The African Continental Free Trade Area:

Realities of intra-trade in fresh produce

INTERNATIONAL FRESH PRODUCE ASSOCIATION

BFAP DATA DRIVEN INSIGHT

Background of the African trade initiatives

The **African Continental Free Trade Agreement** (AfCFTA) was signed in 2018.

It entered into force in **2019** after **24 countries** ratified the legal instrument.

The objective: to **reduce trade barriers** and **increase intra-Africa trade**.

Status as of July 2022:

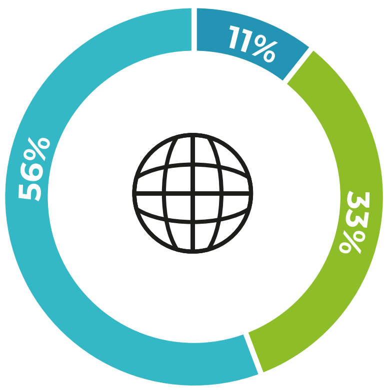
- **54 countries** have signed the agreement.
- **Secretariat** was established in **2020**.
- More than 40 countries have **deposited instruments of ratification and submitted tariff offers**.
- Rules of origin (RoOs) have been agreed on almost **90% of tariff lines**. Automotives, clothing and textiles and sugar are yet to be resolved.
- **Conclusion of negotiations** is set for September 2022.

AfCFTA negotiation modalities timeframe, product categories and country groups

Product category	Coverage		Transitional period in years	
	Tariff lines (%)	Import value (%)	Non-LDCs	LDCs
General	90	90	5	10
Sensitive	7		10	13
Exclusion	3	10	No liberalisation	

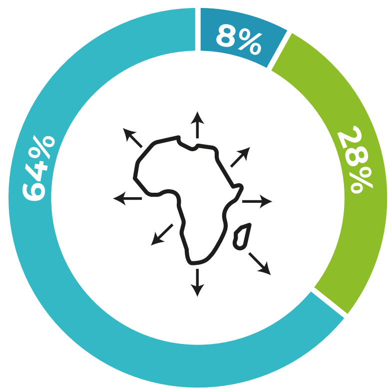
Pattern of global and African fresh produce trade
5-year Average - 2017 - 2021

GLOBAL
Fresh Produce Exports



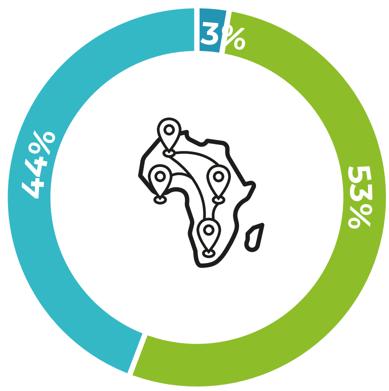
$212 bn

AFRICAN
Fresh Produce Exports



$12 bn

INTRA-AFRICA
Fresh Produce Exports



$1 bn

Fruit Vegetables Flowers

Source: Compiled from ITC dataset, 2022

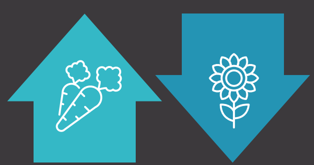
The **fresh produce cluster** consists of:

Africa 's share of fresh produce trade **is around 6%.**

The global fresh produce trade is **dominated by fruit**, while flowers account for about 11%.

Africa's exports of fresh produce have a **similar trade pattern** as the world, i.e., dominated by fruit.

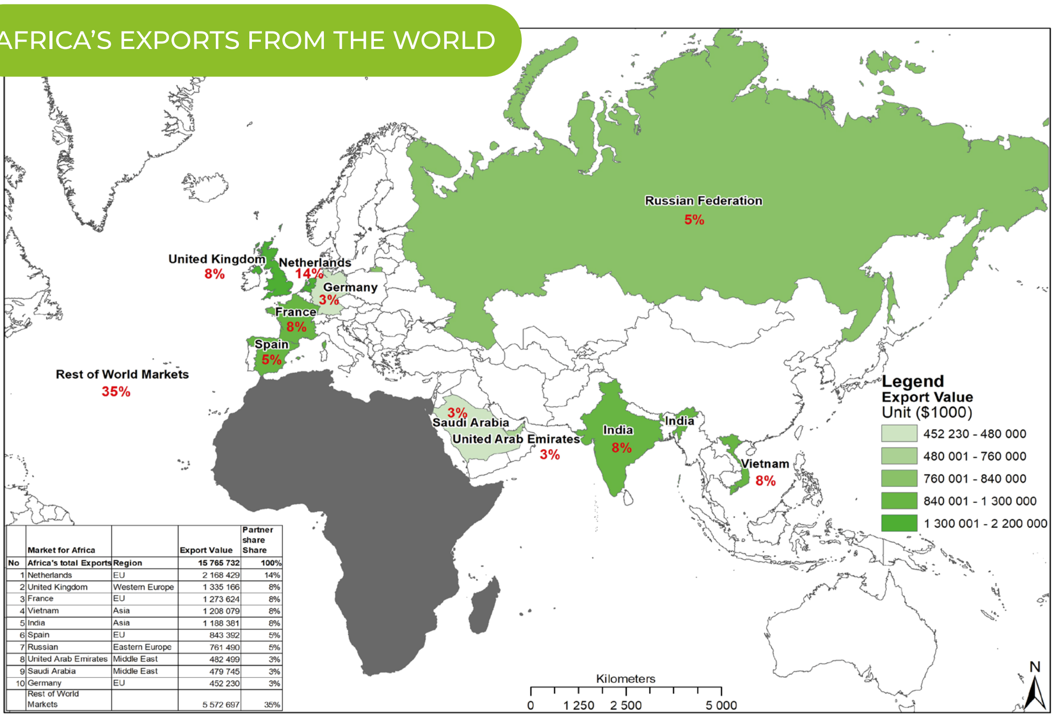
Vegetables are traded more within the continent. Flower exports are low compared to fruit and vegetables.



