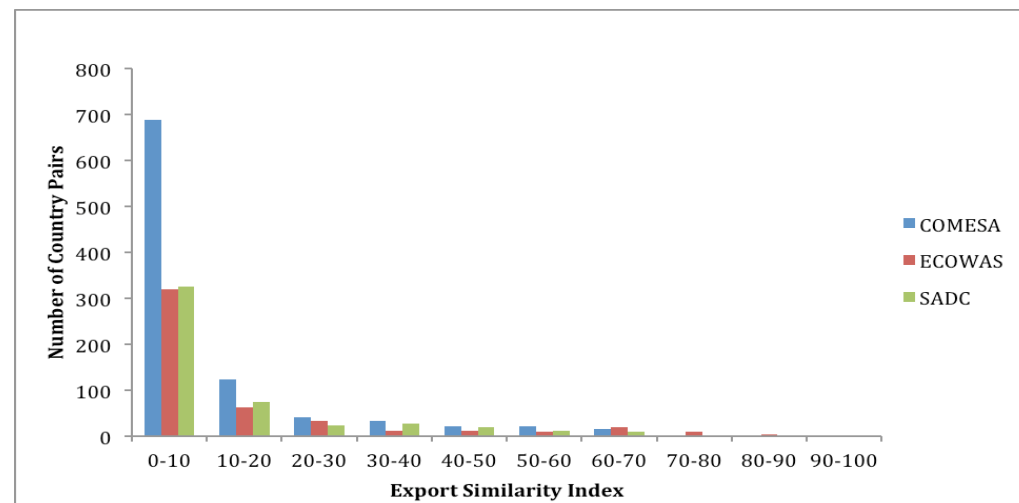
Sufficient dissimilarity in current country production and trading patterns

=> scope for trans-border trade expansion

Similarity of production patterns, 2007-2011



Similarity of trading patterns, 2007-2011





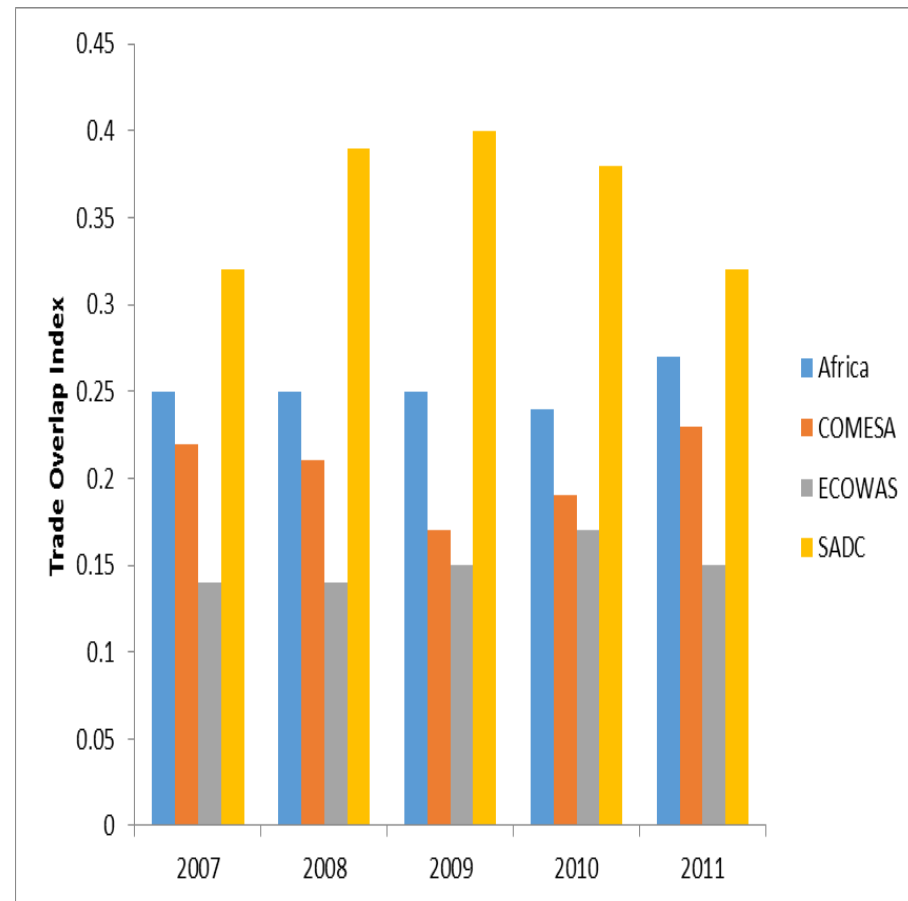
III. Scope for specialization and regional trade expansion in agriculture (cont.)

