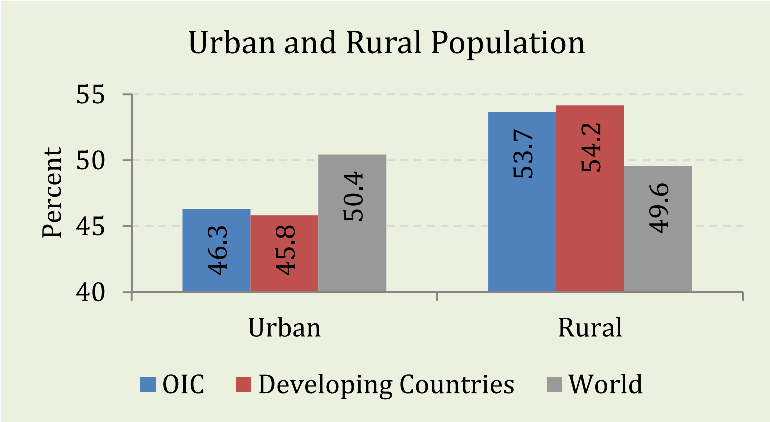
State of Agro-Food Industries in the OIC Member Countries

Prospects and Challenges

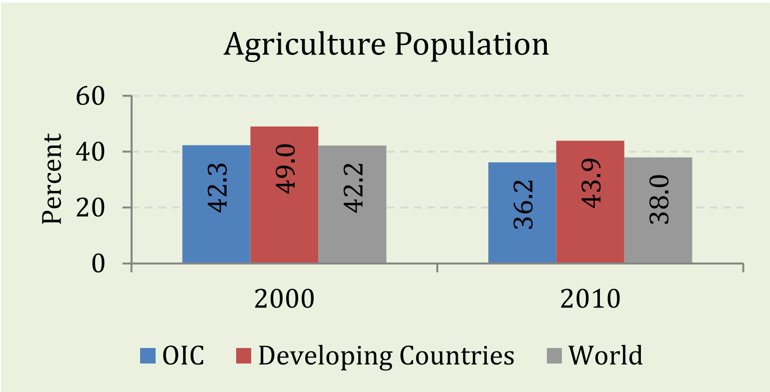




Rural and Agricultural Population



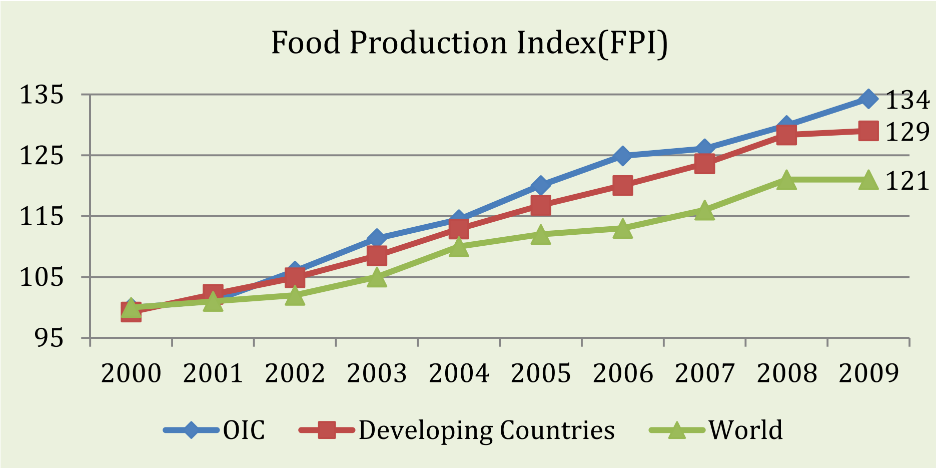
53.7% of the total population in OIC countries are living in rural areas, compared to 54.2% in the developing countries and 49.6% at global level.



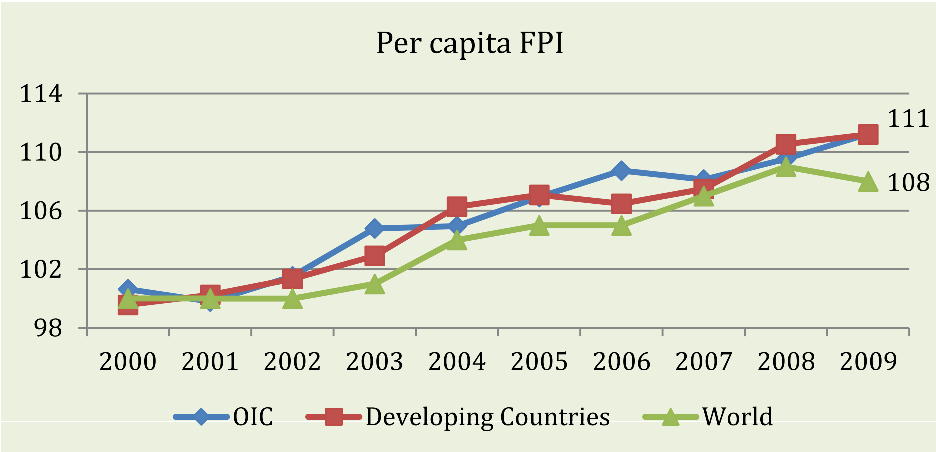
In 2010, 36.2% of the total population in OIC countries engaged in agriculture, compared to 43.9% in developing countries and 38.0% at global level. This figure decreased from a level of 42.3% in 2000.