Intra-Africa share accounts for about **9% of total exports.**

African fresh produce exports
Five-year average (2017 – 2021)

AFRICA'S EXPORTS FROM THE WORLD



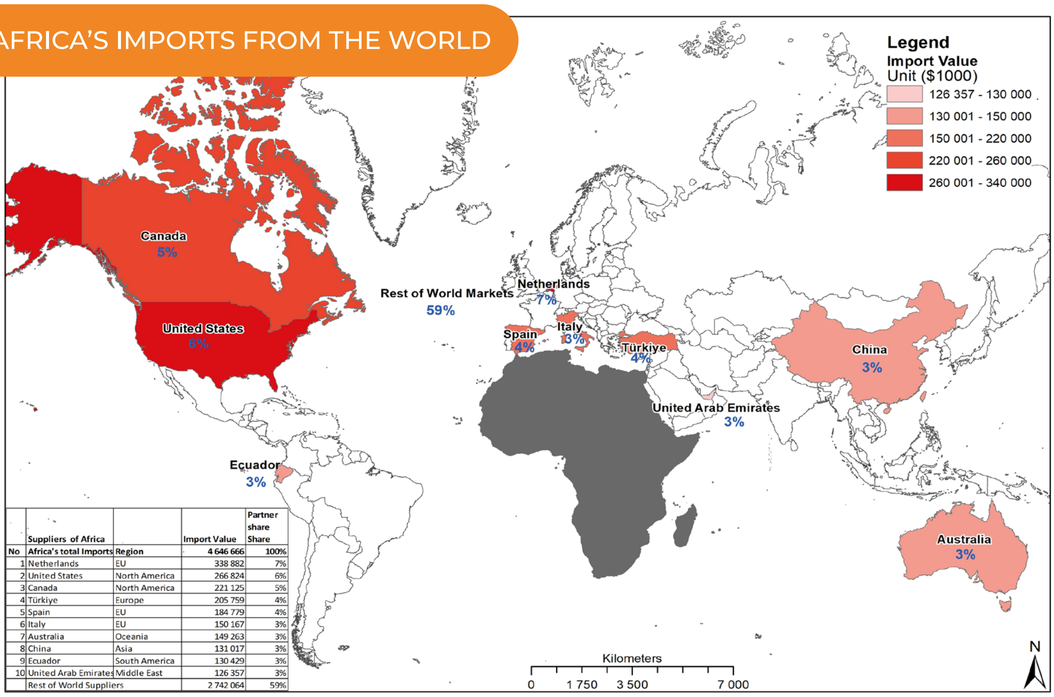
	Market for Africa		Export Value	Partner share Share
No	**Africa's total Exports**	**Region**	**15 765 732**	**100%**
1	Netherlands	EU	2 168 429	14%
2	United Kingdom	Western Europe	1 335 166	8%
3	France	EU	1 273 624	8%
4	Vietnam	Asia	1 208 079	8%
5	India	Asia	1 188 381	8%
6	Spain	EU	843 392	5%
7	Russian	Eastern Europe	761 490	5%
8	United Arab Emirates	Middle East	482 499	3%
9	Saudi Arabia	Middle East	479 745	3%
10	Germany	EU	452 230	3%
	Rest of World Markets		5 572 697	35%

More than 60% of Africa's exports are destined to Europe and Asia.

The EU is the **main market** for African fresh produce, with the **Netherlands** as the leading importer accounting for 14%.

Suppliers of African fresh produce
Five-year average (2017 – 2021)

AFRICA'S IMPORTS FROM THE WORLD



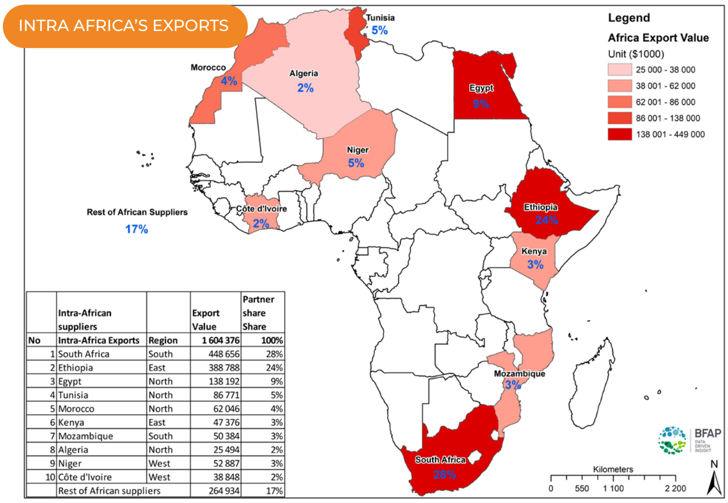
	Suppliers of Africa		Import Value	Partner share Share
No	**Africa's total Imports**	**Region**	**4 646 666**	**100%**
1	Netherlands	EU	338 882	7%
2	United States	North America	266 824	6%
3	Canada	North America	221 125	5%
4	Türkiye	Europe	205 759	4%
5	Spain	EU	184 779	4%
6	Italy	EU	150 167	3%
7	Australia	Oceania	149 263	3%
8	China	Asia	131 017	3%
9	Ecuador	South America	130 429	3%
10	United Arab Emirates	Middle East	126 357	3%
	Rest of World Suppliers		2 742 064	59%

Sources of African fresh produce imports are **diversified** relative to markets.

