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Preserving African food value chains in the midst of the coronavirus crisis

INTRODUCTION

In light of the uncertainties surrounding the ongoing COVID-19 pandemic, policy makers must ensure that national responses to the virus do not trigger a food crisis and instead use this time as an opportunity to transform the existing food security structure to improve livelihoods. The COVID-19 outbreak can shift the balance between food demand and supply, especially considering many countries having declared lockdowns and their borders closed. Countries at the highest risk of suffering from a potential food crisis sparked off from the pandemic are those in Africa – those that are already suffering moderate to severe food insecurity. The following note elucidates how the current COVID-19 pandemic is affecting food security in Africa and some key African value chains (for rice, maize, and cashews). This note also offers solutions for short run and long run food security issues that may unfold because of the pandemic, to support informed policy decision making.

MAIN MESSAGES

- In the short term, implementing price controls, opening borders for food transport and making those working in the agriculture and food sectors as essential workers can prevent consumers from being hit hard by food price spikes induced by supply shortages in the local market.
- In the long run, creating social safety nets, expanding domestic food processing facilities in African countries, and developing financial credit facilities to protect those engaged in the agriculture sector are measures that should be considered for countries to be able to cope with similar future shocks.

Context – COVID-19 is exacerbating hunger in Africa

The most vulnerable countries in the developing world, especially those in Africa, are at high risk of famine as a result of the coronavirus pandemic. Meanwhile, humanitarian relief efforts are stymied by country lockdowns and travel restrictions that are in at least 33 of Africa's 54 countries, further exacerbating the ability of these countries to cope with the ramifications of the pandemic. Many informal food markets are also closed, preventing millions of locals from food access (Mustaka, 2020). One in every five people in Africa (approximately 250 million) has already suffered from hunger prior to the COVID-19 outbreak and many more are malnourished (FAO, 2019a).

Currently, many African countries are primarily focusing on blocking COVID-19 transmission; however, they must also realize how their actions will affect their food security. This crisis has temporarily taken a toll on workforces, transportation systems and supply chains – the very foundation based on which food gets from farm to table (Habiyaremye, 2020). Such a situation could affect the whole food distribution system up to early 2021.

According to Maximo ToreroCullen, chief economist at the Food and Agriculture Organization of the United Nations (FAO), “a protracted pandemic crisis could quickly put a strain on the food supply chains, a complex web of interactions involving farmers, agricultural inputs, processing plants, shipping, retailers and more” (FAO, 2020a).

FIGURE 1 | COVID-19 effects on food supply chains (FAO,2020a)

- Food Supply chain is a complex web of interactions and of actors: producers, inputs, transportation, processing plants, shipping, etc.
- As the virus spreads and cases mount, and block downs increase there are seemingly countless ways the food system will be tested and strained in the coming weeks and months.
- Today, no supply shock in sense of availability but there is starting to be a supply shock in terms of logistics of movement of food.
- Upstream staple supply chain less vulnerable because is capital intensive than high value supply chain



Source: FAO, 2020a.

“From a food security perspective, some places are very close to famine,” said Dominique Burgeon, the director of emergencies at the United Nations Food and Agriculture Organization (FAO). “The number of people on the verge of being extremely vulnerable was already high. What we fear is that this number will further increase because of the impact of COVID-19 on food security (*The Guardian*, 2020).

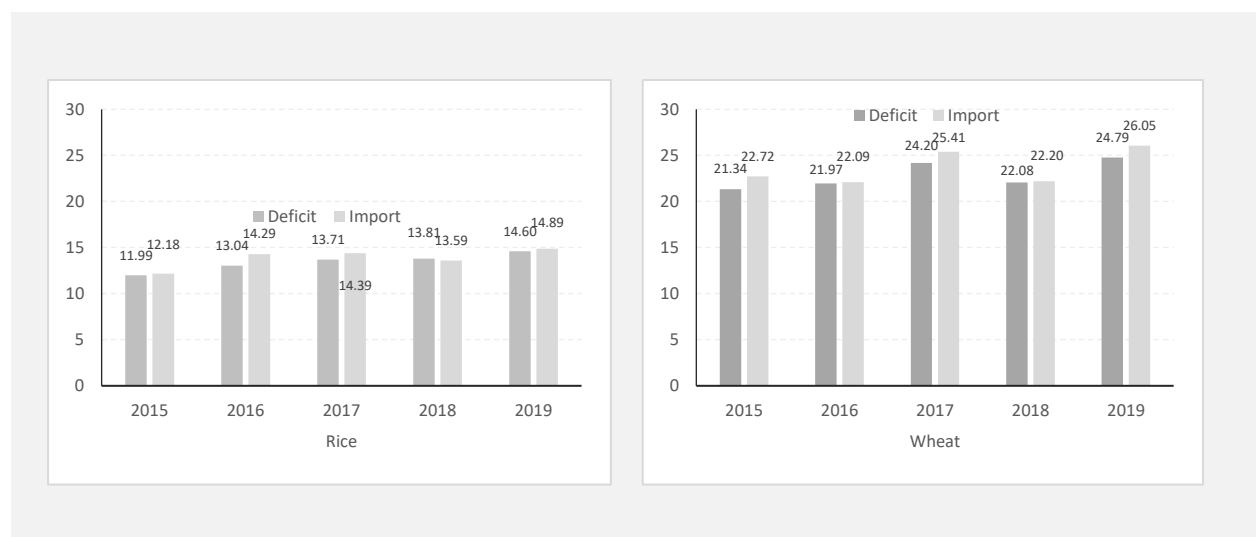
Coronavirus and the global market – reduced support from international market