At the individual country level, **more than 50%** of the total population in **18** OIC countries are still engaged in agriculture activities

Food Production Index 2000-2009



Average FPI for OIC countries showed an upward trend recording a value of **134** in 2009, compared to world average of **121** and average of developing countries of **129** in 2009



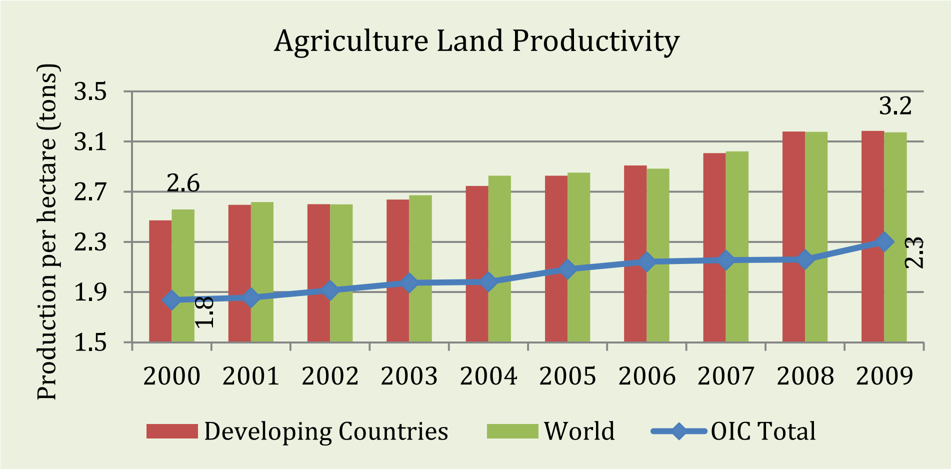
In 2009, OIC average per capita FPI **(111)** remained slightly higher than the world average of **108** and equal to that of developing countries of **111**

Yet, at individual country level, the FPI was still **below 100 in 25 OIC countries** in 2009

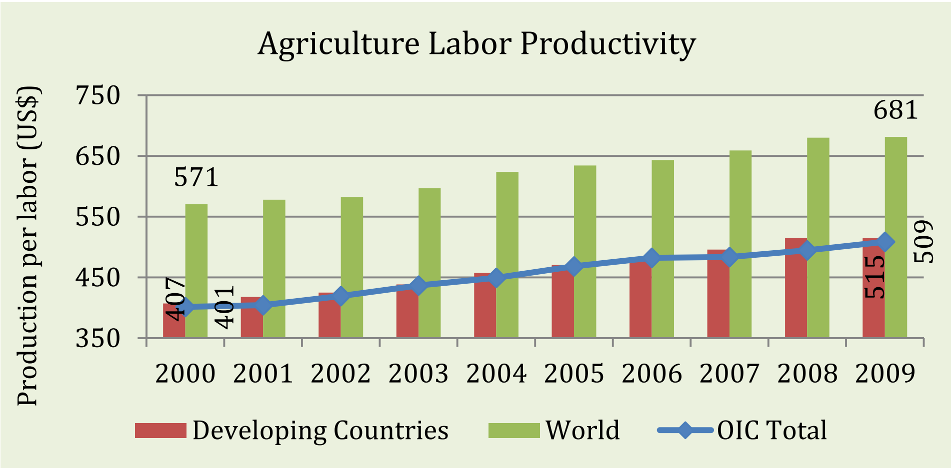
OIC Countries among the World Top 20 Producers (2009)

Commodities	Cocoa	Coffee	Cotton	Maize	Natural Rubber	Palm Oil	Rice	Soybean	Sugar Beet	Tea	Wheat
Bangladesh							4			11	
Burkina Faso			12								
Cameroon	5				14	14					
Côte d'Ivoire	1	12			11	7					
Egypt			15	16			14		12		16
Guinea					20						
Indonesia	2	4		5	2	1	3	11		7	
Iran			20							14	14
Kazakhstan			19								12
Malaysia	15				3	2					
Morocco									19		
Mozambique										20	
Nigeria	4		13	14	8	3	19	13			
Pakistan			4				11				8
Sierra Leone	18										
Syria			10								
Tajikistan			16								
Togo	8										
Turkey			7						5	5	11
Turkmenistan			11								
Uganda	16	11								13	
Uzbekistan			5								18

