African Food Systems Transformation Collective

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BRIEF SERIES | 17

Agenda for Competition Reform in Africa for Fair Agrifood Systems

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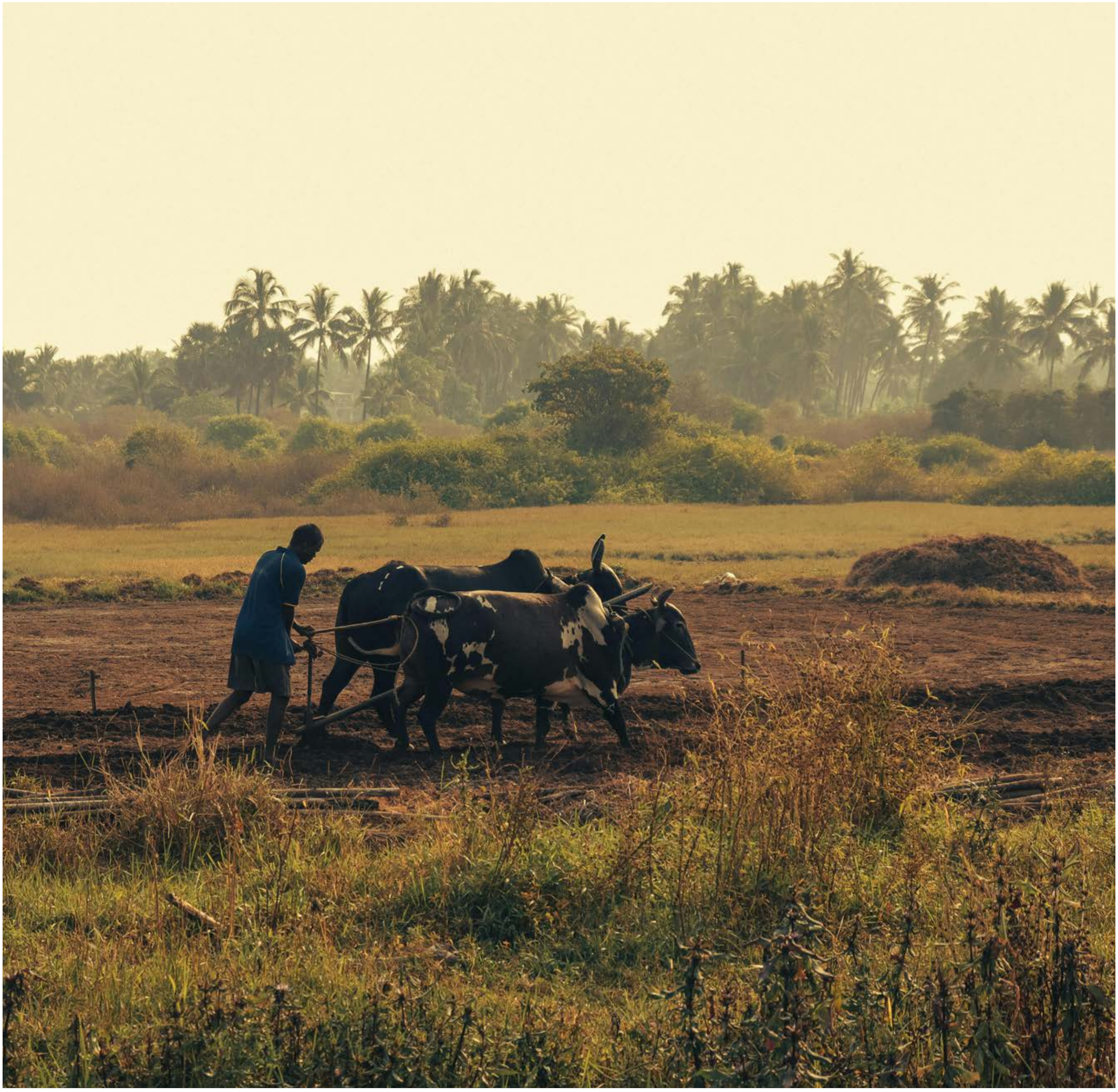
This brief is based on the working paper 'Agenda for Competition Reform in Africa for Fair Agrifood Systems' *(2024) by Prof. Simon Roberts, Grace Nsomba and Heike Fickel.*

SUMMARY

This brief addresses the urgent need for competition reforms in African agrifood systems to enhance resilience against climate shocks, reduce food prices, and empower smallholder farmers and small and medium-size enterprises (SMEs). Key recommendations include strengthening regional cooperation among competition authorities, improving market intelligence, and mobilising international donor support. These reforms are critical to counteract market concentration, anti-competitive practices, and systemic barriers faced by vulnerable groups, particularly women and small-scale producers.