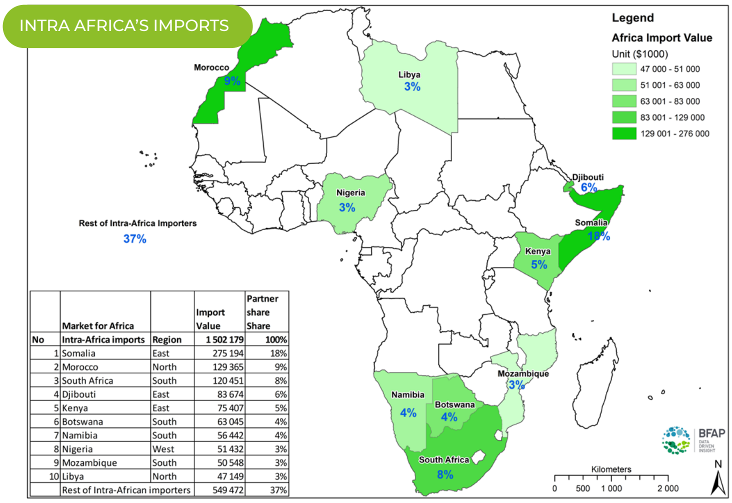
North America and Europe are the main regional suppliers of fresh produce to the African continent.

Over the past five years, Africa was a **net exporter** of fresh produce.

Intra-Africa fresh produce trade
Five-year average (2017 – 2021)



No	Intra-African suppliers Intra-Africa Exports	Region	Export Value 1 604 376	Partner share Share 100%
1	South Africa	South	448 656	28%
2	Ethiopia	East	388 788	24%
3	Egypt	North	138 192	9%
4	Tunisia	North	86 771	5%
5	Morocco	North	62 046	4%
6	Kenya	East	47 376	3%
7	Mozambique	South	50 384	3%
8	Algeria	North	25 494	2%
9	Niger	West	52 887	3%
10	Côte d'Ivoire	West	38 848	2%
	Rest of African suppliers		264 934	17%



No	Market for Africa Intra-Africa imports	Region	Import Value 1 502 179	Partner share Share 100%
1	Somalia	East	275 194	18%
2	Morocco	North	129 365	9%
3	South Africa	South	120 451	8%
4	Djibouti	East	83 674	6%
5	Kenya	East	75 407	5%
6	Botswana	South	63 045	4%
7	Namibia	South	56 442	4%
8	Nigeria	West	51 432	3%
9	Mozambique	South	50 548	3%
10	Libya	North	47 149	3%
	Rest of Intra-African importers		549 472	37%

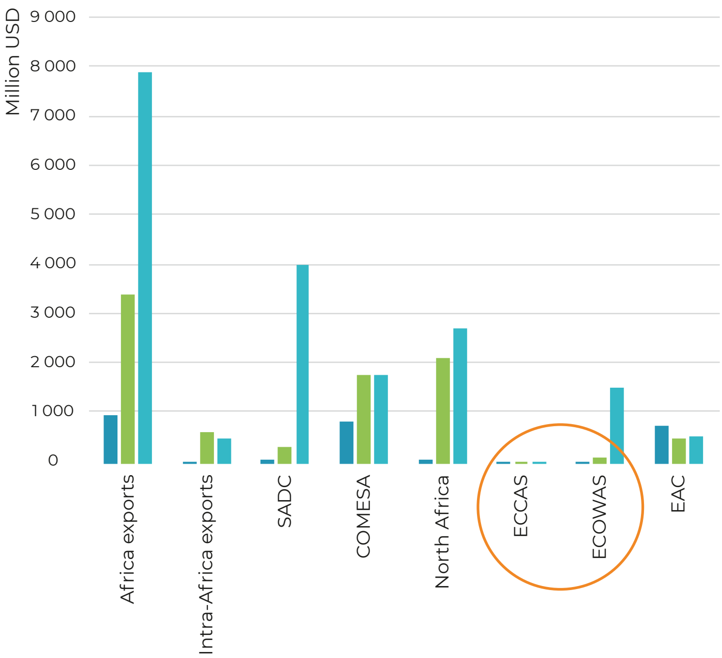
There are **low participation** in intra-African by **West African** countries.

Imports come from **diversified suppliers** compared to sources of exports.

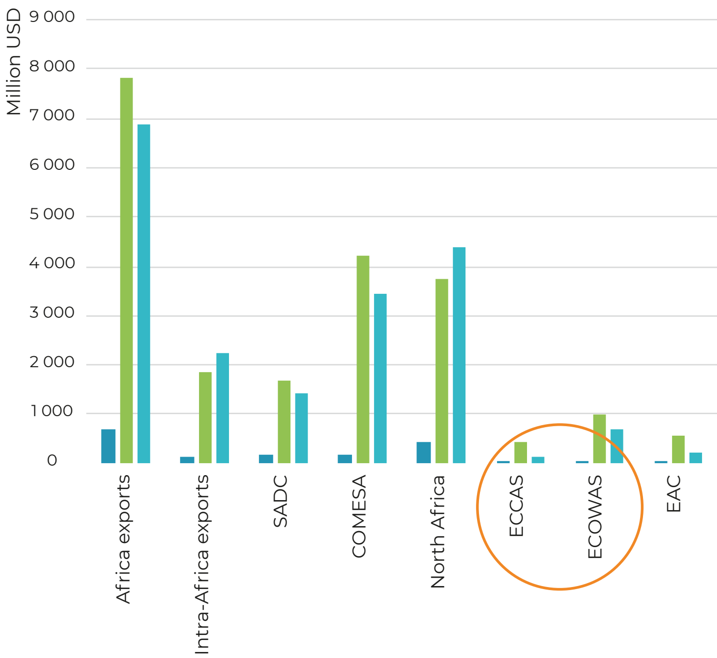
South Africa, Morocco, Mozambique and Kenya are main contributors to intra-Africa trade.