Agriculture Productivity, 2000-2009

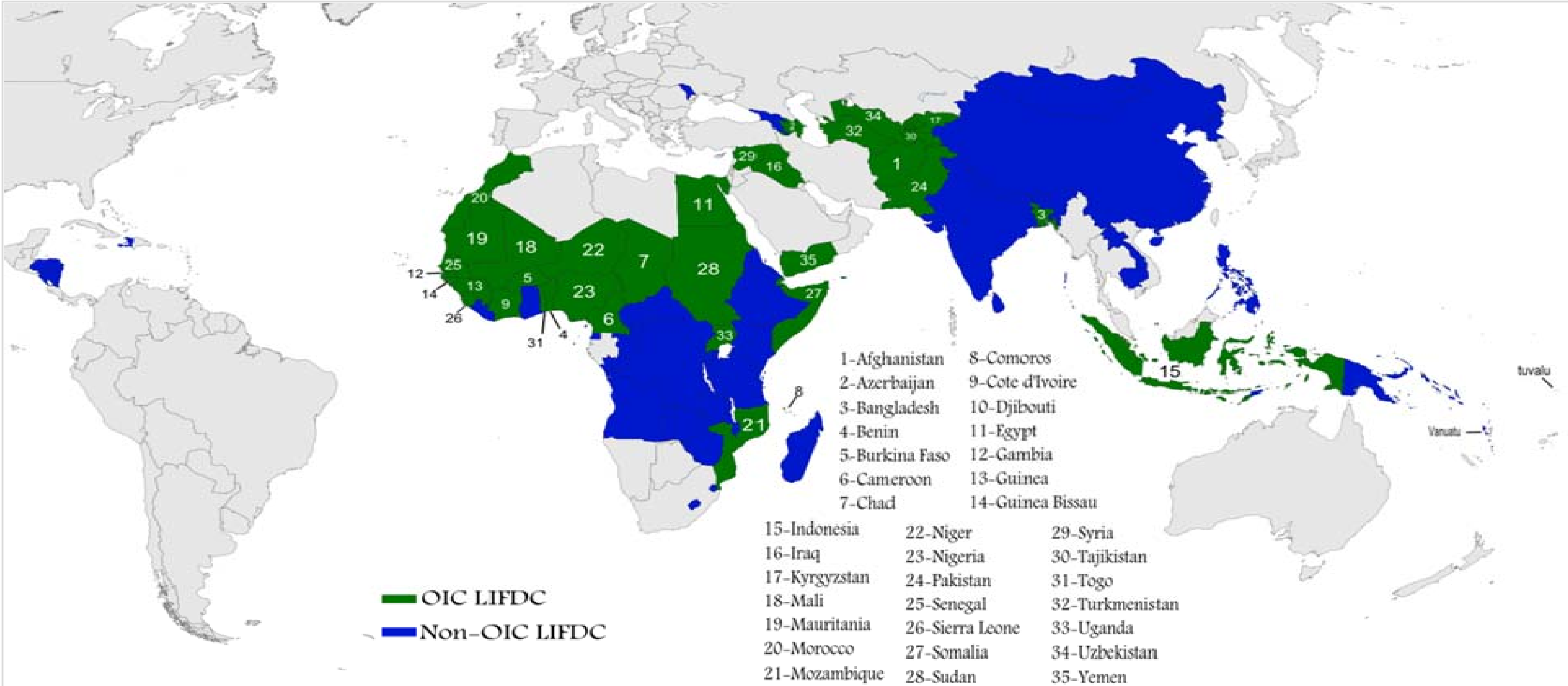


Average land productivity in OIC Countries was only **2.3 tons** per hectare compared to the world average and the average of the developing countries of **3.2 tons** per hectare



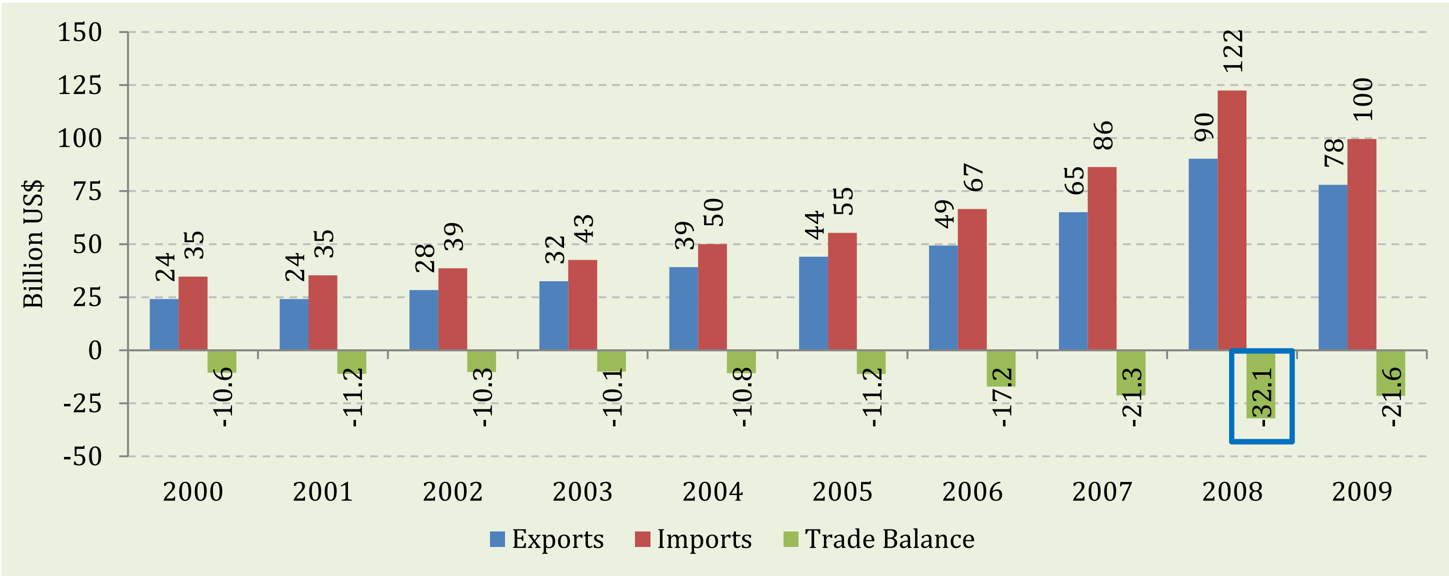
Average agricultural labor productivity in OIC Countries recorded at **US$ 509** compared to the world average of **US$ 681** and the average of the developing countries of **US$ 515**