INTRODUCTION

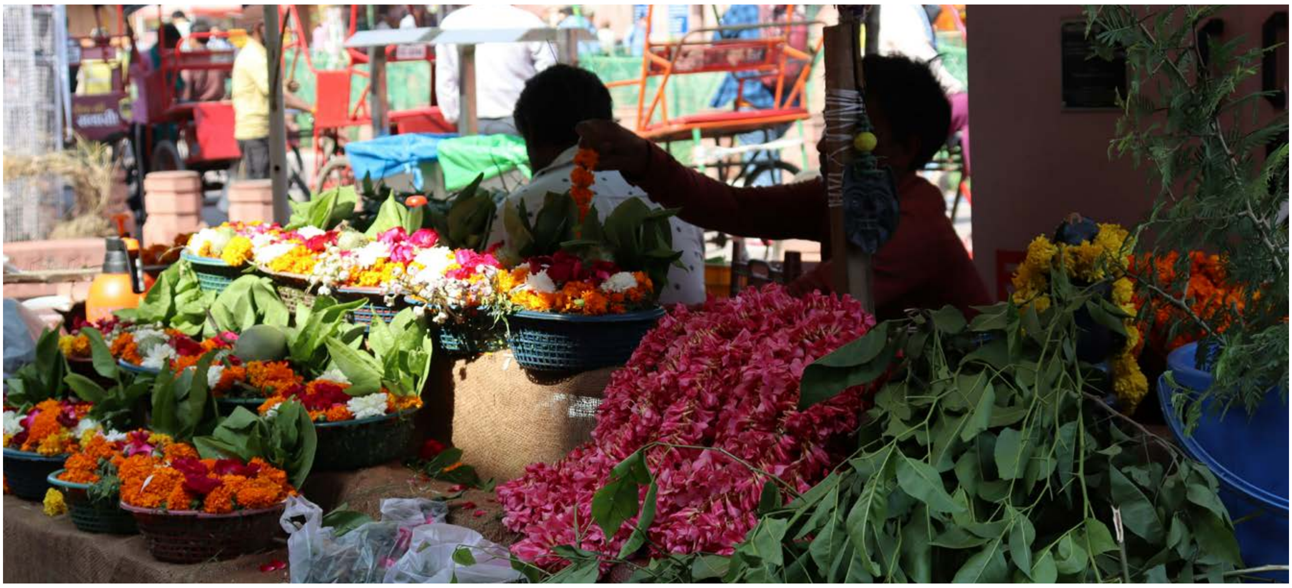
Food systems in Sub-Saharan Africa face dual threats from climate change and market concentration. Approximately 40% of household expenditure in the region is allocated to food, with prices inflated by anti-competitive conduct. Smallholder farmers, who make up the majority of agricultural producers, are squeezed by powerful input suppliers and buyers, exacerbating poverty and food insecurity.

- **Market concentration:** A few multinational firms dominate key agrifood value chains (e.g. fertilisers, poultry), leading to price manipulation.
- **Weak competition regimes:** Nearly half of Sub-Saharan African countries lack functional competition laws or enforcement capacity.
- **Regional trade disparities:** Climate shocks, such as El Niño/La Niña), disrupt regional food supplies, necessitating cooperative trade frameworks.