Intra-regional fresh produce trade

Africa Fresh Produce Exports



Africa Fresh Produce Imports



Flowers in 1000 USD   Vegetables in 1000 USD   Fruit in 1000 USD

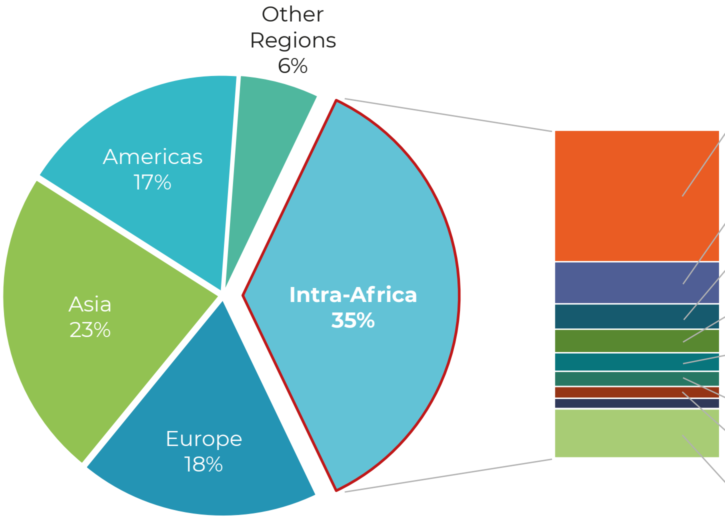
Source: Compiled from ITC dataset, 2022

Intra-regional trade of fresh produce reflects **low trade in the central and western parts of the continent.**

Eastern African regions have relatively **high trade of flowers.**

Who is Supplying Fresh Fruit to Africa?

Average Value 2017-2021: $624 million



[1] South Africa – 40%:
Apples (57%); Table grapes (8%); Oranges (7%); Pears (5%)

[2] Tunisia – 13%:
Dates (80%); (8%); Peaches (6%); Oranges (1.5%)

[3] Egypt – 8%:
Dates (33%); Table grapes (30%); Oranges (22%); Strawberries (6%)

[4] Mozambique – 7%:
Banana (49%); Cashew (7%); Macs (6%); Pawpaw (5%)

[5] Ivory Coast – 6%:
Banana (71%); Kola nuts (5%); Mangoes (4%), Pineapple (4%)

[6] Zimbabwe – 4%:
Macadamia (55%); Oranges (29%); Avocadoes (8%)

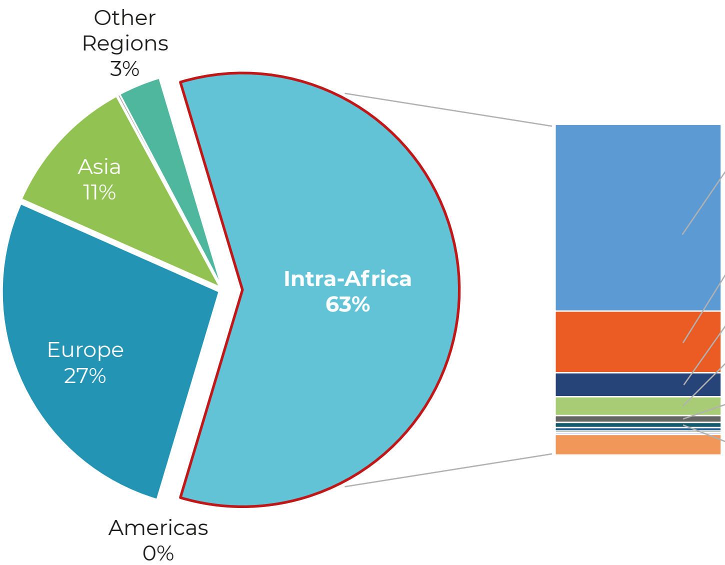
[7] Algeria – 4%:
Dates (99%);

[8] Morocco – 3%:
Mandarins (49%); Oranges (17%) Clementine (13%)

Source: Compiled from ITC dataset, 2022

Who is Supplying Fresh Vegetables to Africa?

Average Value 2017-2021: $955 million



[1] Ethiopia– 57%:
Other vegetables (74%); Artichokes (13%); Potatoes (4%)

[2] South Africa – 19%:
Potatoes (35%); Onions (25%); Tomatoes (8%)

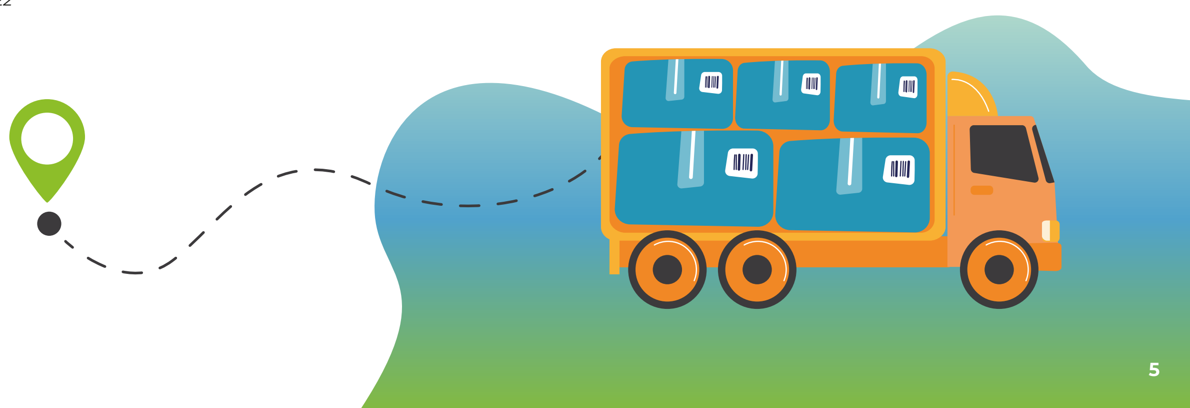
[3] Niger – 7%:
Onions (99%)

