

# African agribusiness and smallholders must seize opportunities in potential \$1 trillion food market

The main conclusion of the latest [Africa Agriculture Status Report](#) (AASR) launched at the African Green Revolution Forum (AGRF) in Cote d'Ivoire, is that the power of entrepreneurs and the free market is driving Africa's economic growth from food production. This as business wakes up to the opportunities that Africa's growing food market - which may be worth more than \$1 trillion each year by 2030 - holds.



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## Agricultural revolution: Africa's surest and fastest path to prosperity

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According to the report, agriculture will be Africa's quiet revolution, with a focus on SMEs and smallholder farmers creating the high productivity jobs and sustainable economic growth that failed to materialise from mineral deposits and increased urbanisation. Despite 37 percent of the population now living in urban centres, most jobs have been created in lower paid, less productive services rather than in industry, with this service sector accounting for more than half of the continent's GDP. Smart investments in the food system can change this picture dramatically if planned correctly.

Commenting on this year's report findings, Dr. Agnes Kalibata, President of the Alliance for a Green Revolution in Africa (AGRA) which commissioned the study said: "Africa has the latent natural resources, skills, human and land capacity to tip the balance of payments and move from importer to exporter by eating food made in Africa. This report shows us that agriculture involving an inclusive transformation that goes beyond the farm to agribusinesses will be Africa's surest and fastest path to that new level of prosperity."

To succeed, Africa's agricultural revolution needs to be very different to those seen in the rest of world. It requires an inclusive approach that links millions of small farms to agribusinesses, creating extended food supply chains and employment opportunities for millions including those that will transition from farming. This is in contrast to the model often seen elsewhere in the world of moving to large scale commercial farming and food processing, which employs relatively few people and requires high levels of capital.

## Growth in the agri-food system cannot be left to the private sector alone

The report highlights the opportunity for Africa to feed the continent with food made in Africa that meets the growing demand of affluent, fast growing urban populations on the continent looking for high-value processed and pre-cooked foods. Furthermore, it advocates that this opportunity should be met by many of the continent's existing smallholder farmers. Currently, part of this growing demand for Africa's food is met by imports. These amount to \$35bn p.a. and are expected to cost \$110bn by 2025 unless Africa improves the productivity and global competitiveness of its agribusiness and agriculture sectors.

The report acknowledges that the private sector holds the key to the transformation of the food system so far. "Impressive value addition and employment are being created by SMEs along value chains in the form of increased agricultural trade, farm servicing, agro-processing, urban retailing and food services. Large agribusinesses like seed companies, agro-processors and supermarkets are also playing an increasing role in the food value chain in many regions," said Peter Hazell (IFPRI), the technical director of the report.

However, the study is clear that left to the private sector alone, growth in the agri-food system will not be as fast as it could, nor will it benefit as many smallholder farmers and SMEs as it could. Government support is needed to both stimulate and guide the transition. As a high priority, governments need to create an enabling business environment and in particular, meet targets to invest 10 percent of GDP in agriculture, agreed at the 2003 African Union (AU) Summit as part of The Comprehensive Africa Agriculture Development Programme (CAADP).

The report also urges governments to nurture a globally competitive food production sector through measures such as increasing infrastructure investment in secondary cities and towns, improving the reliability of energy and water supplies, building more wholesale market spaces, promoting open regional trade, identifying and investing in first mover crops and introducing stricter standards for food safety and quality.

The authors also call on governments to stimulate new private public partnerships for more innovative financing and insurance provision which can lead to increased resilience for farmers and their households. While globally agricultural insurance is a \$2bn business, Africa accounts for less than two percent of the market. Other fiscal stimulus measures suggested include improving financial regulations, developing better credit-reporting processes, opening up special economic zones, supporting digital warehouse receipt systems and sharing risk with lenders through credit guarantees and matching funds.

## **Smart support**

The report points out other new opportunities to target support presented by digital technology such as satellite tracking and big data. These can help locate new high-value agri-economic zones and smarter financing and food security policies, especially in the face of climate change.

"Smart support is just as important as scale of support for Africa's highly diverse group of famers and agribusinesses. To step up their game, businesses need assistance tailored to distinct groups of viable small farms and agribusinesses at different development stages, rather than blanket support for all," added AGRA President, Kalibata.

## **Africa needs to pick up the pace**

The report's authors conclude that although progress is being made, Africa needs to pick up the pace if it is to compete globally and turn itself from importer to exporter by feeding its people with food made in Africa. "Hopefully the prize of a rapidly growing and valuable market for food made in Africa will spark widespread political will and attract the best business talent to build a high-value food sector," said Hazell. "This private public partnership will be essential to provide the trinity of high productivity employment, sustainable economic growth, and food made in Africa for Africa and the world."

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