This brief aligns with agroecology's emphasis on resilient, equitable, and sustainable food systems. By addressing market concentration and advocating for fair competition, the recommendations support agroecological principles such as diversification (for example, empowering smallholder farmers to grow diverse crops), circularity (reducing dependency on monopolised synthetic inputs like fertilisers), and social equity (prioritising women-led cooperatives and marginalised producers). For instance, dismantling cartels in fertiliser and poultry feed markets lowers input costs, enabling small farmers to participate and compete more equitably in food commodity markets. Similarly, regional trade networks, advocated in the brief, align with agroecology's principle of connectivity, fostering climate-resilient food systems by linking surplus and deficit regions. Fair competition simultaneously reinforces and relies upon participatory governance, ensuring that smallholders' voices shape policies that affect their livelihoods, a cornerstone of agroecological transitions.

Key stakeholders

- **Smallholder farmers and SMEs:** Critical for food production but marginalised in markets.
- **Agricultural input suppliers:** Control trade in critical inputs such as fertilisers and poultry feed.
- **Competition authorities:** Under-resourced institutions requiring regional/international support.
- **Regional bodies (e.g. COMESA):** Key to information-sharing, capacity development and cross-border enforcement.



MOTIVATION

Fair competition is essential for climate adaptation. Concentrated markets raise food prices to extract value from poor consumers, entrench the power of transnational elites and corporations, thus exacerbating inequalities, and undermine smallholders' ability to participate in food markets and withstand shocks. Yet regional trade is essential to buffer climate- and conflict-induced supply disruptions (e.g. drought in East Africa offset by surplus in Southern Africa).

Relevance to philanthropies

Philanthropic support is needed to:

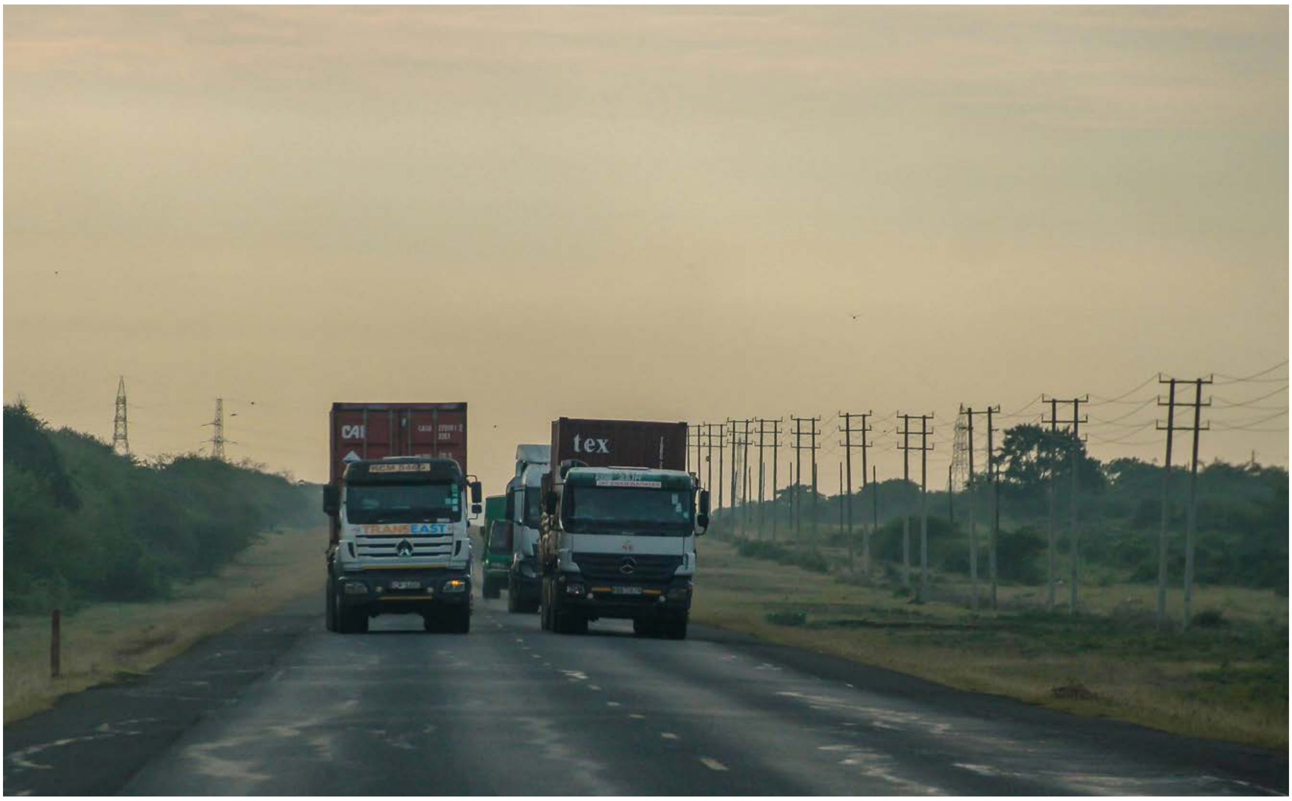
- Fund market intelligence platforms (such as. African Market Observatory).
- Strengthen advocacy for competition law reforms.
- Empower women-led agribusinesses and cooperatives.

