

# Global megatrends to transform agribusiness in Africa reveals PwC survey

Agribusiness CEOs have recognised the impact of global megatrends across the African continent, such as demographic shifts, climate change and resource scarcity, technological changes, accelerating urbanisation, and the shift in economic power...

According to the latest PwC Agribusinesses Insights Survey 2014/2015, these will change the way business and society operates, including the agribusiness sector. "Furthermore, access to existing and new markets allows agribusinesses to broaden their reach and increase their potential to sell products and services to more customers," says PwC National Agribusiness Industry Leader Frans Weilbach.

These CEOs are very positive towards the possibility of expansion into African countries outside their own, with 72.7% indicating that they would pursue such opportunities. "African CEOs identified the following as countries where they are planning to invest: Ethiopia, Angola, DRC, South Africa, Zambia, Zimbabwe, Mozambique, Lesotho, Botswana, and Tanzania," adds Weilbach.

Africa is becoming an increasingly attractive hub for foreign investors in the light of various economic, political and social reforms, resulting in an improved business environment that is conducive to foreign direct investment. As obstacles to boosting agricultural output in Africa are overcome and agricultural output is increased, there will be ample opportunity for the manufacturing and marketing of agricultural products such as fertilizers, pesticides and seeds, as well as a demand for food-processing services such as grain refining.

## Revitalising agriculture

PwC's Agribusinesses Insights Survey 2014/2015 was carried out among a group of African agribusinesses that are mainly focused on delivering agricultural and related services to primary producers. The survey focuses on providing African agribusinesses with insights into industry trends, while at the same time emphasising the impact of global megatrends on their businesses.

The biggest challenges to business growth cited by CEOs were the scarcity of natural resources, access to technology and climate change. Other concerns raised by businesses were access to finance, labour unrest, regulatory restrictions, and energy costs.

African agribusinesses also feel that there is a long way to go towards better support from government in the sector. For instance, businesses are of the view that government does not offer sufficient tax incentives to ensure international competitiveness. Furthermore, they say government is not doing enough to improve infrastructure. It is however encouraging to note that the South African government has recently included "revitalising agriculture" as one of its nine strategic priorities to be pursued this year. "To take the African agricultural sector with its enormous potential to the next level, public-private partnerships throughout the value chain as a whole are key," says Weilbach.

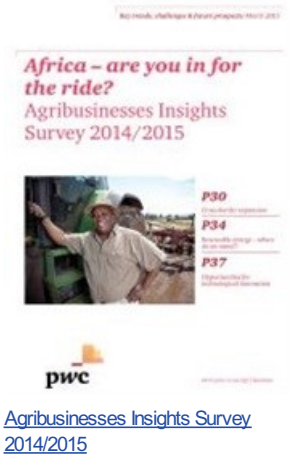




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Sarah-Mary Frimpong, PwC Director: Ghana, says, "The main threats and challenges to growth in the agricultural sector in Ghana include the scarcity of capital, the lack of infrastructure development in the rural areas, and the high cost of farming inputs and utilities.

"However, there is collaboration between the government and the private sector to implement certain programmes that will address these challenges, increase yields and enhance productivity."

André Bonieux, Country Senior Partner of PwC Mauritius, says that the agribusiness sector there has undergone major reforms, in particular the sugar cane industry, which has shrunk in size to 415,000 tons. There are a number of global and economic forces affecting the demand for sugar, mainly the price of sugar, which has been falling throughout 2014.

He says, "The recent weakening of the euro, the currency of the main export market for the island's sugar, has added to the woes of the local industry. We expect yet more restructuring to happen in the industry, with farmers probably exiting their lower-yielding fields together with new cost-cutting programmes."

## Sustainability reporting

Agribusinesses also indicated that they have maintained focus on risk management, with the majority of business leaders (83.3%) periodically conducting a formal risk assessment. It is also encouraging to note that the majority of business leaders (62.5%) prepare an integrated report that includes sustainability reporting.

CEOs indicated that employee turnover, internal human resources (HR) capacity, labour unrest, and communication between employees and management were the most challenging HR matters. To address these challenges the agricultural sector experience and to proactively address future concerns, both the private and public sectors have to make an effort to develop appropriate strategies.

Climate change is getting closer to home as it starts to directly influence the essential natural resources that agribusinesses need to operate sustainably. Furthermore, the scarcity of natural resources poses a significant challenge to agribusinesses. Just over half of participating agribusiness leaders (54.5%) indicated that they are considering investment in renewable energy, while 45.5% have already done so. The main forms of renewable energy that agribusinesses have invested in are solar energy and biogas.

To remain competitive, agribusinesses need to be aware of and respond effectively to the rapid pace of technological change in the agricultural sector globally. Farm-level data and precision farming have played an important role in their operations over the past ten years. Furthermore, in the last three years precision farming principles have been integrated

with new technologies such as cloud computing, data mining, modelling, and neural networks, all of which can be applied very effectively to agriculture on a new and higher level of artificial intelligence (AI) farming.

"The megatrends may be perceived as being far removed from us here in Africa, but their significance should not be underestimated. They will define our future and we will do well to preempt their impact rather than sit back and wait for the results," concludes Weilbach.

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