

**REAL LIFE MARKETING CHALLENGES IN
AFRICA AND HOW TO OVERCOME THEM**

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There is a big potential in Agro-Industry in Africa !



1. Africa hosts a huge spectrum of suitable agro-climatic conditions that allow a broad range of diverse agricultural production
2. Africa is still importing large quantities of agricultural and food products that may be produced within the continent.
3. For some products, large parts of production are simply not exploited due to lack of infrastructure for commercialization and processing.
4. Stability and economic growth is becoming a reality in the continent.
5. Market access is becoming an opportunity with the creation of trade areas at regional level and with preferential trade agreements with certain countries-regions.
6. Urbanization and subsequent food diversification is an opportunity for African processed staples

But there are key challenges to overcome!

KEY CHALLENGES IN AGRO-INDUSTRIAL DEVELOPMENT IN AFRICA

Low agricultural productivity and post-harvest losses (First constraints for agro-industry in Africa)



Low access to technology



Trade areas and agro-industry



Poor infrastructure (especially in rural areas)



Meeting market demands and certification schemes



Low access to finance services and inadequate environment for attracting investors and private sector



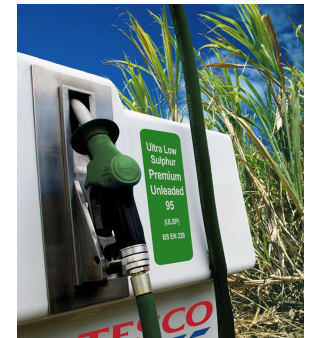
Lack of capacity building in agro-industry and market linkages



Development of farmer associations and cooperatives

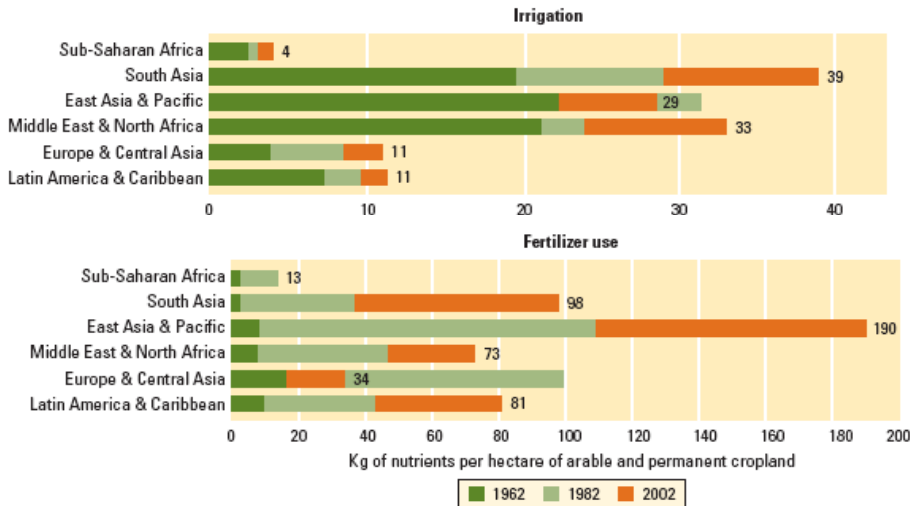


New challenges: bio-energy



LOW AGRICULTURAL PRODUCTIVITY AND POST-HARVEST LOSSES

Production – Low and unstable



Sources: Evenson and Gollin 2003; FAO 2006a.