The Revealed Comparative Advantage (RCA) index confirms the existence of dissimilar patterns of trade specialization in agricultural products.

Trade Expansion Indicator (TEI) indicates which products have the highest potential for increased trans-border trade based on the degree of overlapping trade flows - Trade Overlap Indicator (TOI).

=> scope for trans-border trade expansion - Products with high TEI also show high RCA index values.

Trade Overlap Indicators, average 2007-2011

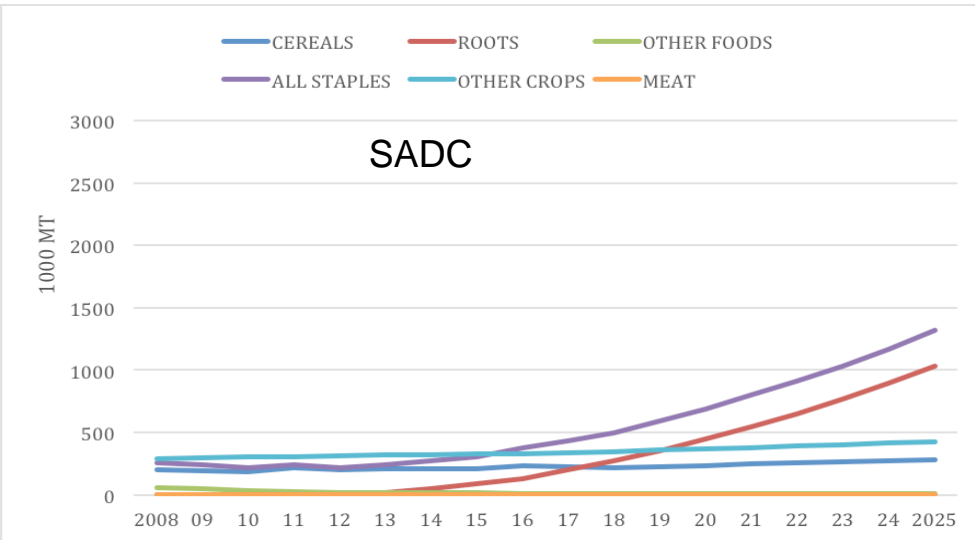
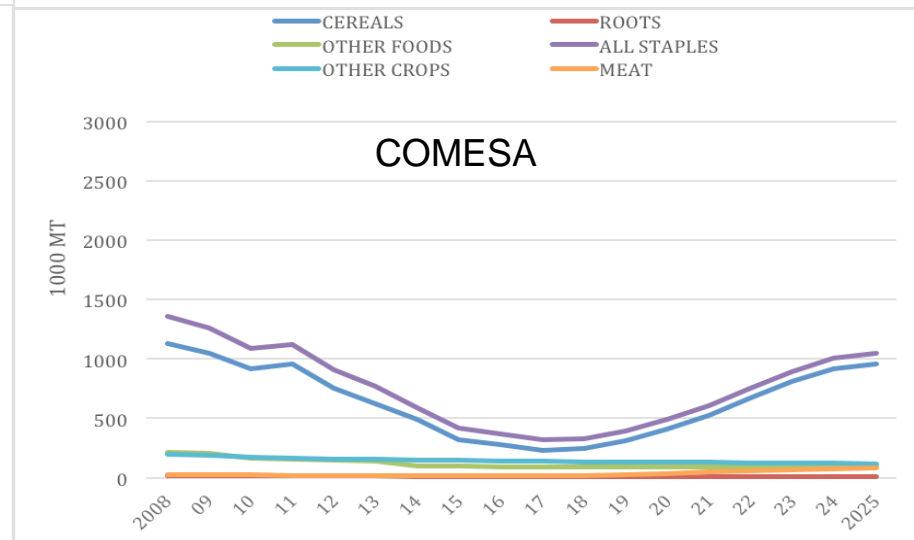
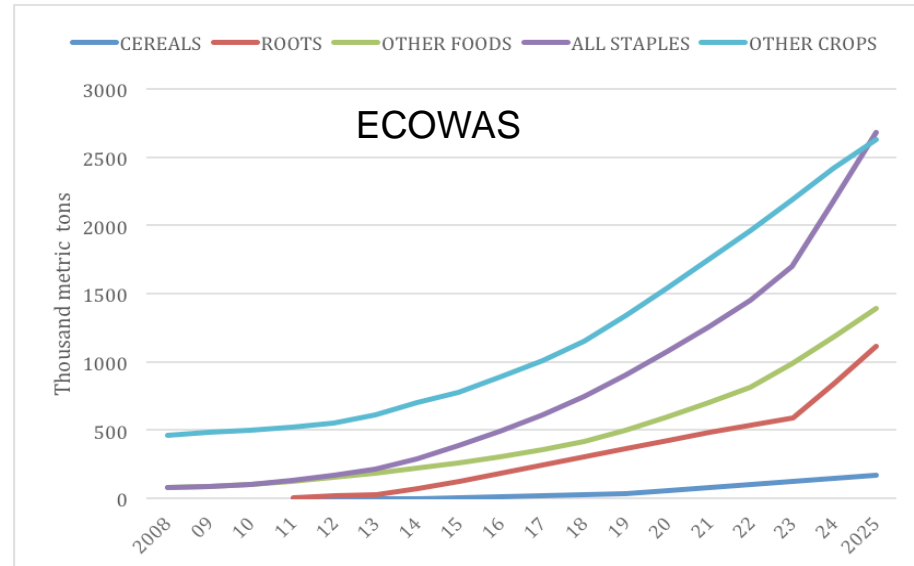