[4] Morocco – 6%:
Potatoes (22%); Onions (19%); Tomatoes (18%); Peppers (10%)

[5] Kenya – 2%:
Potatoes (31%); Carrots (28%); Other veg (22%; Onions (8%)

[6] Egypt – 2%:
Onions (44%); Potatoes (18%); Tomatoes (15%); Cucumber (3%)

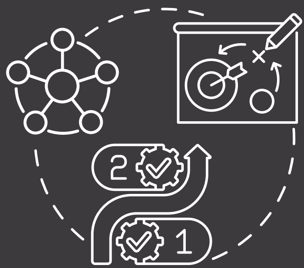
Source: Compiled from ITC dataset, 2022



Realities of African fresh produce:

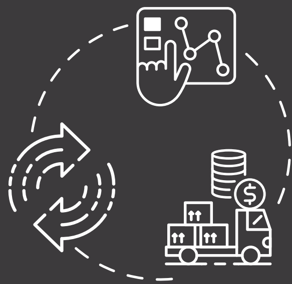
Opportunities and challenges

Market attractiveness & RTA indicators



Demand and macroeconomic realities

Logistics and infrastructure



AfCFTA opportunities due to tariff reductions

Countries with high tariffs for apples: Example of South African exports

Rank	Importer	Value of SA exports in 2021 USD ('000)	Average Annual Growth 2011-2021 (%)	Average Tariff 2021 (%)	Potential Value addition ('000 USD)	Non-Tariff Measures Applied (number)
1	Nigeria	39 651	34.6	20	7 930	16
2	Senegal	21 152	15.0	20	4 230	6
3	Kenya	14 427	8.0	25	3 607	-
4	Botswana	11 096	3.3	0	0	-
5	Ghana	11 004	2.9	20	2 201	17
6	Cameroon	8 812	6.3	30	2 644	10
7	Côte d'Ivoire	7 741	13.9	20	1 548	3
8	Zambia	7 106	6.3	0	0	-
9	Togo	5 849	11.8	20	1 170	8
	Other	51 901	-6.0	11	5 791	-
	Total/average	178 739	3.3	16.3	29 121	

Other examples where high potential for trade expansion exists include:

- Tunisia & Algeria as dates exporters.
- Mozambique as banana exporter.
- Egypt with table grapes exports.
- Zimbabwe with macadamia nuts.

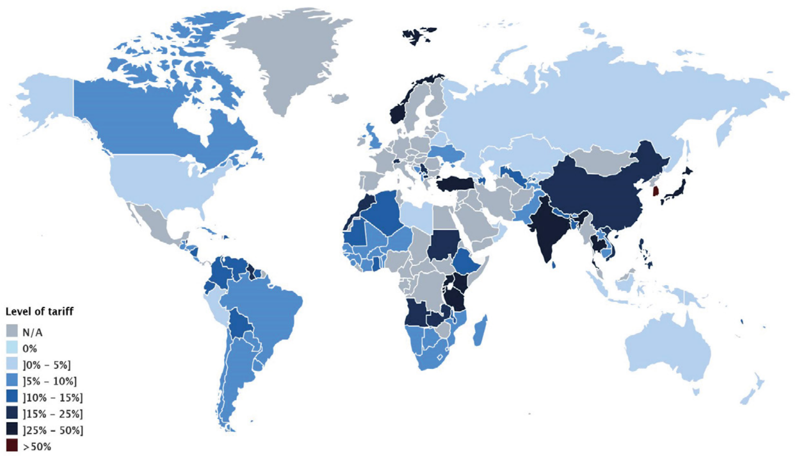
Barriers to Intra-Africa Trade - Non-Tariff Measures (NTMs)

High import duties together with NTMs remain major barriers to intra-Africa trade.

Reduction of both tariffs and NTMs can unlock further trade opportunities.

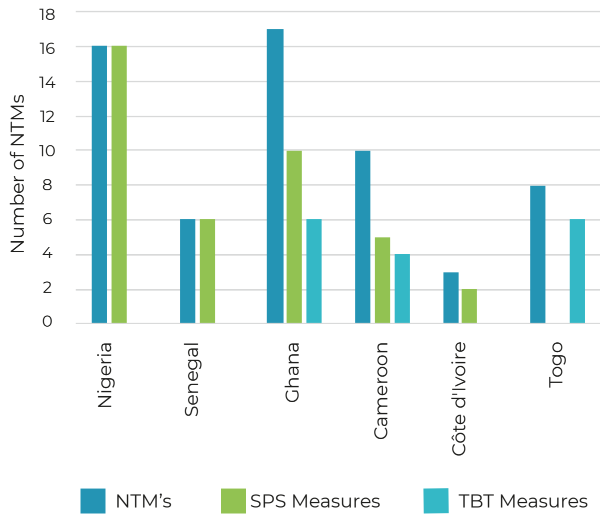
Average of MFN tariffs Worldwide

II - Vegetable products (2021)



Source: ITC, Market Access Map

Africa Fresh Produce Imports



Source: UNCTAD, 2022

Comparative export and import advantages

Relative trade advantage (RTA) theory (Volrath, 1991):

- Considers the relative position of both exports and imports of a product within the context of total trade by the country.
- RTA takes into account a country's relative share of both exports and imports to those of the world.
- It is useful tool to extract importance of a certain product in the global trade context of a country.