Climate change adaptation and resilience

Effective competition reduces input costs and enables smallholders to invest in climate-resilient practices. Regional cooperation and trade ensures food security during extreme weather events.

Context

Markets for staple commodities across the region are characterised by poor publicly accessible market information, a weak bargaining position of smaller market participants, poor and volatile prices for their production due to market volatility, and pricing set by large traders and suppliers of inputs. East and Southern African (ESA) agrifood markets are exacerbating regional food security challenges which are already affected by extreme weather related to climate change.



Why market concentration requires regulation

Market concentration at different levels within African agriculture and food systems undermines adaptation and casts a shadow over smaller producers and consumers alike. Mirroring global concentration, it means that a few companies control the supplies of inputs and the trading and processing of staple crops, increasing food systems vulnerability (Clapp 2023; UNCTAD 2023; Buthelezi et al. 2023). These companies shape national and regional food markets, consolidating power and influencing prices.

Firms with substantial market power in concentrated markets are regulated by competition laws and authorities as referees of fair markets. It is essential that these authorities are empowered and effective to tackle abuses by powerful companies. The disparity between corporate concentration and the competition authorities underscores the need for concerted efforts to bolster competition regimes – laws and institutions – across the region.

Advocacy is a pivotal tool in this endeavour to highlight the detrimental effects of anti-competitive behaviour by powerful companies while simultaneously conveying the potential for fairer markets under the purview of effective competition authorities. Public support is imperative for these authorities to fulfil their roles, with necessary human and financial resources, along with access to market intelligence and technical assistance.

How does this theme relate to broader food systems transitions in Africa? How does it connect with other food systems activities?

In most African countries, the majority of households are engaged in smallholder agriculture. However, smallholder farmers and small food processors face major obstacles in terms of market access, fair prices for their products, and in accessing inputs. Addressing these barriers is essential for fostering a more inclusive and competitive market environment.

Market dysfunction exacerbates food insecurity

Major challenges to East and Southern Africa realising the agricultural potential of smallholders include poorly functioning markets and the barriers that impede the entry and growth of smaller market participants. Markets for staple commodities across the region do not work well as they are characterised by poor publicly accessible market information, a weak bargaining position of smaller market participants, poor and volatile prices for their production due to market volatility, and pricing set by large traders and suppliers of inputs (Nsomba et al. 2022b). For example, the lack of information on soybean producer prices makes it difficult for smallholders to negotiate effectively.

The African Market Observatory (AMO), established at the Centre for Competition, Regulation and Economic Development reveals the extent of the problems by collecting agrifood market intelligence on staple commodities within and across the ESA region and by assessing market concentration. Markets are working very badly for smaller market participants and consumers (Kaonga et al 2023, Roberts et al. 2023). The limited available information illustrates that there are large mark-ups at the soybean trader level associated with concentration and processing (Nsomba et al. 2022a). While smallholder farmers are squeezed, prices to consumers in African cities have generally been much higher than in other developing regions of the world (Allen 2017). Detailed value chain studies confirm that unfair ESA agrifood markets are exacerbating regional food security challenges which are affected by extreme weather related to climate change (Nsomba et al. 2022b).