Low-Income Food Deficit Countries (LIFDCs)



- **35** OIC countries are classified as **LIFDCs**.
- Most of these countries are located in **Sub-Saharan Africa** and the arid regions of **West Asia and North-Eastern Africa**.
- **16** of OIC-LIFDCs are classified by the FAO as "**Countries in Crisis Requiring External Assistance**".

Trade in Food, 2000-2009



- As a group, OIC countries are **net importers of food**.
- Food trade deficit in OIC countries has shown an increasing trend from **US$ 10.6 billion** in 2000 to **US$ 21.6 billion** in 2009; with the **highest deficit** recorded in 2008 **(US$ 32.1 billion)**.

Importance of Processing

Developing agro-food industries could have impacts on:

a. improving food supplies by preventing quantitative and qualitative losses;

b. increasing self-reliance by reducing imports;

c. providing employment, especially in rural areas;

d. reducing income disparities;

e. stimulating rural development;

f. increasing foreign exchange earnings through export of finished and semi-finished products;

g. reducing migration to urban areas;

h. increasing investment opportunities in rural and urban areas.

Classification of Agro-Industries

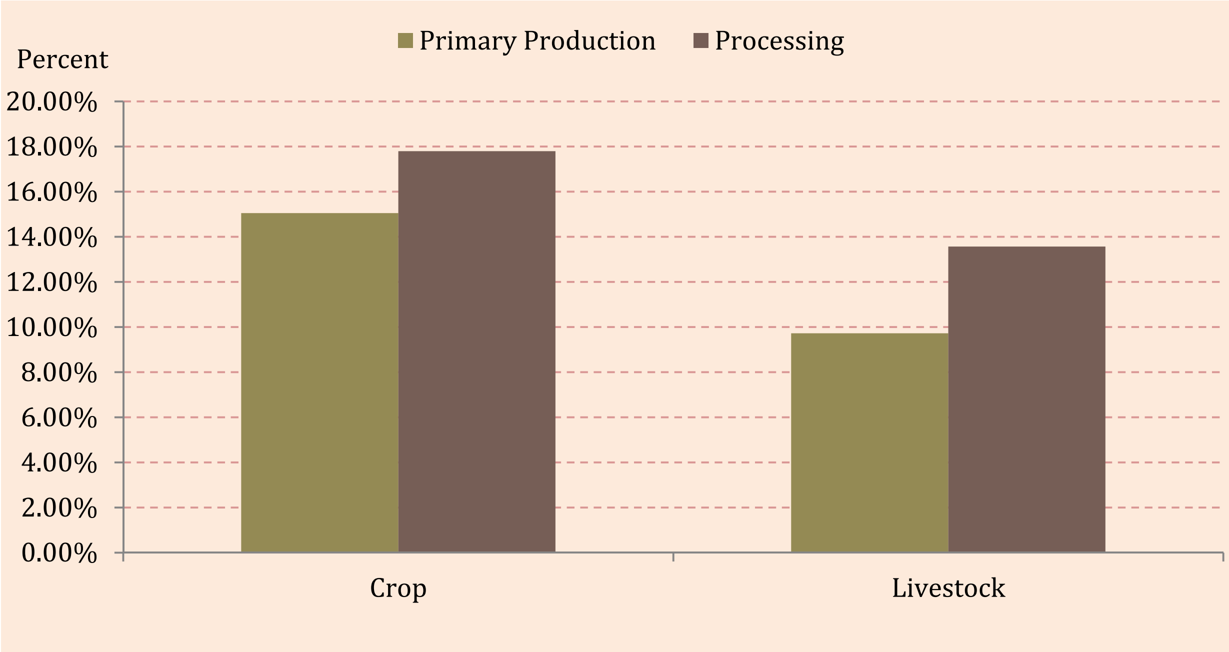
The conventional agro-industry divisions:

(i) Food;
(ii) Beverages;
(iii) Tobacco products;
(iv) Paper and wood products;
(v) Textiles, footwear and apparel;
(vi) Leather products; and
(vii) Rubber products.

We will focus particularly on the different divisions of agro-food production in order to highlight important features of food-processing, the largest sub-sector, and the centre of the most dynamic changes in the agro-processing sector during the last decades.