A positive RTA reflects a status of competitive advantage.

An RXA ratio greater (less) than 1 suggests the existence of comparative advantages (disadvantages).

RMA ratio greater (less) than 1 suggests the existence of comparative disadvantages (advantages).

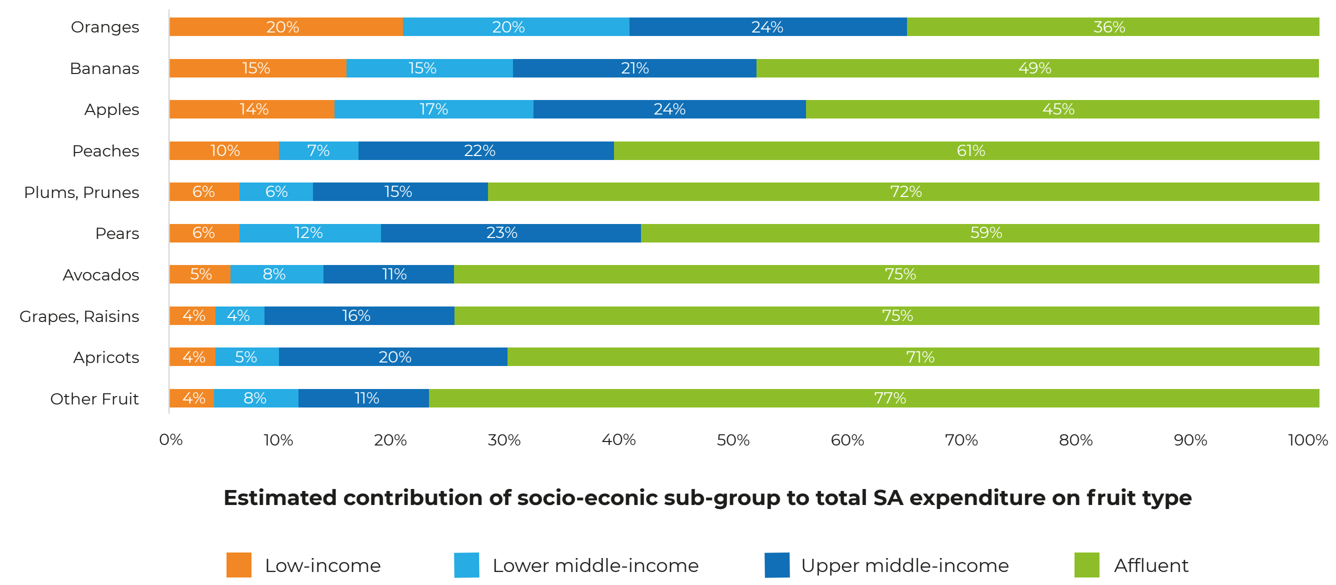
Comparative export and import advantages

	Commodity	Exporter	5-year avg. RXA	Interpretation	Importer	5-year avg. RMA	Interpretation
Fruit	Apples	South Africa	10,52	>1 Comparative advantage	Morocco	0,25	<1 Comparative advantage
	Dates	Tunisia	0,88	<1	South Africa	0,91	<1 Comparative advantage
	Bananas	Egypt	0,09	<1	Nigeria	0,00	<1 Comparative advantage
	Oranges	Mozambique	0,01	<1	Senegal	0,98	<1 Comparative advantage
	Table grapes	Algeria	0,00	<1	Botswana	0,67	<1 Comparative advantage
vegetables	Plantains	Cote d'Ivoire	8,70	>1 Comparative advantage	Libya	1,72	>1
	Vegetable 'nes'	Ethiopia	668,79	>1 Comparative advantage	Somalia	450,07	>1
	Starchy roots & tubers	South Africa	0,06	<1	Djibouti	764,10	>1
	Onions	Egypt	0,02	<1	Mauritania	32,79	>1
	Kidney beans	Morocco	0,07	<1	Mozambique	0,88	<1 Comparative advantage
	Potatoes	Niger	0,03	<1	Algeria	0,00	<1 Comparative advantage
	Beans	Kenya	19,28	>1 Comparative advantage	South Africa	1,17	>1
Flowers	Live plants	South Africa	0,21	<1	DRC	0,02	<1 Comparative advantage
	Roses	Kenya	586,83	>1 Comparative advantage	Seychelles	15,16	>1
	Fruit and nut trees	Ethiopia	2,81	>1 Comparative advantage	Namibia	4,56	>1

Demand conditions – income effect

- Demand for fresh produce is sensitive to income, i.e., high income groups account for large consumption share for most fruits.
- The efficient implementation of the AfCFTA is a necessary condition to achieve the objectives set in the agreement.
- Implementation needs to be accompanied by economic growth, increase in incomes and socio-economic upliftment.
- These conditions are applicable for fresh produce trade, as two- thirds of African countries are classified as least developed countries (LDCs).