Hurdles to women's participation

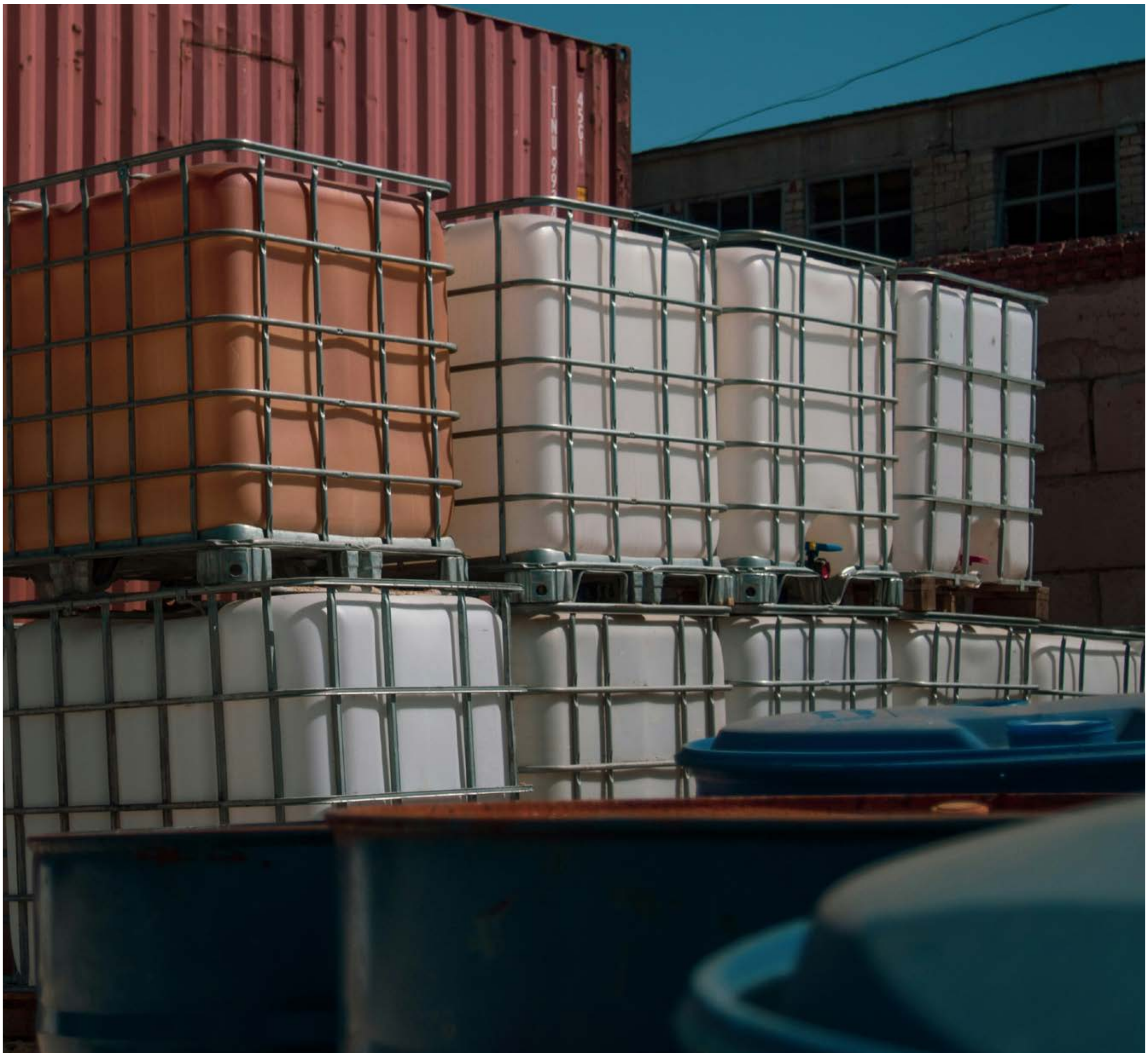
In Africa, women own over 50% of SMEs (World Bank Group 2019) and make up more than half of the agrifood system workforce in Sub-Saharan Africa (FAO 2023). Women small food producers encounter additional challenges in accessing markets and achieving sustainable growth, including discrimination in access to finance and access to land. This is a major ongoing focus of research and advocacy.

