



Agricultural Development in Africa: Challenges and Opportunity for the Financial and Business Sector

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African Agriculture

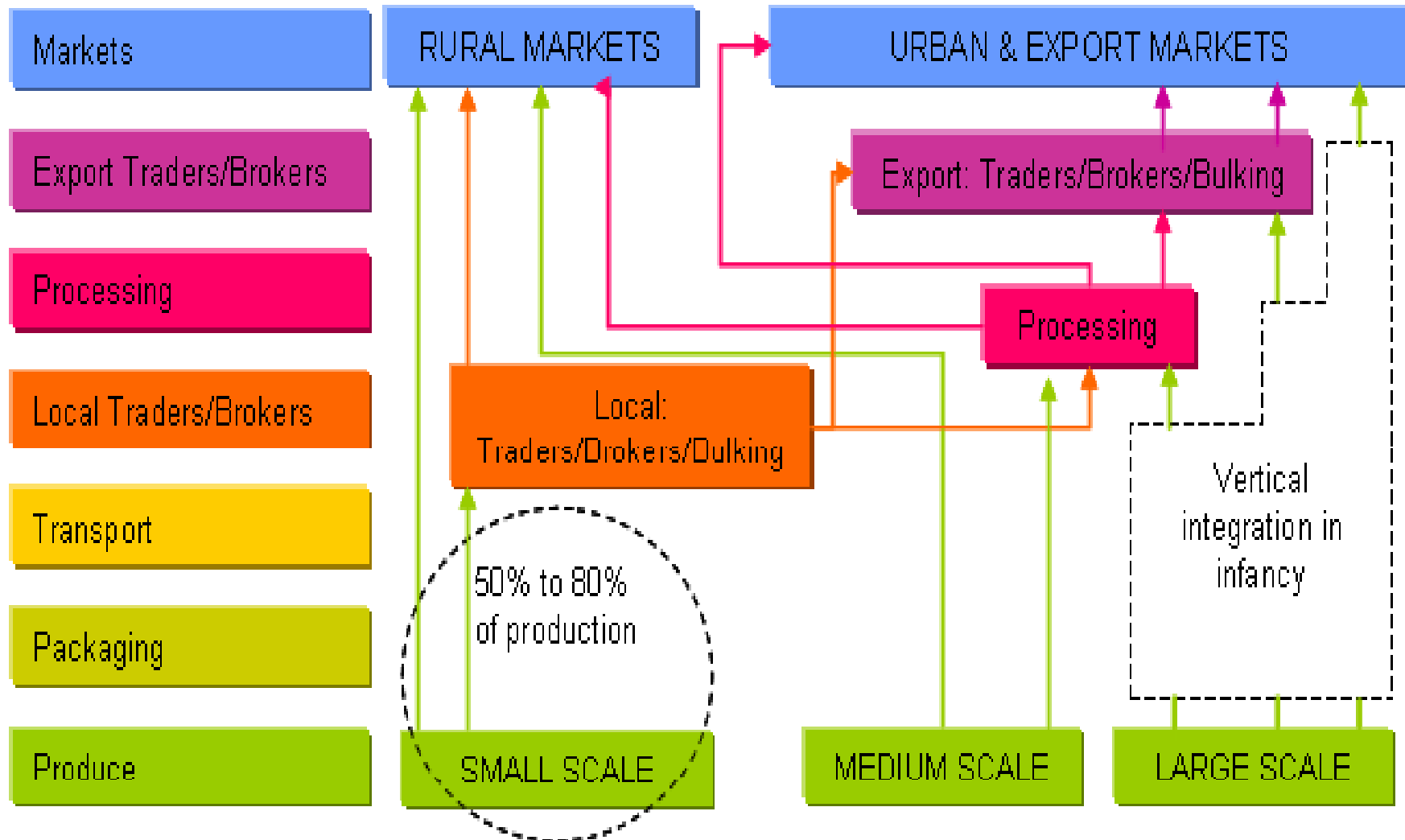
- Role of Agriculture in African Economies
 - Accounts for 30% to 60% of GDP.
 - Employs 70% of the population (90% of the poor).
 - Investment in agriculture will carry a more visible impact on poverty reduction
 - Accounts for 60% to 70% of consumption expenditure.
 - Small scale farmers account for 80% of Africa's production.
 - Accounts for 10% to 50% of foreign exchange earnings.
- GDP growth generated in agriculture is at least twice as effective in reducing poverty as growth generated by other sectors (World Bank, 2007).
- A large portion of this agriculture is informal coupled to being practiced by small scale farmers.

What is Africa's Biggest Agricultural Challenge?

- A large portion of the African economies is dominated by informal businesses.
 - The business of a small scale farmer rarely needs any form of approvals to exist - No license, registration, Doc`s
 - The informal Small scale/subsistence farmer can access government i.e. Fertiliser subsidy.
 - The sale of surplus produce by small scale farmers is largely informal.
- Limited development of the agro-processing sector (prolonging shelf life, value added outside region of production).
 - Inelastic demand and supply.
 - high price volatility - prices at the bottom soon after harvest and peak further away from harvest time.
 - **Increasing the number of food insecure households**
 - Poor effective demand (Poverty in the local communities).
 - **'Distress' sales.**

What is Africa's Biggest Agricultural Challenge? (Continued)

Typical Agricultural Supply Chain in Africa



What is Africa's Biggest Agricultural Challenge? (Continued)

- Poor Profitability
 - Low production and no incentive to increase productivity.
 - Less adoption of quality seed.
 - Limited use of fertilisers and environmental considerations.
 - In the large-scale commercial environment, farmer will increase scale or reduce costs to remain profitable.