The global food market, in recent years, has been in a tight-balanced state, with no worldwide food crisis since 2008. However, given the uncertain pandemic situation unfolding at present, this balance should be reconsidered. In order to guarantee domestic supply and appease the public, several food exporting countries (such as Russia, Kazakhstan and Vietnam) have revised their food policies over the last month, issuing decrees to suspend food exports, including rice, wheat and other grain products. Moreover, due to the lockdown of ports in many countries, bulk export food cannot be transported in time. The largest rice exporter, India, observed a 21-day lockdown from 26 March 2020. This increased the time spent by Indian rice exporters collecting, transporting and packaging – consequently delaying the delivery date.

Africa depends on food imports – with almost half of the continent’s rice consumption and more than three quarters of its wheat consumption being met by imports (USDA, 2019). Among the top 25 rice import nations, ten are from Africa. In fact, Nigeria is the second largest importing country in the world, after China. Most of the imported rice in Africa comes from South and South-East Asia, such as India and Thailand. Africa is also a major wheat buyer in the world, importing large amounts of wheat every year from Central Asia and the Far East.

The figure below presents the food deficit (gap) and import quantities of rice and wheat to sub-Saharan Africa in the past five years. It shows that import quantities are a little bit higher than domestic food production deficit every year, with the average year-end stocks being 0.2-0.3 million tons of rice and 0.3 million tons of wheat.

FIGURE 2 | Rice and wheat in sub-Saharan Africa: deficit and import (USDA, 2019)



Source: USDA, 2019

Given the current pandemic, food from overseas may not be allowed to be exported from several producers, or transported to its destination in time due to border restrictions in different countries. As a result, Africa may not be able to fulfil its food deficit and meet its food demand. Under these circumstances, the issue of food security in Africa becomes ever more pressing.

Considering Africa’s economic fundamentals, production and consumption performance, and its dependency on food imports, Africa is under a very high-level of risk of lacking the ability to buy food, reduced food production and decreased access to adequate food import. Food insecurity in Africa could be a great concern to the world in 2020, and in the future.

On the side of exports, many African exporters that sell agricultural produce to the United States, Europe and other countries are also taking a significant hit. In Ghana, some farmers are losing much of their income from the disruption of the global food supply chain due to COVID-19. Millions of Ghanaian

smallholder farmers grow fruits, vegetables and various cash crops that are sent world over and exports are grinding to a halt due to land, sea and air border closures or restrictions around the world (Gakpo, 2020).

Another ensuing effect of an impending food security crisis is the rise of social unrest due to food shortages and food price hikes. For instance, food price spikes during the global financial crisis in 2007 to 2008 triggered riots and unrest across North Africa and parts of the Middle East. During this period, some countries made the price jump worse by banning exports of staple products such as wheat. “This is a matter of international solidarity, and humanity, but also a matter of global security – to make sure the situation in some parts of the world does not create food riots”, said Dominique Burgeon, the director of emergencies at the United Nations Food and Agriculture Organization (FAO). Urging countries to not repeat past mistakes, Amer Daoudi, the senior operations director at the World Food Programme, said, “we can avoid food shortages if we are able to supply countries across the globe” and international cooperation can keep food affordable and accessible to places that need it the most (*The Guardian*, 2020).

Coronavirus and the local food market – reduced supply and demand

Locally, the pandemic could severely disrupt both food supply and demand and create increased food prices in the short term. People who work in the food economy – farmers, processors, truck drivers, and dockworkers – are forced to stay home from work due to lockdowns, quarantine or illness. This can generate greater food loss and waste, defaults on credit payments, and rising business costs (Habiyaemye, 2020).