Addressing these competition issues requires a regional approach through cooperation between the national authorities and the regional competition authorities. Ensuring fair markets is an essential component of support for farmers and small- and medium-scale producers, the engines of food production.

HURDLES TO TRANSITION

Market concentration poses a significant hurdle to fair competition, and the role of competition authorities becomes paramount in fostering transparent, competitive and sustainable food systems. The international reach of the companies and the cross-border markets involved mean that national authorities must cooperate, including with regional bodies, such as the COMESA Competition Commission, to enforce activities on a regional level and coordinate national efforts.

Lack of market intelligence is a key obstacle competition authorities face to assess market competitiveness, measure market power concentration, and determine the need for intervention. Their effectiveness is further hindered by a lack of resources, both human and financial, limiting their ability to intervene. Nearly half of the countries in Sub-Saharan Africa lack national competition laws or established institutions, and only nine countries boast competition laws and institutions that have been in operation for over a decade, with a robust enforcement history and capacity (Buthelezi et al. 2023).



RECOMMENDATIONS TO REFORM COMPETITION REGIMES IN AFRICA FOR SUSTAINABLE FOOD SYSTEMS

For food markets to function effectively, leadership by competition authorities is crucial to establish rules that ensure a level playing field. Addressing the interconnectedness of concentration, mergers and food prices in African agriculture and food markets further requires a holistic approach that involves collaboration at national, regional and international levels. Competition authorities, academia, research institutions and civil society must be targeted with informed advocacy and awareness campaigns. The initiatives need to highlight the link between competition issues on food security for the region, and the urgency for greater resilience as climate change impacts food systems and especially the most vulnerable parts of populations. There is a strong case for reforms to strengthen competition regimes in Africa to address the challenges posed by concentration in global agrifood industries.

1. **Building effective competition regimes in Africa:** The diversity in the development of competition regimes in Africa, with many countries not yet having laws and institutions in place while others have competition authorities which are building their enforcement, means tailoring support to ensure it is appropriate to the differing situations.

   Where countries have regimes in place, technical support and advocacy to mobilise constituencies and resources in support of the authorities is essential to improve enforcement. Where the authorities are only just being set-up a lot can be gained by learning from the experience of others and working together, especially in regional economic communities. This should be a learning-by-doing process as the international reach of companies and the importance of cross-border markets means that many of the mergers and possible anti-competitive practices being investigated will be common across jurisdictions.

   Where countries have yet to pass laws and establish authorities, a regional competition authority may have jurisdiction if it is in place in the relevant regional economic community. Parallel processes can be pursued – of passing legislation and supporting regional enforcement.

2. **Global responsibility and regional cooperation to improve enforcement:** Many of the large firms that operate throughout the regional agrifood markets are global players. So, problems in food markets in the global South often have their origin in the developed world which has a responsibility for their companies' actions. The importance of international cooperation to tackle competition issues in agrifood markets is gaining traction. For example, the International Competition Network (ICN) has initiated a special project related to this topic, led by Kenya and South Africa. Much more needs to be done in terms of translating co-operation into practical improvements in enforcement by developing countries regarding multinational company conduct.

   Additionally, advocacy efforts should focus on the international donor community to effectively communicate the role of robust competition laws in poverty alleviation, emphasising the importance of supporting competition authorities and the reform of relevant laws and policies. Practical regional co-operation of national and regional authorities helps to pool scarce resources on many levels.

   Cross-border market intelligence and analysis are essential to consider the extent to which competition issues are undermining small-holder farmers and causing high food prices. Market data and research are also critical for effective advocacy by competition authorities to ensure appropriate policies for cross-border markets to be more effective and inclusive. Likewise, cooperation of national and regional authorities and the exchange of non-confidential information helps recognising potential competition issues that develop along regional value chains. As such, active monitoring serves as a deterrent for anti-competitive behaviour and signals a willingness to action to ensure fair competition.

   Effective competition authorities require sufficient resources (human, legal, and financial), to be independent and capable of enforcement. Regional cooperation of national and regional authorities facilitates the sharing of information and capacity, mutualising financial burdens. Research institutions and market observatories play a crucial role in providing advice, technical support, and cross-country research studies to strengthen competition rules on a regional and continental level.