What is the opportunity?

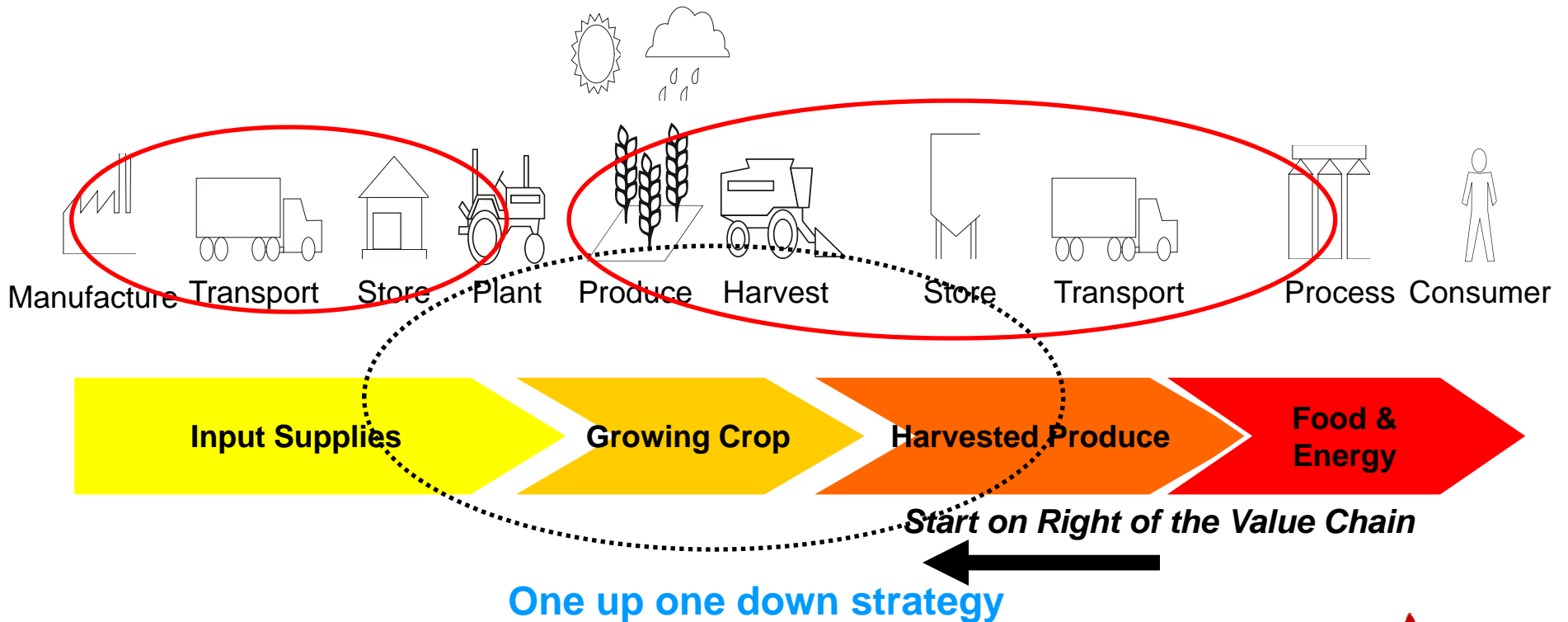
- Value of African Agriculture is between US\$ 380,000 and 760,000 million (30 to 60% of GDP).

Description	Angola	DRC	Ghana	Nambia	Zambia	Nigeria	Mozambique	Tanzania	Kenya	Uganda	S.Africa
GDP (US Billion)	85.8	12.6	18.1	11.5	15.7	206.7	10.2	22.4	32.4	17.1	277.4
Agric Contribution	9.6%	37.4%	33.7%	9.0%	19.7%	31.9%	28.8%	41.6%	22.0%	23.6%	3.5%
Size of Agriculture (US Billion)	8.2	4.7	6.1	1.0	3.1	65.9	2.9	9.3	7.1	4.0	18.7

- Combination of both formal and informal.
- For business, it is where to play (Country and product)?
 - Primary Agriculture: Short term, incentives due deficit markets, soon disappear – Zambian maize
 - Secondary Agriculture: Long term to build employment opportunities and grow the local demand for the primary production i.e. Storage, canning, Livestock (pig and poultry).
- For Finance, it is which value chains (Country)?
 - Understanding the short and long term risks.
 - Ensure that the value of produce/product is maintained and sustainable.

What is the opportunity? (continued)

Typical Agricultural Value Chain



Realisation of Sustainable Value in African Agriculture

- Secure access to land and water.
 - Defined term and enforceable (Lease, freehold, Permission to Occupy).
- Production Risk Management.
 - Ensure optimal use of resources and optimal production.
 - Good agronomic practices, fertilisation, pest and disease control, irrigation, etc.
- Market Risk Management
 - Minimise price volatility.
 - Incentive for decision to plant or invest.
 - Cash flow management.
 - Predictable government policy environment.
 - Handling of surplus and deficit situations.
 - Food sufficiency versus ability to purchase food by poor households.

Thank you

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