On the side of food demand, the loss of jobs and income is hurting people’s purchasing power and reducing (effective) demand. This trend is expected to accelerate if lockdowns and restrictions persist for a longer period. In contrast, panic purchases of food – as recently seen in Rwanda, South Africa, Kenya, Nigeria and many other countries – have caused local food prices to increase. Such unpredictability and volatility in the food demand can set off pernicious food price inflation (Habiyaemye, 2020).

Moreover, if the pandemic spreads through rural Africa, where small-scale farmers produce 80 percent of the food consumed, food production could plummet. Many rural communities lack basic infrastructure for sanitation and shortages of clean water challenge the all-critical need for good hygiene needed to prevent the spread of the virus. Underlying medical conditions, which in Africa may include prevalent tropical diseases and malnutrition, can increase vulnerability to the disease.

Looking back at the Ebola epidemic in West Africa, more than 40 percent of the agricultural land in affected countries went uncultivated. Small-scale farmers were unable to work their land, sell their products, or buy seeds and other essential inputs (FAO, 2020b). This makes farmers and rural communities in Africa especially vulnerable to COVID-19.

In Ghana, the food market is already seeing a negative impact, especially in Accra, Tema and Kumasi, cities that observed a lockdown. Traders that own trucks or vehicles were able to continue business locally; however, many traders that utilize public transport were unable to carry out their business due to the lockdown.

Apart from wheat, rice (local and imported), millet and groundnut which saw marginal increases in price of less than 1.5 percent, the other food items such as cowpeas, maize, gari and yam increased between three to eight percent in March. Esoko projects that COVID-19 and its uncertainties will likely result in further price rise due to the lockdown – this can threaten food availability and access to many in Ghana (Abedi, 2020; Esoko, 2020).

Review of African food value chains in the context of Corona

The food distribution system in Mali

Currently in Mali, the supply of essential food to the markets seems sufficient and stable in the country despite the price fluctuations which were observed in the first half of March 2020, when the COVID-19 pandemic began in the country. The Ministry of Industry and Commerce carried out checks, through the services of the Directorate General for Trade, Consumption and Competition, on compliance with price ceilings set for essential products (Dembele, 2020).

More recently, on 17 April 2020, the Directorate General of Customs decided to suspend all export and re-export operations for certain products including rice, millets, sugar, pasta, refined oil, butane gas, masks and hydro-alcoholic gels.

Decrease in household incomes due to the increasing unemployment (loss of jobs or dismissal for economic reasons), and reduced economic activity due to a curfew imposed on 26 March 2020 has especially hit the informal sector hard and their ability to access food (Dembele, 2020).

The duration of import blockages can impact food security in Mali, since part of the national consumption of rice is met by imports. Also, some basic necessities including baking wheat flour, powdered milk, sugar and oil are also imported, making meeting domestic food demand uncertain.

In the short-term, with fluctuating availability and access to food, this situation can lead to transient food insecurity if the appropriate arrangements are not made by national authorities with importers. Perhaps this justifies the decision of the General Directorate of Customs to suspend all export and re-export operations in order to maintain and preserve the availability and stability of essential products in the country (Dembele, 2020).

Cashew value chain in Ghana

The spread of the coronavirus has forced the world's largest importers of cashew products, including India, China and Vietnam, to cut orders as their processing factories close due to lockdowns imposed. This has caused a glut, forcing the commodity's international market price to drop by 63 percent since January 2020 (Gakpo, 2020).

Cashews, a major export cash crop that generates between USD 378 million and USD 981 million annually for Ghana, has been especially hard hit by the spread of COVID-19, causing huge losses for farmers. Prices have declined from USD 130 for a 100kg bag of raw cashew nuts to just USD 75 (Gakpo, 2020). Farmers have been forced to sell the fruit at a profit-less price. However, Ed-Malvin Nii Ayibonte Smith, president of the Association of Cashew Processors Ghana, asserted that this situation provides an opportunity for

stakeholders in the cashew value chain to focus on local production, and enhance local processing and preservation of the crop.

Some players have also advocated hoarding commodities like cashews for subsequent release onto the market when the global economy recovers. For instance, Dr. Anthony Augustus Mainoo of the Adventist Development and Relief Agency (ADRA), said that ADRA would engage with different financial institutions and investors to procure and store raw cashew nuts until the pandemic calms down across the world (Gakpo, 2020).

Rice value chain in Ghana and Mali

In Ghana, supply disruptions to inputs will limit farmer's access to seeds, fertilizers and insecticides, intensifying the issue of food supply shortages (Abedi, 2020). This could lead to inflation in food prices, especially rice, bread, poultry and other meat products, vegetables, sugar and other commodities (Gakpo, 2020).