3. **Tackling international mergers and detecting cartels:** Assessing cross-border mergers and addressing cross-border cartels requires coordination between authorities, building on co-operation. Yet, with a very few exceptions such as the COMESA Competition Commission, national authorities assess mergers independently of each other and only as they impact on their own jurisdictions. This can lead to varied or inconsistent conditions being imposed in different countries.

   A regional perspective is therefore proposed to align countries in assessing mergers, allowing for the imposition of conditions advantageous to all member states. Regional authorities also have an important role in the absence of national competition regimes or in their early stages as well as better regional alignment. Moreover, a regional authority is less vulnerable to the private sector's capacity to exert political pressure.

   Cartels which operate internationally may well not be evident from a simple national perspective. Agreements over prices and/or dividing markets for internationally traded products may not be identified without an international analysis of all the flows of products and cross-border reach of the companies involved.

   Mature competition authorities in Africa need support and international coordination in order to be able to enforce their laws effectively regarding international arrangements. Young authorities can benefit greatly from exchanges with the former group on learning activities, technical issues and support on enforcement. A focus on regional African authorities is crucial for dealing with cross-border issues and this also benefits countries that do not have a competition regime yet.

Towards resilient, fair and inclusive food systems in Africa

Reforms are essential for effective competition regimes to ensure resilient, inclusive and competitive food systems in Africa. The proposed reforms work to: strengthen existing competition authorities with greater enforcement capacity and appropriate powers; establish regimes where laws and institutions are not yet in place; foster international enforcement and build regional competition authorities; and mobilise constituencies for the political support and resourcing required. The path forward requires not only strengthened competition authorities but also concerted efforts in advocacy and awareness to foster fair, inclusive, and sustainable food systems through a collaborative approach of building broad-based coalitions. **The three key pillars to advance the reform agenda** are market intelligence, regional cooperation, and the support of the international donor community. Under each pillar a set of priorities are proposed, as follows.

Market intelligence

- Empowerment through data and market insights
  - Equip competition authorities and support organisations with up-to-date market data to identify anti-competitive practices early.
  - Promote equitable access for smallholders and SMEs by using data to uncover market dynamics and opportunities.
- Cross-border market and value chain analysis
  - Conduct in-depth analyses across markets and value chains to address cross-border challenges in Africa's agrifood sector.
  - Empower stakeholders working with smallholders and SMEs to counter-balance the bargaining power of large companies and mobilise political support.
  - Identify intervention points to ensure fairer market conditions, particularly for smallholders and marginalised groups.
- Active monitoring and enforcement signals
  - Establish continuous market monitoring systems to support effective, real-time enforcement.
  - Visibly commit to enforcing fair competition, sending a clear deterrence message to discourage anti-competitive behaviour.

Regional cooperation

- Address cross-jurisdictional challenges
  - Strengthen collaboration between national authorities to combat anti-competitive practices that span multiple countries.
  - Share resources and coordinate enforcement strategies across jurisdictions for more consistent and effective action.
- Support for coordinated advocacy
  - Promote collective advocacy to underscore the importance of fair competition within agrifood systems.
  - Engage stakeholders at local, national, regional and international levels to ensure competition reform is widely supported and implemented.
- Amplify collective voices in regional forums
  - Empower smallholder farmer groups and SMEs to enhance their representation in policy discussions.
  - Strengthen these groups' bargaining power to ensure policy decisions reflect their needs and challenges.

International community support

- Technical assistance for enforcement capacity
  - Provide on-demand technical support to enable competition authorities to handle complex investigations and enforcement.
  - Build regulatory capacity and improve response times to reinforce fair competition practices across Africa.
- Donor-funded data initiatives and capacity building
  - Advocate for increased donor funding to support data initiatives and capacity-building projects, such as those led by the African Market Observatory.
  - Motivate global partnerships with regional actors to amplify local advocacy efforts.
  - Convey to the donor community the connection between competitive markets and sustainable, resilient agrifood systems in Africa.