Share of OIC Countries in Processed Agro-Products

(Share of 57 OIC countries in total of 215 countries)

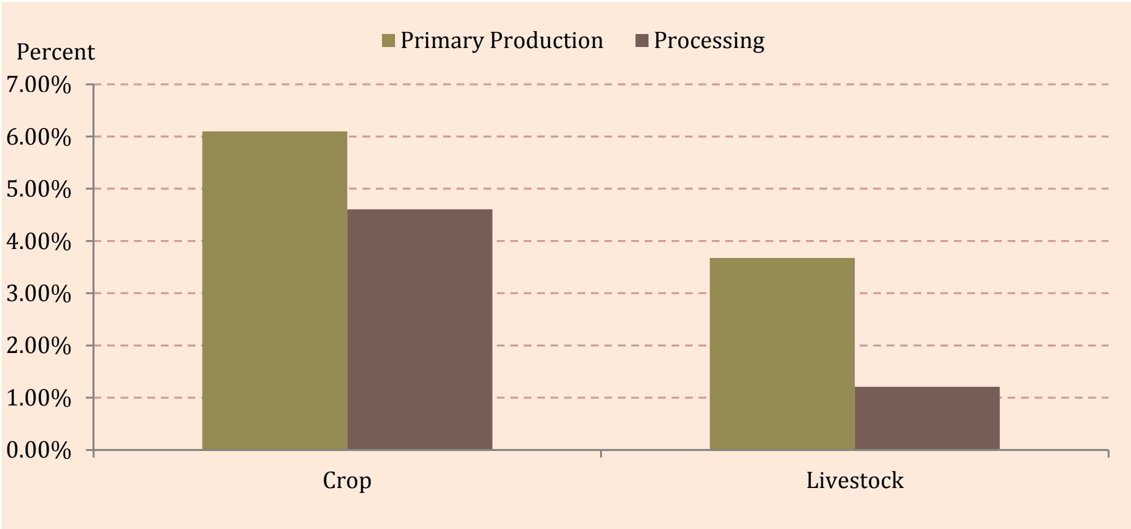


In 2009, **15.1%** of the world total crops produced by OIC countries, but the share of OIC countries in world total processed crops is **17.8%**.

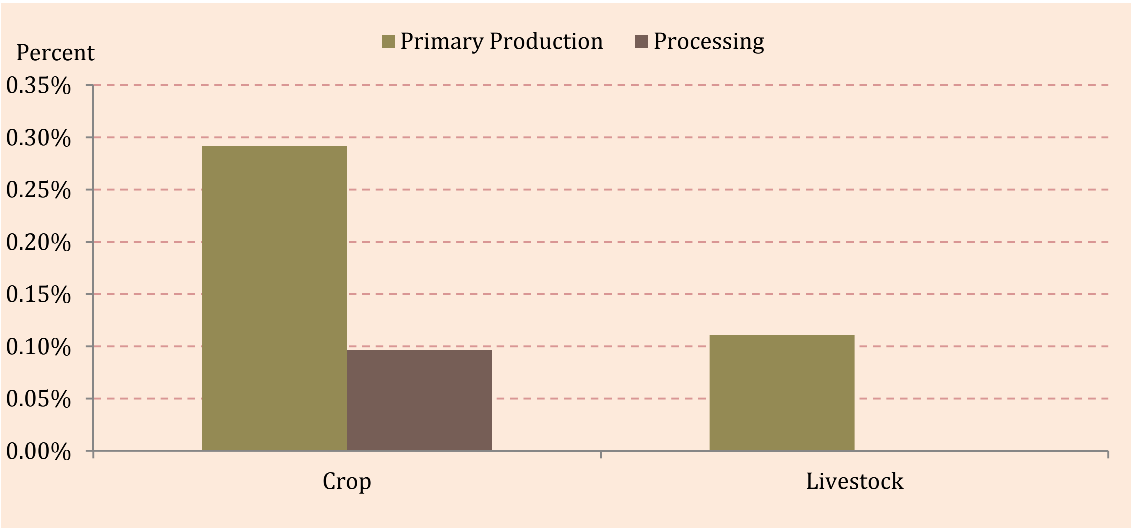
The stock of livestock in OIC countries constitutes **9.7%** of world total livestock, but the share of OIC countries in world total processed livestock is **13.6%**.