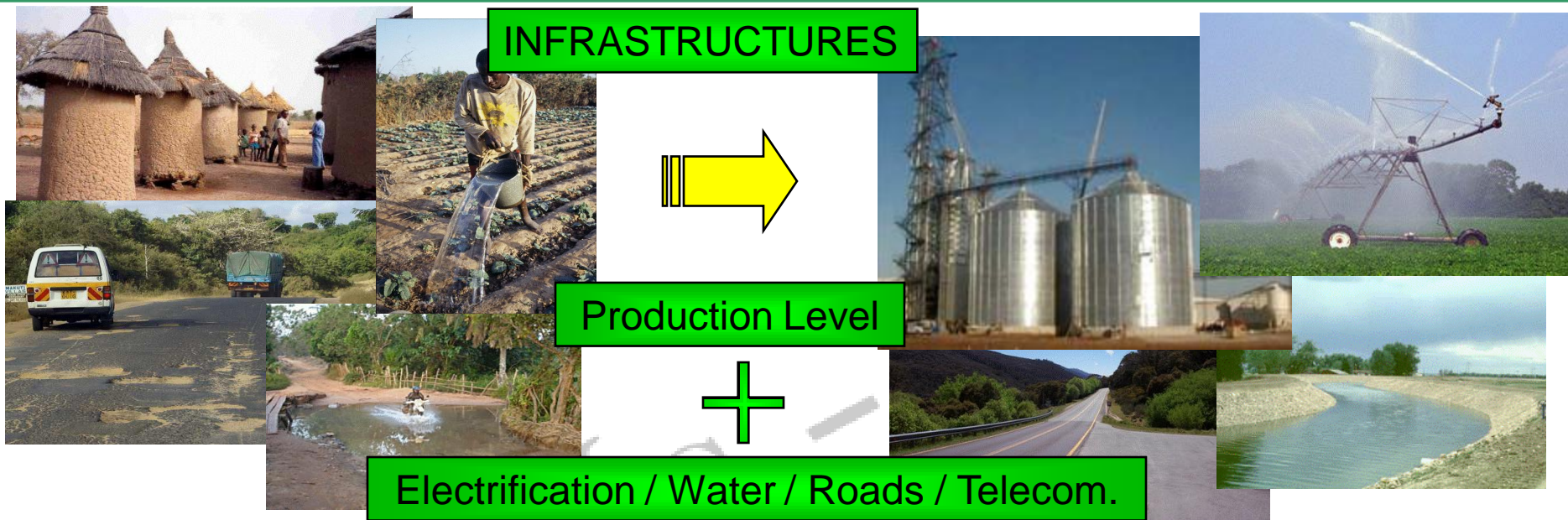
High Post-Harvest Losses

1. In sub-Saharan Africa, countries average post-harvest losses are estimated at over 40% (up to 30% in cereals and up to 70% in some fruits and vegetables) – UNIDO 2007
2. In Uganda, approximately 27% of all milk produced is lost: 6% is wasted at the farm level, while 11% and 10% of production is either lost to spillage or spoilage during transport or marketing, respectively – FAO 2004

1. **The growth and competitiveness of the agro-industry sector is directly linked to the competitiveness of the raw material suppliers.** Lack of inputs, appropriate technology, and infrastructure, in conjunction with high post-harvest losses drives the lack of competitiveness of many local raw produce in Africa, and therefore the competitiveness of local agro-processors too.
2. **Agro-industry in Africa cannot be understood without improving the first steps of the value chain**, such as storage, transportation, and basic grading-packaging that secure the quality, the preservation, and the first value addition of the produce.

Therefore, any strategy/action in the promotion of agro-industry in Africa must address these two first constraints of the value chain

POOR INFRASTRUCTURE – ESPECIALLY IN RURAL AREAS



1. **There is still a big gap in infrastructures in Africa, and especially at rural level where the raw produce is grown.** Appropriate infrastructures together with capacity building are the key pillars that can successfully decrease post-harvest losses, and serve as initial trigger for attracting private sector investments.
2. **Lack of storage capacity in conjunction with poor rural electrification and water access, insufficient road network, and difficult access to communication tools (telephone, e-mail...)** constrains the successful development of agro-industry, affecting the competitiveness of the final products in terms of cost, quality, and supply.
3. **Low and unstable agricultural productivity affects directly to the success of agro-industry. More infrastructures for production (irrigation schemes, dams...) are needed in Africa** in order to increase production, make it more cost effective, and fulfill the demand in volume and quality of agro-industry.

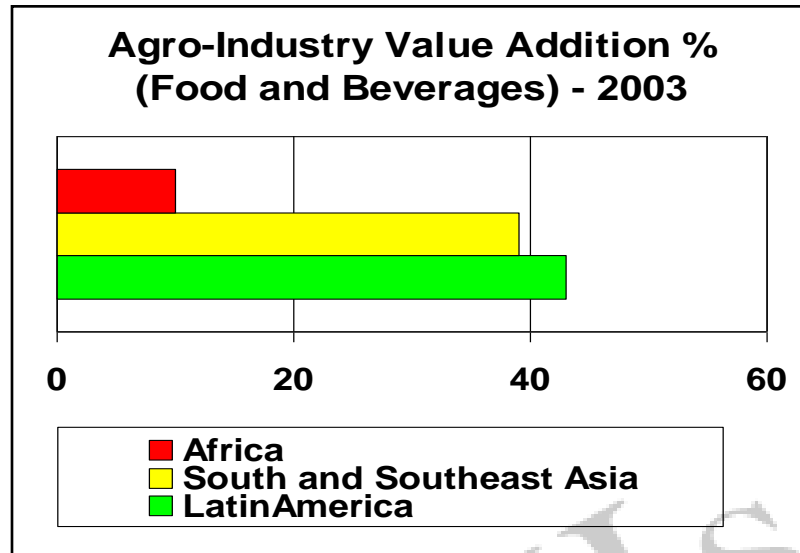
LACK OF CAPACITY BUILDING IN AGRO-INDUSTRY AND MARKET LINKAGES



- 1. The level of capacity building in agro-processing in Africa has been rather low so far; the focus has been basically on production extension.** This can explain partially the high percentage of post-harvest losses apart from the lack of appropriate logistics and storage capacity. Also public R&D has been focused on production, prioritizing investments in agriculture research extension but not in post-harvest and food technology.
- 2. Nowadays the entire value chain is being driven by markets and finally by consumers; besides, most ongoing agricultural operations in Africa (especially at small-medium farmer level) continue to be focused on production aspects with no forward linkages;** therefore, there is an urgent need of strengthening market intelligence and market linkages and make them sustainable especially in rural areas (e.g. oranges and tomatoes in Uganda are being broadly grown in some districts as raw produce without knowing the threshold and potential processing needs of the market / e.g. market web-based systems have been launched in many countries but because of lack of resources they become useless very soon)