CASE STUDIES

There are many examples of cartel conduct where large businesses work together, combining their market power to force consumers to pay unfair price (Roberts 2020; Roberts 2023). In addition, vertically integrated firms operate along value chains with power to govern production and value creation. In theory, integrated firms such as traders or input suppliers can create efficiencies which are also beneficial for farmers. Yet market concentration also means that there are no alternatives for smaller market participants.

Challenges in the poultry value chain

The poultry sector exemplifies the challenges faced by smaller market participants. Market concentration, vertical integration of major producers, and entry barriers render small and medium-scale producers subject to market power and undermined at multiple levels of the value chain, as identified in a comparative study of animal feed to poultry value chain in Kenya, Malawi and Zambia (Nsomba et al. 2022a). The study explores soybeans as a crucial input in the animal feed and poultry value chain, where farmers upstream plant and trade soybeans to intermediaries for processing into feed.

Farmers in producing areas like Malawi and Zambia were paid very low prices at harvest in April/May, typically around US$300-400/tonne, while prices of soybean and feed in consuming areas like Nairobi, Kenya were found to be extremely high (over US$1000/tonne at times for soymeal). This difference was not justified by transport and processing costs. For the period considered (2021 and 2022), intermediaries between Zambia and Kenya earned an additional US$200 to US$300 per tonne on average above reasonable transport costs –around 30%. Inflated soybean prices undermined independent feed and poultry producers across the region, with Kenya feed producers facing high costs, and with negative margins in Malawi and Tanzania for poultry producers (Nsomba et al. 2022a). The low prices received by soybean farmers in Zambia reduce their incentive to increase production.

The dominance of a few large national and international firms in key inputs such as feed and poultry breeding stock is reinforced by the regional extent of their operations, as well as through common ownership and associations between them. Moreover, concentration in poultry inputs is also due to international mergers which were not effectively evaluated (Goga and Roberts 2023).

Fertiliser markets

At first sight, fertiliser markets in African countries seem competitive, with many different suppliers in most countries. However, when we consider the companies that import fertiliser in bulk, we find only a handful of companies, and extremely high prices being charged to farmers. Research by the African Market Observatory (Nsomba et al. 2022b; Roberts et al. 2023) shows the substantial information gaps in fertiliser markets in terms of prices and costs along the supply chain and across Eastern and Southern Africa, even while pointing to considerable harm from high prices. While global prices are available, many countries in the region lack consistent and comprehensive data on fertiliser prices.

Evidence emerged of extensive variations in prices between the world market and the East and Southern African markets, over space and over time. While global prices surged in the second half of 2021, due to supply chain issues, with knock-on effects in East and Southern Africa, the subsequent decline of world prices by mid-2022 was not mirrored in the region. For example, Kenya, Malawi and Zambia experienced prices significantly higher than the global market plus reasonable shipping costs. Analysing all the reasonable costs of importing fertiliser into the region, including shipping, port charges, and transport, suggests excess margins of US$300 to US$400 per tonne (or 40%+) were made in the region.

At the same time, the consequences of such excessive fertiliser prices are huge losses in terms of agricultural production foregone as farmers move away from planting products that require high fertiliser intake, and subsidy programmes reach fewer farmers. This poses major challenges for production levels in the region, and impacts on food security. Although the judicious use, reduction and ultimate elimination of artificial fertilisers is core to agroecological agendas, they currently remain important for the production of key crops. While long-term efforts to replace artificial fertilisers with natural or organic substitutes continue, ensuring fair access to agricultural inputs is important for the competitiveness of smaller commodity producers, and helps lower prices for consumers.

Data from the African Market Observatory Price Tracker[1] between January and July 2023, showed the urea fertiliser price in East and Central Africa was still three times higher than world prices, suggesting an excess price mark-up[2] of 60–70% on top of a fair delivered price. Markets, it seems, do not work effectively if a small number of powerful suppliers set prices that maximise their profits but do not reflect the costs of supply.

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ENDNOTES

1 https://www.competition.org.za/africanmarketobservatory-amo-price-tracker

2 This assumes reasonable transport and trading costs to supply inland countries in central and east Africa of US$250 per ton.

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