Share of Countries in Processed Agro-Products

Sub-Saharan Africa

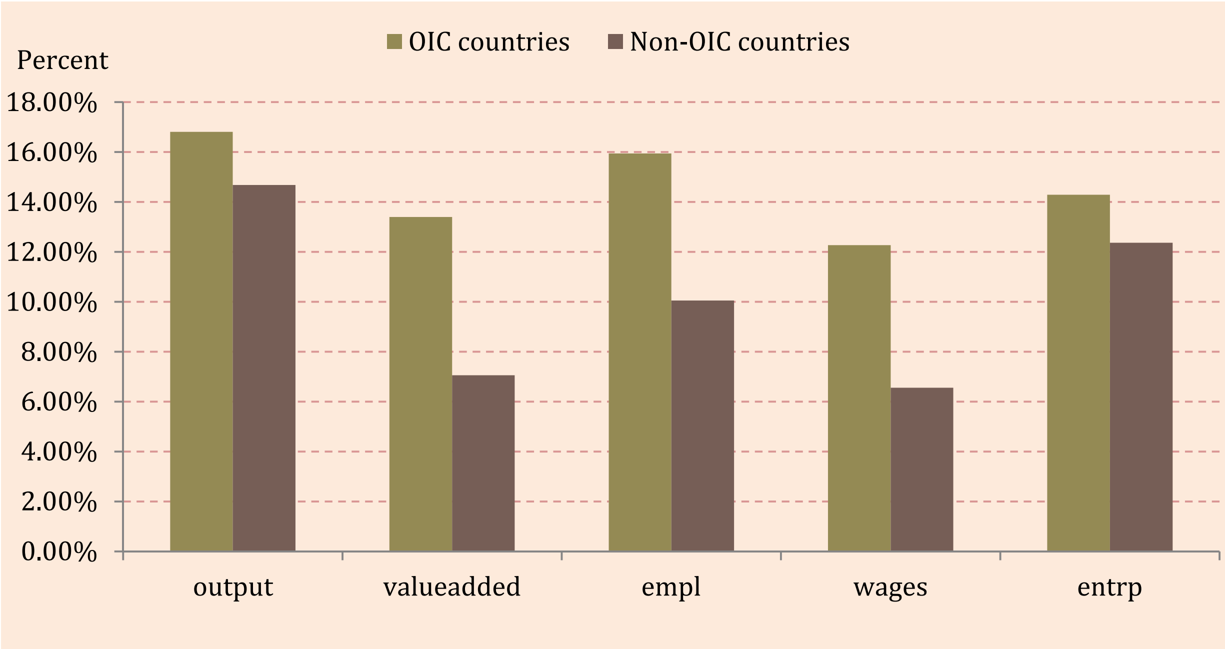


Uganda



Share of Agro-Food Industries in Total Manufacturing

(Average of 17 OIC countries)



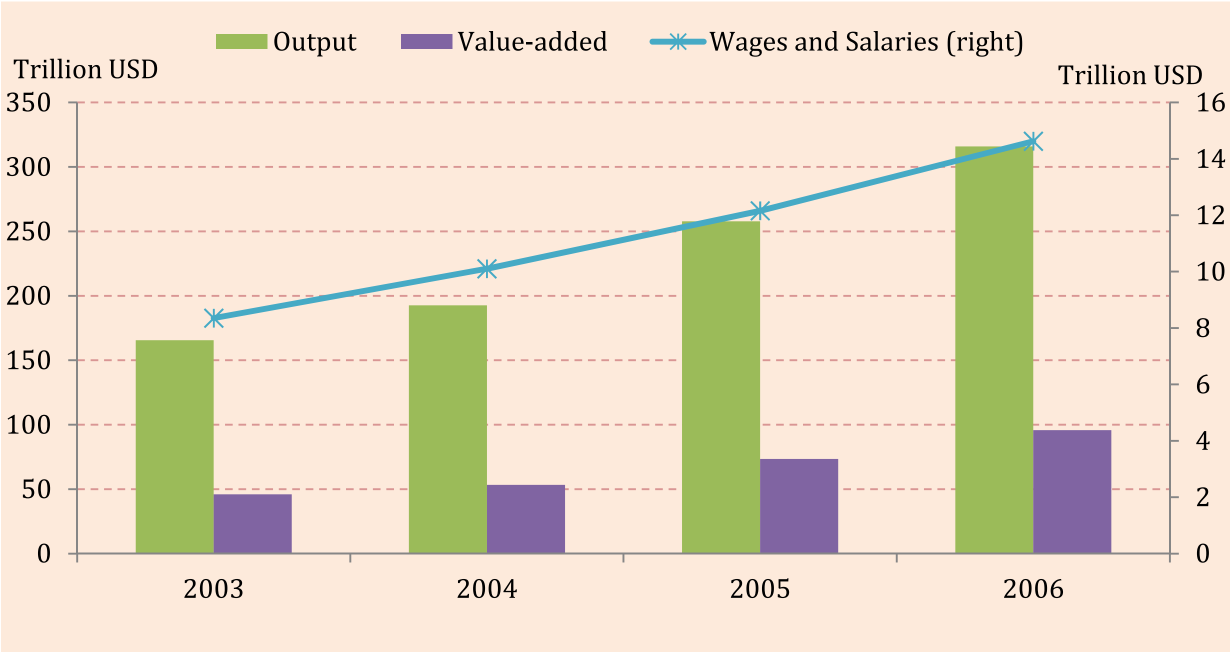
List of countries	Year
Albania	2006
Azerbaijan	2006
Indonesia	2006
Iran	2005
Jordan	2007
Kazakhstan	2007
Kyrgyzstan	2005
Malaysia	2006
Morocco	2007
Oman	2007
Pakistan	2006
Palestine	2007
Qatar	2006
Saudi Arabia	2006
Tajikistan	2007
Turkey	2006
Yemen	2006

Compared to non-OIC countries, agro-food industries in OIC countries constitute a larger share of manufacturing industries in terms of output, value-added, employment, wages and number of enterprises.

Although the gap between OIC and non-OIC countries wrt total output is not substantial, value added in agro-food industries are much higher in OIC member countries.