Fruit consumer market shares by income groups in South Africa



Estimated contribution of socio-econic sub-group to total SA expenditure on fruit type

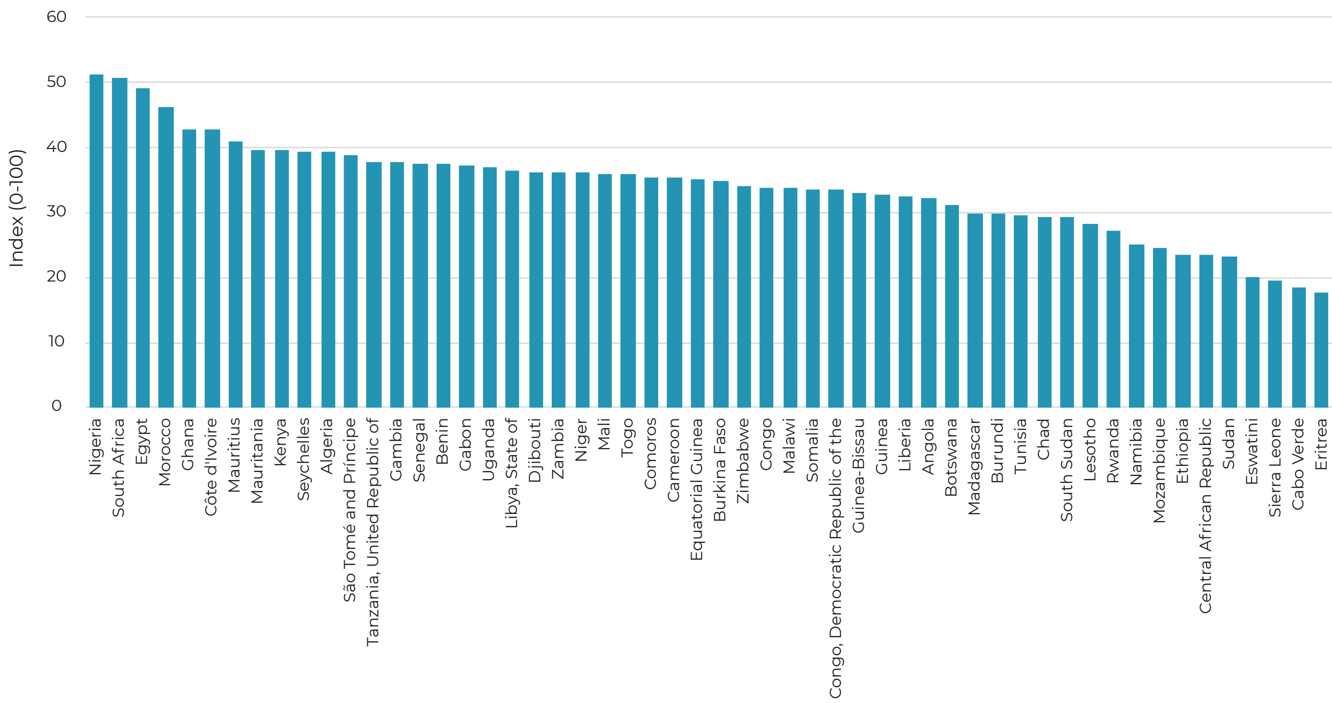
Some positive developments

Economic growth and opportunity for further urbanisation increases potential for more fresh produce demand

Region	Size of World Economy (GDP 2017)	Average GDP Growth Rate (2012-2017)	Share of World Population (%)	Share of Total World Imports: 2017	Urbanisation (% Urban)
Africa	2.75	4.27	16.62	2.88	45.40
Asia	32.27	4.47	54.80	32.22	53.45
Europe	25.19	1.82	9.87	36.37	72.50
Middle East	4.32	1.83	4.86	5.45	76.45
North America	28.34	1.98	7.46	18.93	65.77
Oceania	2.06	3.38	0.54	1.56	54.80
South America	5.07	1.76	5.86	2.59	68.30

Attractive import markets for fruit

Market attractiveness index (MAI) identifies opportunities based on several factors. The biggest economies (Nigeria, SA & Egypt) are ranked highest in terms of MAI. This illustrates the importance of income influence in fresh produce trade.

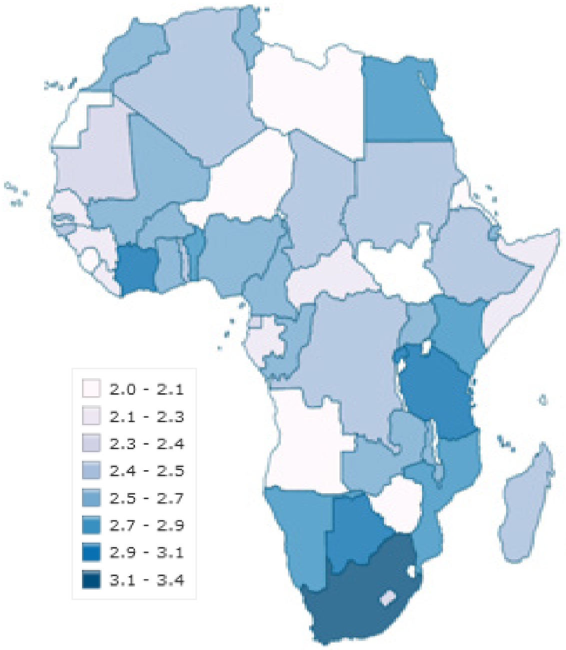


Factors considered in determining MAI

- GDP 2021 in USD
- GDP per Capita
- GDP Growth Expectations 2022-2027
- Population Totals ('000)
- Population Growth Estimates (2017-2050)
- Urbanisation
- Ease of doing business (Rank)
- Human Development Index
- Agriculture's share of GDP
- Fruit Imports
- Fruit Import Growth (2017-2021)
- Veg Imports
- Veg Import Growth (2017-2021)
- Logistics
- Cost to Import-Border Compliance

