

Contact Details

Tel office: +264 61 379 500
Fax office: +264 61 22 5371
E-mail: nabdesk@nab.com.na
Website: www.nab.com.na

Physical address:

Agricultural Boards' Building
30 David Hosea Meroro Road
Windhoek
Namibia

Postal address:

PO Box 5096
Ausspannplatz
Windhoek
Namibia



Constituted by Act 20 of 1992

A world-class regulator of a vibrant, diversified and sustainable crop industry

Policy Brief No:01

April 2022

THE AFRICAN CONTINENTAL FREE TRADE AREA: A PERSPECTIVE ON THE NAMIBIAN CROP INDUSTRY

1. Key Messages

- The African Continental Free Trade Area (AfCFTA) is a trade agreement entered into by African countries and it has the potential to grow not only the Namibian economy but also the African economy at large. It is expected that the agreement will create a market of 1.3 billion Africans with a combined GDP of US\$2.5 trillion.
- Namibia is a net importer of food products, as over 70% of its food products are imported, with over 80% of its horticulture products (mostly grapes) being exported mainly to Europe.
- In 2020, Namibia exported only 15% of vegetables, fruits and cereals worth N\$198 million to African countries. The remaining 85% worth N\$1,1 billion was exported outside the continent. In the same vein, 59% of the same food products imported by Namibia in 2020, worth N\$3,8 billion, were imported from outside the continent and only 41% was sourced from Africa.
- The AfCFTA provides an opportunity to increase Namibia's trade opportunities or market share in Africa, provided the right support is given to local crop farmers to competitively take advantage of the agreement.
- Namibian crop farmers should invest in increased production of high-value crops that the country has a competitive advantage on such as grapes, dates, blueberries, citrus, sweet pepper, tomatoes, and onions to explore and take advantage of the opportunities brought about by the AfCFTA.
- Government support in terms of a conducive trade environment, infrastructure development, support to crop farmers to increase production, tax incentives, etc. is required for the Namibian crop farmers to fully benefit from the agreement.
- Namibia should draw up a strategy in order to fully benefit from the AfCFTA, especially giving priority to high-value crops or commodities.

2. Overview of the AfCFTA

The African Continental Free Trade Area (AfCFTA) is a trade agreement entered into and driven by Member States of the African Union (AU) to eliminate tariffs on most goods, liberalise trade in services and address Non-Tariff Barriers (NTB) to trade among African countries. According to the World Bank, the AfCFTA is estimated to connect 1.3 billion people across Africa, with a combined gross domestic product (GDP) of \$3.4 trillion. Furthermore, this new free-trade African market has the potential to lift up to 30 million Africans, out of extreme poverty. According to the Trade Law Centre (TRALAC, 2021), as of 20 May 2021, 36 countries, Namibia included, have deposited their instruments for ratification and trading under the AfCFTA, which commenced on the 01st of January 2021. This agreement shall generally require all members to remove tariffs from the majority of goods, therefore allowing free access and movement of commodities, goods and services throughout the African continent.

The agreement makes provision for the tariff lines to be removed or reduced in accordance with three main product categories or schedules.

Table 1: AfCFTA schedule of liberalisation for tariffs on goods (European Commission, 2021)

Country classification	Non-sensitive products	Sensitive products	Excluded products
Least Developed Countries (LCDs)	90% of the tariff lines customs duties eliminated over 10 years	7% of the tariff lines customs duties eliminated over 13 years	3% of the tariff lines and up to 10% of the value of intra-Africa imports are excluded from tariff elimination
Non-Least Developed Countries (Non-LCDs)	90% of the tariff lines customs duties eliminated over 5 years	7% of the tariff lines customs duties eliminated over 10 years	3% of the tariff lines and up to 10% of the value of intra-Africa imports are excluded from tariff elimination

According to the United Nations Conference and Trade Development (UNCTAD) (2021), each country or Regional Economic Community (REC) is to determine its own lists of non-sensitive, sensitive, or excluded products to be in the tariff offer. The list of sensitive products may include certain natural resources and agricultural commodities. Namibia being a member of the Southern African Customs Union (SACU), will submit its lists through a tariff offer through SACU. According to the SACU Executive Secretary (2022), SACU made an offer of 5988 tariff lines comprising non-sensitive products, representing 77% of the SACU tariff book, which the customs union is busy reviewing to meet the 90% tariff line requirement. No offer on the sensitive list has been made from SACU as yet.

