

## Region likely to lose \$5b in export revenue due to Covid-19

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East African countries are likely to lose more than \$5 billion in foreign earnings from agricultural exports this year as a direct result of the effects of the Covid-19 pandemic, and uncoordinated individual countries' mitigation and containment responses.

With agriculture being one of Africa's most important economic sectors, making up 23 per cent of the continent's GDP and employing nearly 60 per cent of the economically active population, the disruptions being witnessed now means roughly half of the almost 670 million people face food insecurity.

### **TRADE DISRUPTION**

Some 250 million are considered severely food insecure and the numbers might increase if the right measures are not taken.

There is already reduced food demand, disruption of trade in export crops even within regions, and severe crop production and processing shocks.

According to McKinsey & Company's latest report *Safeguarding Africa's Food Systems Through and Beyond the Crisis*, the supply disruptions could result in a severe economic blow for countries such as Kenya, Tanzania, and Uganda which rely on agricultural exports as primary or secondary source of export earnings.



“Africa’s exports of food and agricultural products are worth \$35 billion to \$40 billion a year, and some \$8 billion a year flows through intra-regional trade in these products,” says the report.

### **CARGO COST INCREASE**

“In addition, Africa’s food and agricultural imports amount to between \$45 billion and \$50 billion a year along with \$6 billion a year in imports of agricultural inputs and if measures are not checked, we are likely to lose the foreign earning from agricultural products,” it adds.

Disruption of agricultural production and exports owing to lockdowns in the international markets due to suspension of flights and ultimate reduction of about 75 per cent in available cargo capacity and a twofold increase in cargo costs has made it challenging to fulfil orders affecting exports for the past three months.

This has resulted in increased number of job losses which are likely to disproportionately affect low-income earners and informal jobs in urban areas.

Factoring in the impact of these job losses on dependants, it is likely that between 400 million and 460 million people in Africa face the prospect of reduced incomes.

The report notes that Kenya, as one of the countries which has had severe effects of disruption especially in the flower sector which collapsed after the lockdowns, exports of vegetables, nuts, coffee, and cocoa in other countries too are affected to some degree.

In many cases, this is due to low demand owing to lockdowns in Europe, North America, and India, leading to closure of coffee shops and restaurants as well as processing facilities, for example for cashews in India.

Around 80 per cent of agriculture exports from Africa are to four regions; Western Europe (around 45 per cent), South and East Asia (20 per cent), the Middle East (10 per cent), and North America (five per cent) and all the markets were inaccessible due to lockdowns and suspended flights.



The McKinsey analysis warns of food price volatility and nutritional problems due to lack of adequate nutritional foods as a result of increased food insecurity due to affordability of agricultural inputs, and depreciating currencies.

### **SPEED UP RECOVERY**

Any escalation in the locust infestation in East Africa will be another major concern. The United Nations's Food and Agriculture Organisation estimated that 100,000 hectares had been affected in Ethiopia and Kenya.

There are additional fears of a new swarm coming in from Somalia and Yemen, with the severity driven by wind patterns in the region.

This could create a food-security shock in rural areas as well as potentially drive up prices for food crops across East Africa, further exacerbating the shock from reduced incomes.

Immediate action could safeguard Africa's food security and speed up the recovery of the agricultural sector and both governments and other industry players should consider measures to cushion the sector and speed up recovery.

The McKinsey & Company report suggests safeguarding food security through understanding and managing the forces that shape demand, and ensuring agricultural production is sustained.

It will also be important to maintain trade flows, and keeping borders open for trade as far as possible.

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<https://www.theeastafrikan.co.ke/business/lose-export-revenue/2560-5575736-w2jqc/index.html>