Infrastructure and logistical challenges

African logistical and infrastructure performance index



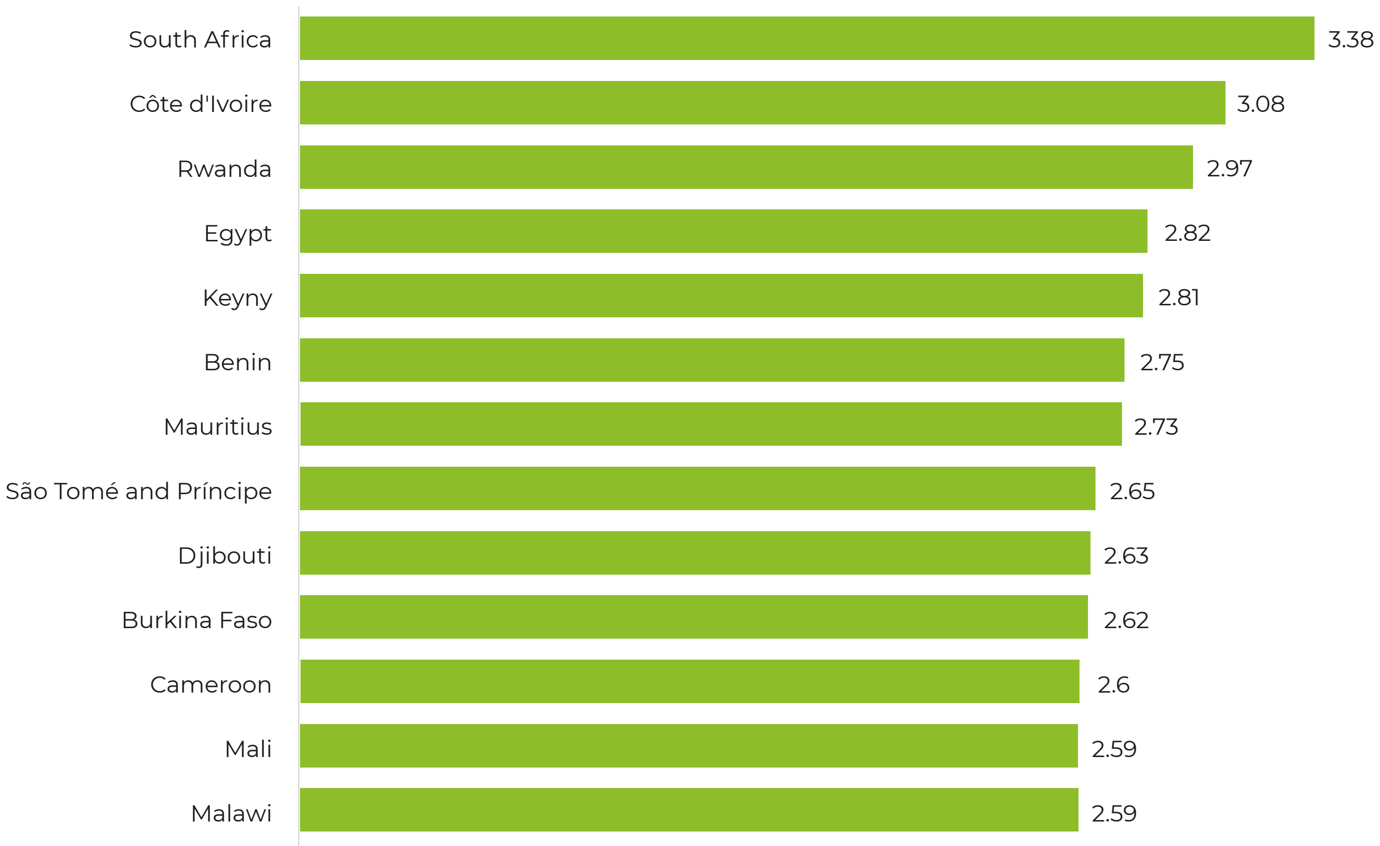
- The logistical performance index (LPI) represents a measure of efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency.

- The LPI uses a scale of 1-5.

- In 2018, only three African countries scored above the global average of 2.87.

Source: World Bank, 2022

Top African countries on the LPI scale



Source: World Bank, 2022

Conclusions

AfCFTA was signed with the main objective of **increasing intra-Africa trade**.

The **continent has made progress** since establishing the AfCFTA.

However, the **agreement still needs to be implemented**, and most likely in the same way as the European Union trade agreements, but with more ambition.
- The **RoOs** have been resolved in most sectors of the economy.
- There is a **deadline** for concluding negotiations.

The current fresh produce trade is **dominated by regional trade blocks** in the north and south of the continent.
- But there are **pockets of potential** in other regions.
- Africa's fresh produce trade follow **similar patterns to the global flows**, i.e., dominated by fruit but also less significant floriculture trade.

Unlocking and expanding **opportunities**:
- **NTMs and other trade barriers** need to be reduced substantially.
- **Economic growth and rising incomes** are at the center of unlocking opportunities as a key determinant of trade.
- **Investment in logistics and infrastructure** is critical considering the perishability characteristics of the products.

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Acronyms

AfCFTA	African Continental Free Trade Area
BFAP	Bureau for Food and Agricultural Policy
COMESA	Common Markets of Eastern and Southern Africa
EAC	Eastern African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of Western African States
EU	European Union
GDP	Gross Domestic Product
IFPA	International Fresh Produce Association
ITC	International Trade Centre
LDC	Least developed country
LPI	Logistical performance index
MAI	Market attractiveness index
MFN	Most Favoured Nations
NTMs	Non-Tariff Measures
SADC	Southern African Development Community
SPS	Sanitary and Phyto-Sanitary measures
RoOs	Rules of Origin
RMA	Relative Import advantage
RTA	Relative trade advantage
RXA	Relative export advantage
TBT	Technical Barriers to Trade
UNCTAD	United Nations Conference on Trade and Development
USD	United States Dollars

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