It is in agriculture that the AfCFTA's aspirations can be realised, especially by strengthening regional value streams integrated into priority products, led by a diverse private sector inspired by small business owners, commercial farmers, and traders. One African market has the potential to create a better, more competitive business environment for agriculture, encourage more investment and ultimately a modern,

dynamic, productive, inclusive, sustainable and sustainable agricultural sector that can lift millions of Africans out of poverty.

3. What the AfCFTA means to the Namibian crop industry

Namibia's crop industry is fairly small and underdeveloped, and local producers and processors are unable to produce enough to meet local food demand. These few local producers are also sometimes faced with a lack of market for the surplus produces (i.e. onions) of some of the commodities during a specific period due to the country's small population. Hence, with an increased market to a population of over one billion people brought about by the AfCFTA, Namibian crop farmers and processors are presented with an opportunity to expand and produce more food for this high population through increased intra-Africa trade. This opportunity also creates room for job creation and ultimately addresses food insecurity issues in the country.

Namibia is a net food importer and it imports over 90% of its wheat and fruits as well as over 50% of its maize (NAB, 2021). Namibian crop farmers and processors are currently unable to produce enough to satisfy the food demand, and hence a high import bill. In terms of vegetable exports, Namibia's largest trade partners in Africa were South Africa, the Democratic Republic of Congo, and Angola in 2020, whilst the majority of the largest trade partners in the same product are countries outside of the African continent. The AfCFTA presents an opportunity for Namibian farmers to expand their trading partners within Africa and therefore increase the country's intra-Africa trade position.

Whilst the growth opportunities are eminent for the Namibian crop farmers and processors, there is also a chance that these farmers may face competition from other African countries as each country is mostly trying to produce more and explore export markets through this agreement. This competition can make Namibian crop farmers upskill their productivity, efficiency, quality, value-addition/agro-processing, etc., to compete against other African crop farmers and processors. The fact that the Namibian crop industry is regulated, especially in terms of imports through the Namibian Agronomic Board, renders an advantage to the Namibian crop farmers and processors access to a guaranteed domestic market, though this may be viewed as a non-tariff barrier, as the AfCFTA advocates for free trade.

4. Will the Namibian crop industry benefit from the AfCFTA?

Overall, the AfCFTA intends to remove tariffs on 90% of all goods traded between African states that are party to the agreement or for which these are to be removed in equal annual reductions towards a complete zero tariff. For instance, for Namibia to export its date fruits to Kenya or Ethiopia, a 25% import duty is charged. However, with the implementation of the AfCFTA, this tariff will be reduced to zero, thereby allowing Namibia to export its date fruits to these countries at a zero-tariff rate. For other potential competitors, Iran and Saudi Arabia which are the 2nd and 3rd largest dates fruit producers

(Agricultural Marketing Resource Centre, 2021), are non-African countries and thus not a party to the agreement, hence they may not receive the same preference. As such, they would be charged a 25% import duty, of which Namibian dates fruit producers will have an advantage. The AfCFTA also presents a much larger market, therefore, allowing the Namibian crop producers and processors to produce more of the products that they are most competitive in, i.e. grapes, dates, blueberries, citrus, tomato, sweet pepper, and onions. The reverse is true for farmers from other countries who are more competitive in crops that are not suitable for growing in Namibia. This new larger market is also an encouragement to innovate more and allow for more investors to enter the Namibian agri-value chain.

Namibia as a country has adopted good agricultural policies and strategies that so far have laid a good foundation for the improvement of the sector. The National Agriculture Policy, the Green Scheme Policy, and the National Horticulture Development Initiative (implemented through the Market Share Promotion Scheme) are some of the policies and strategies that have contributed to the positive growth of the crop industry in Namibia. The AfCFTA definitely provides a positive opportunity for the Namibian crop industry across the value chain to benefit through trade with other various African countries. However, for Namibia to fully reap the benefits, heavy investments need to be implemented in the entire agri-food value chain including agro-processing, capacity building, government policy support, research and development, etc. Other international trade statistics instruments such as the International Trade Centre's Export Potential Map may be accessed by the Namibian crop industry stakeholders to determine the level of competitiveness in various crop products for possible investments.