IV. Outlook for regional cross-border trade

Continuation of current trends, intra-regional trade is expected to expand rapidly in ECOWAS and SADC

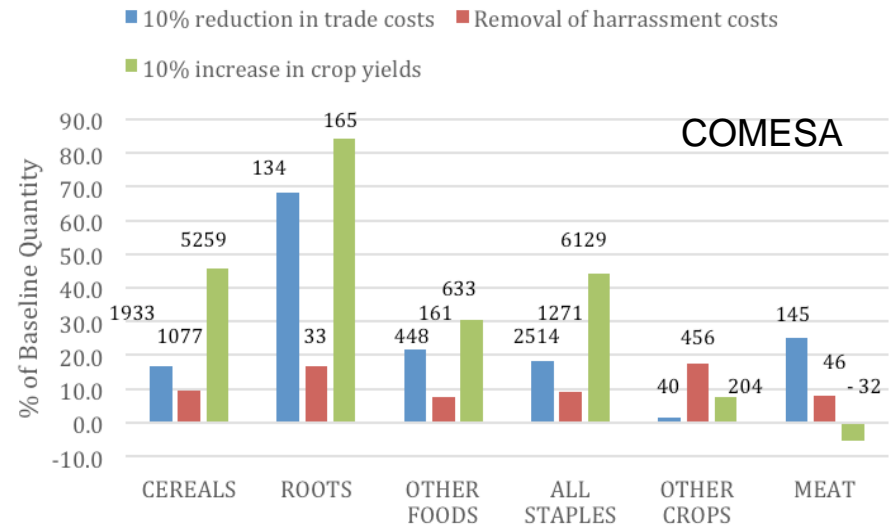
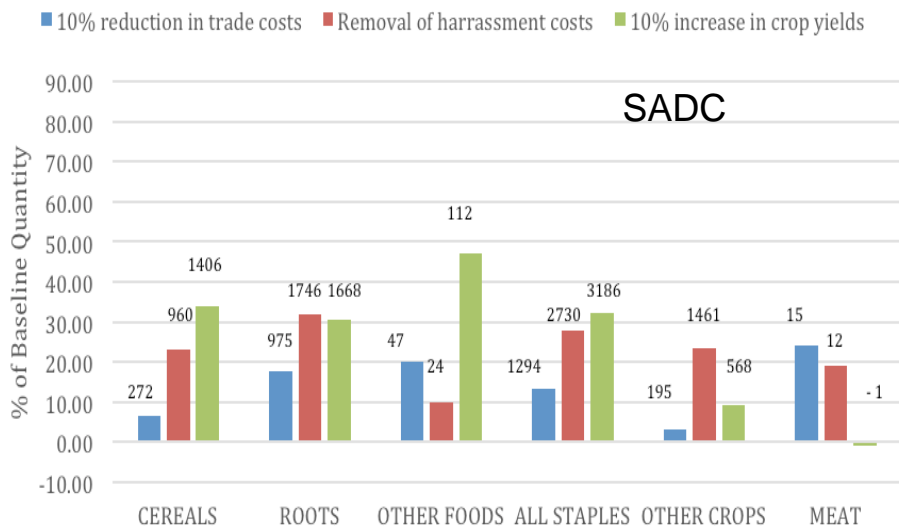
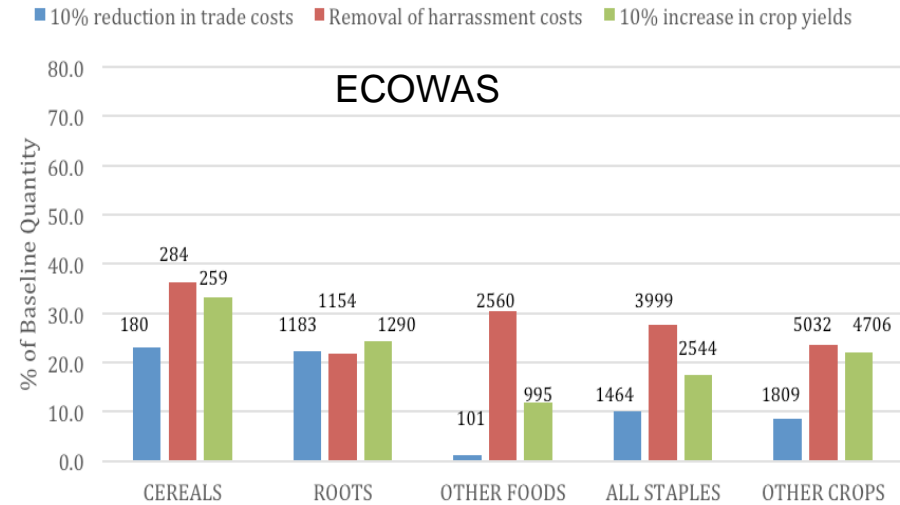
Differences between crops; faster growth of roots and tubers, and smallest gains for cereals





IV. Outlook for regional cross-border trade (Cont.)

Considerable increases in intra-regional trade in main food crops (cereals, roots and tubers) in response to changes in trading costs and yields





V. Conclusion

1. Potential to raise cross-border trade to reduce the level of price instability in local food markets:

- less than perfect correlation of production volatility
- patterns of specialization in production and trade of agricultural products
- improve of export competitiveness in regional markets and raise regional trade shares



V. Conclusion (cont.)

2. The continuation of actual trends would sustain the expansion of intraregional trade flows in all three regions, particularly in the ECOWAS region.

2. Potential to boost the pace of regional trade expansion and thus its contribution to creating more resilient domestic food markets through

- reduction in the overall cost of trading
- increase in crop yields
- removal of barriers to trans-border trade.

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THANK YOU