Similarly, in Mali, export blockages from other countries would limit the availability of key production inputs, notably imported seeds, fertilizers and phytosanitary products for crop treatment, for the upcoming crop year. Anticipating this issue, the Malian Textile Development Company (CMDT) is currently supplying cotton transport cooperatives (SCPC) with inputs for the coming sowing season from the transport of cotton from the previous season (Dembele, 2020).

Cocoa value chain in Ghana

Ghana's most important cash crop, cocoa, saw a drop in its price on the international market by about four percent in mid-March and is anticipated to worsen as the COVID-19 impacts the world economy. Countries importing cocoa from Ghana and Cote d'Ivoire, which collectively produce more than 65 percent of the world's cocoa, for processing chocolate and cocoa products are under lockdown, forcing the temporary closure of cocoa processing plants. This has in effect created a deficit of almost USD 1 billion for Ghana (Gakpo, 2020).

Solutions for short-term issues

Price controls to prevent a food crisis

Some best practices can be learned from the responses of some countries to address short-run food security issues due to COVID-19. When panic buying erupted in Rwanda, Rwanda became the first African country to regulate food prices by fixing prices for 17 food items, including rice, sugar and cooking oil. South Africa subsequently imposed regulations that curb price hikes and prevent product stockpiling (Habiyaemye, 2020).

Following the examples of Rwanda and South Africa, the African Union should urge all governments to implement price controls to placate consumers and prevent food price volatility.

Maintaining open markets and borders

Instead of raising trade barriers such as tariffs and quotas during this pandemic, countries should focus on opening the market flow of agricultural inputs, food, and feed by reducing import tariffs and value-added taxes, allowing the transport of food despite border closures, while closely monitoring their own exports. “It is imperative that countries keep the food supply chains going. As countries combat the coronavirus pandemic, they must also make every effort to keep the gears of their food supply chains moving” (FAO, 2020a).

No lockdown for farming

Those involved in the agricultural food system operations need to be considered as essential workers and governments need to provide them with the protection and support required for them to continue work, within health and safety protocols. Rwanda, for instance, categorized agriculture as an essential economic activity that would not have restrictions on mobility or business.

Long-term solutions

Expand processing facilities

African governments should focus on expanding the number of processing plants for different agricultural commodities to not only prevent gluts of unprocessed food produce but to also improve the storability of these farm products while creating value addition domestically. For instance, cassava, pepper and yam can be solar dried, tomato can be turned into purees or paste, and different fruits can be stored as concentrates (Gaveh, 2020).

Financial credit facilities

The African Ministers of Finance meeting on 31 March 2020, suggested a USD 100 billion immediate emergency financing for COVID-19, aiming to protect over 30 million jobs, guarantee facilities to support private sectors, and expand credit lines to agricultural and pharmaceutical trade (UNECA, 2020).

Social safety nets

FAO Director-General Qu Dongyu made an appeal to the G20 Extraordinary Virtual Leaders' Summit on COVID-19, held on 26 March 2020, that there is an urgent need to take measures for global food systems to continue working well, particularly in relation to access to food for the world's poor and most vulnerable during the COVID-19 pandemic. Qu said, “The poor and the vulnerable will be the hardest hit, and governments should strengthen social safety mechanisms to maintain their access to food” (FAO, 2020c).

FAO in action

Policy support

Regarding policy, FAO is: analyzing how the COVID-19 pandemic is affecting the food and agriculture sector; producing a series of technical and policy briefs that present a quantitative and qualitative assessment of the pandemic's impacts on livelihoods, food and agriculture, markets as well as on poverty and nutrition; conducting – through its Data Lab and the use of Big Data, text scraping and artificial intelligence – a global assessment that identifies and tracks policy responses countries having adopted during past crises; and using its Food and Agriculture Policy Decisions Analysis (FAPDA) database to offer an overview of current policy decisions that Member Countries are adopting to mitigate the impacts of the COVID-19 pandemic on food and agricultural systems (FAO, 2019).

Field support

FAO is helping its field programs to: provide vulnerable smallholder farmers and herders with seeds (especially of staple crops such as rice, maize, and sorghum), tools, livestock feed and other agricultural inputs through distribution programs, along with animal health support; improve household nutrition and diversify incomes; and stabilize access to food by supporting people's purchasing power through injections of cash (unconditional, or cash-for-work where feasible and appropriate). FAO is developing food value chain based diagnoses, tracking impact of market dysfunctioning, food flows and of import-export channels working with governments to remove bottlenecks as market barriers and to scale up social protection systems, especially in difficult-to-access rural areas (FAO, 2019c).

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