5. Conclusion and recommendation

The AfCFTA is an ambitious agreement that has great potential to increase intra-Africa trade. The lack of harmonised trade systems amongst African countries may be one of the challenges that will hinder its implementation, hence the need to have strong government policies and support. Some of the issues such as the rules of origin still need to be finalised to allow for a smooth trading operation. Given the significant contribution of the agricultural sector to the Namibian economy and the high number of food imports, there is a need to mobilise support for the local crop industry stakeholders to ensure full participation in the AfCFTA by implementing the following recommendations:

1. Embark on information campaigns to educate the crop industry players about the AfCFTA and its potential. Furthermore, encourage crop farmers to employ strategies of smart agriculture to save costs, sustainable agriculture practices (i.e. organic fertilisers, conservation tillage), digitalisation (farm management software for inputs and output analysis and management), agro-processing, and contractual production agreements with traders, etc., to enhance production and eventually farming benefits.

2. Whilst the tariffs are being removed through this agreement, the government should implement initiatives that are aimed to ease trade by reducing the non-tariff barriers in the long run such as improved customs and clearance processes, and quantitative restrictions.
3. More investments either through the government or private sector are encouraged in the agri-value chain to support farmers and processors intending to increase production in the commodities that the country has the most competitive advantage.
4. The private sector should use the opportunity to network and build partnerships that are aimed at investing in the agricultural value chain with operations across the continent. Strengthening the national capacity for food and commodity production for regional markets will provide a solid foundation for nations to boost regional trade. Policies and programmes should encourage the private sector to increase new investment, add value to products, compete with imported goods, and create jobs.

6. References

- African Continental Free Trade Area (AfCFTA) Secretariat. (2021). <https://afcfta.au.int/en/documents>
- Agricultural Marketing Resource Centre. (2021). *Dates*. <https://www.agmrc.org/commodities-products/fruits/dates#:~:text=Egypt%20is%20the%20world%27s%20largest,%E2%80%9D%20%E2%80%93%20FAOSTAT%2C%202021>).
- European Commission (EC). (2021). *EU Trade and Investment Policy Investment - Policy in Sub-Saharan Africa. African continental integration, trade agreements, and the EU: Synergies and challenges*. https://trade.ec.europa.eu/doclib/docs/2021/june/tradoc_159674.pdf
- Executive Secretary of SACU. (2022). *2nd coordination meeting of the Heads of Regional Economic Communities (RECs) on the implementation of the African Continental Free Trade Area*. <https://www.sacu.int/docs/pr/2022/2nd-COORDINATION-MEETING-OF-THE-RECs-ON-THE-IMPLEMENTATION-OF%20-THE-AfCFTA.pdf>
- International Trade Centre (ITC). (2022). *Export Potential Map*. <https://exportpotential.intracen.org/en/markets/gap-chart?whatMarker=a&what=a&fromMarker=w&exporter=w&toMarker=j>
- International Trade Centre (ITC). (2021). *Trade Access Map*. <https://www.macmap.org/en//query/results?reporter=276&partner=516&product=0701905000&level=8>

- Kingsley I. (2021). *Africa Renewal Magazine*. https://www.un.org/africarenewal/magazine/april-2021/afcfta-100-days-start-free-trading-prospects-seem-bright_
- Namibian Agronomic Board. (2021). Annual Report.
- Trade Law Centre (Tralac). (2021). *Status of AfCFTA Ratification*. [https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html#:~:text=Start%20of%20trading%20under%20the,ratification%20\(ordered%20by%20date\)%3A](https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html#:~:text=Start%20of%20trading%20under%20the,ratification%20(ordered%20by%20date)%3A)
- Trend Economy. (2021). https://trendeconomy.com/data/h2?commodity=07,10,TOTAL&reporter=Namibia&trade_flow=Export,Import&partner=World&indicator=TV,YoY&time_period=2020.
- United Nations Conference and Trade Development (UNCTAD). (2021). *Implications of the African Continental Free Trade Area for Trade and Biodiversity: Policy and Regulatory Recommendations*. https://unctad.org/system/files/official-document/ditctedinf2021d3_en.pdf
- World Bank. (2021). <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>.
- World Integrated Trade Solutions (WITS). (2022). *Namibia food products exports*. https://wits.worldbank.org/CountryProfile/en/Country/NAM/Year/2020/TradeFlow/Export/Partner/all/Product/16-24_FoodProd#.

END