Output, Value-Added and Wages

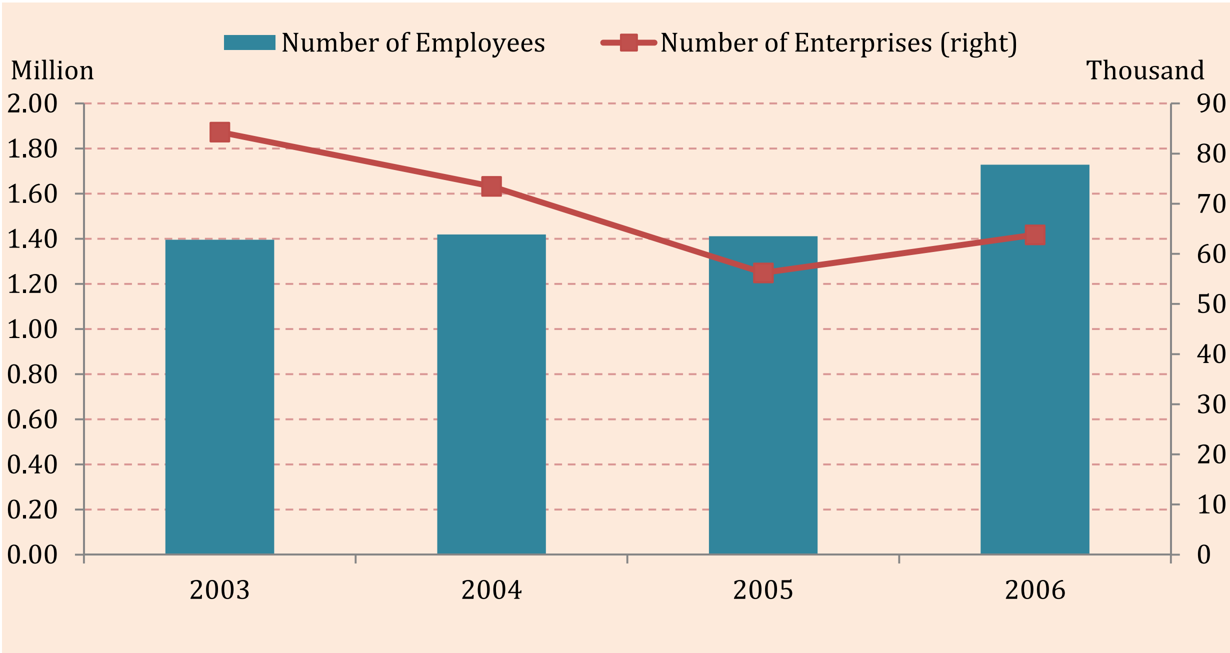
(Total of 16 OIC countries)



In terms of current US dollars, total output, value-adding and wages in agro-food industries are on the rise over the period 2003-2006.

The rise reaches up to 100% in current USD.

Number of Enterprises and Employees
(Total of 16 OIC countries)



The number of employees is steadily increasing in agro-food industries in the OIC countries.

However, the number of enterprises started increasing in 2006 after falling two consecutive years.

Productivity in the Food-Processing Sector

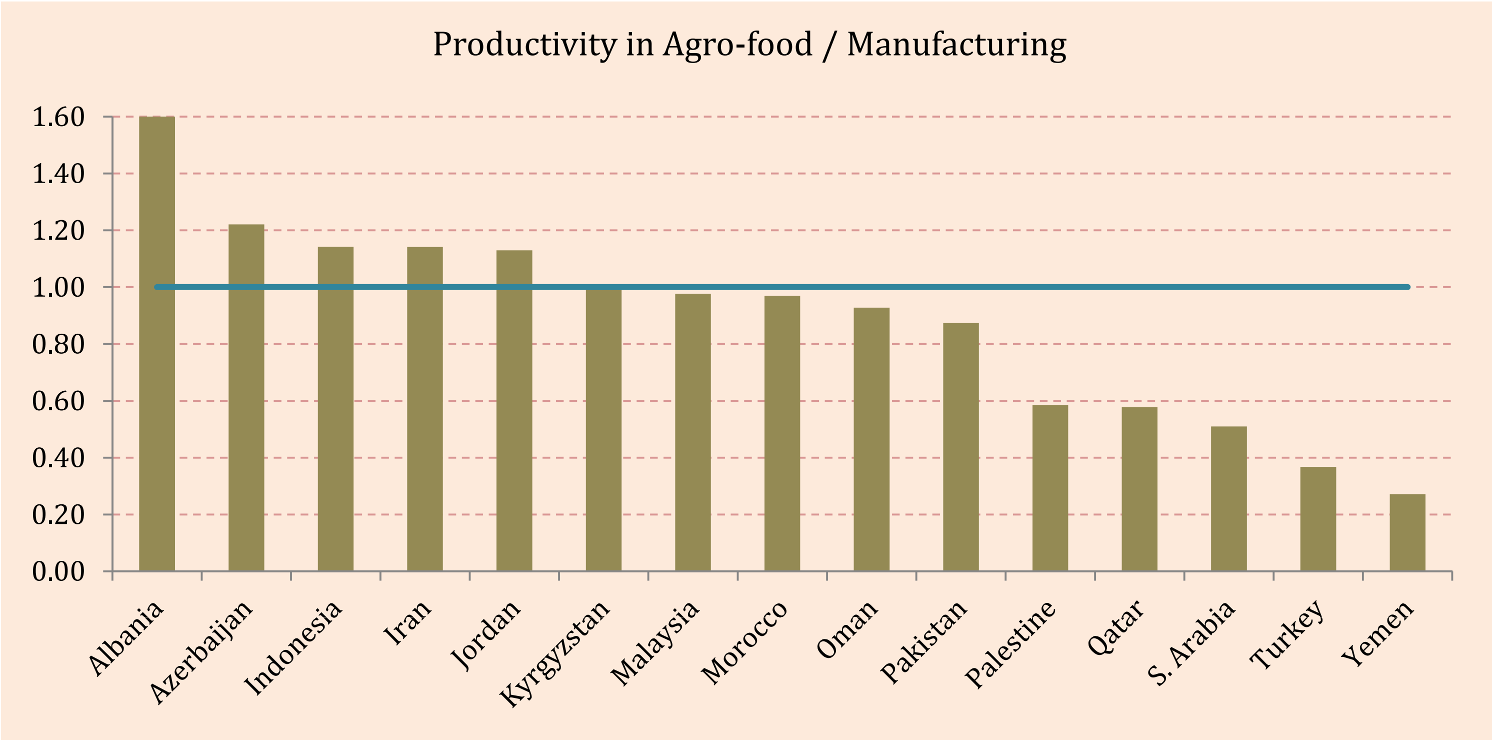
Country	Year	Processed meat, fish, fruit, vegetables, fats	Dairy products	Grain mill products; starches; animal feeds	Other food products	Total Manufacturing	Productivity in Agro-food / Manufacturing
Albania	2006	670.6	1275.9	880.6	-	728.9	1.14
Azerbaijan	2007	17.3	60.6	21.9	6.8	12.7	1.13
Indonesia	2006	142330.8	202014.8	171303.3	55439.6	108611.6	0.97
Iran	2005	124319.7	183568.9	125035.7	90028.6	198456.0	0.59
Jordan	2007	14.0	5.9	11.9	6.0	14.0	0.58
Kyrgyzstan	2005	86.9	157.8	-	142.9	216.5	0.51
Malaysia	2006	79.8	128.4	84.0	42.3	76.5	0.87
Morocco	2007	126.4	262.0	230.7	211.1	159.0	1.14
Oman	2007	9.4	19.3	19.5	8.2	29.2	0.37
Pakistan	2006	2480.5	1157.7	969.9	737.7	979.5	1.22
Palestine	2007	17.5	-	-	-	17.6	0.99
Qatar	2006	90.9	59.2	-159.7	120.9	305.3	0.27
S. Arabia	2006	137.2	-	-	-	140.4	0.98
Turkey	2006	29.3	-	-	-	31.6	0.93
Yemen	2006	1556.5	-	-	-	971.4	1.60

Identifies the agro-food sector as one of the largest industrial activities in low and middle income countries in terms of value adding,

Confirms it as one of the most efficient economic sectors that pushes the manufacturing sector towards higher levels of technical capabilities and value-adding achievements.

Dairy products present the highest labour productivity levels in developing countries.

Productivity in the Food-Processing Sector



On average, productivity levels in food processing are above the manufacturing average, making it one of the more efficient economic sectors in low income and lower middle income countries.

Overview of the Current Situation

- **Low productivity in agriculture,**
  - Despite our economies are primarily based on agriculture, we are still producing less than we need

but

- We are **comparatively more productive in agro-food industries** compared to other manufacturing industries
  - **Agriculture-oriented projects** are perceived as **very risky** in developing countries … mainly due to **weak business and investment climate**.

- Despite the significant heterogeneity among the OIC member countries, we **have the capacity to process more than we produce** in agro-food industries

Major Challenges and Constraints

- **Low agricultural productivity** reduces the prospects for the development of agro-industries

- **Poor access to production inputs** and related infrastructure and services.

- **Concerns on governance, political and economic stability,** weak institutional capacities and administrative bureaucracy, and inadequate agricultural planning and strategies.

- **Inadequate agricultural investments and limited financial resources** and fluctuations in world agricultural commodity prices and other trade difficulties in the international commodity markets.

- **Inadequate economic transformation and structural diversification** policies

Policy Recommendations - I

- At the national level, efforts should be made to **increase agricultural productivity**.
- At the OIC cooperation level, efforts should be made to enhance and direct more **intra-OIC investment in food processing sector**.
- An **OIC Agro-Business Fund** should be established to encourage investments in food sector and food security programs.
- **Improving business and investment environment** at the national level should be considered a high priority with emphasis on the promotion of OIC investors in member countries through introducing specific measures in national regulatory frameworks.
- **Stimulating private sector participation** by supporting small agro-producers and SMEs and enabling easy market access
- **Establishing regional inter-country cooperation** and strengthening the national centers to select appropriate technologies
- **Improving infrastructure and energy access** (transport capacity, rural roads, warehouse and storage facilities etc.)

Policy Recommendations - II

- While promoting the development of agro-industries, be sure on the **“value” added**:
  - “high technology” manufactured exports from developing countries often represent “the low-skill assembly stages of international production chains organized by transnational corporations”, with the technology and skills embodied in imported parts and components.

- **Policy interventions must generate net benefits for society**.
  - Tax concessions to producers of inputs and products, subsidies on prices of inputs or food, support prices for producers at relatively high levels, relatively high tariff rates or other international trade barriers etc…
  - Loss in fiscal revenue must be more than offset by the increase in the jobs and benefits associated with the indusrty.

Thank you for your attention