Therefore, the EXTENSION-SUPPORT SERVICES need to be closer to a BUSINESS-DEVELOPMENT MODEL than just to the traditional agricultural-extension model, being able to cascade at farmer and small-medium agro-processor level the market and the value addition needs

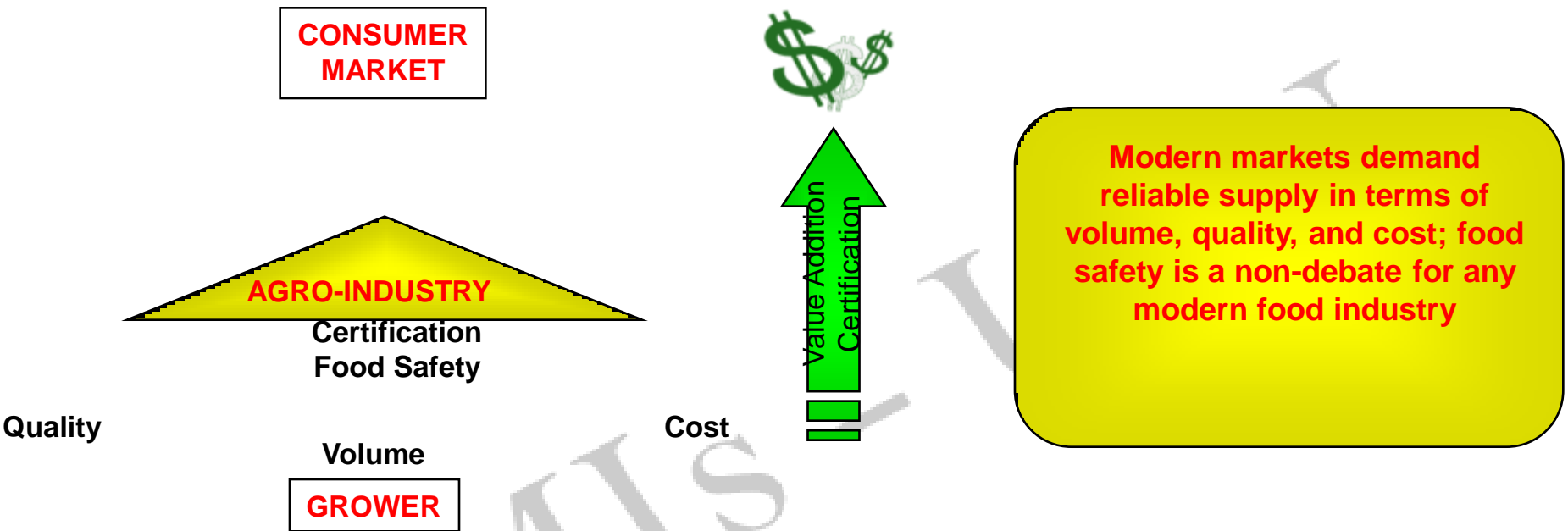
LOW ACCESS TO TECHNOLOGY



There is tremendous regional disparity among developing regions in the distribution of formal sector agro-industry value addition. For food and beverages, Latin American countries accounted for nearly 43 percent of value addition in 2003 and countries of South and Southeast Asia for 39 percent. In contrast, **African countries contributed less than 10 percent of value addition**

1. **Actually the level of agro-processing at rural level in Africa is in most of the cases inexistent or just very basic. This is linked to the fact that access to agro-processing technologies is very limited** due to the lack of expertise/know-how and affordable cost.
2. **Besides, and due to poor infrastructures, production factors like water, electricity, and diesel-petrol are either not available or very expensive.** The high cost of these production factors affects the availability, quality, and cost of other key inputs in agro-industry like packaging materials.
3. **Accessing technologies is not always affordable** based on the fact that taxation systems in many African countries overload the imported cost of agro-industry equipment. The creation of free trade areas at regional level can help to overcome this when local equipment is required, but still the challenge is how to make international technology available and affordable without undermining the potential emergence of local technology providers.

MEETING MARKET DEMANDS – CERTIFICATION SCHEMES



1. **The challenge in Africa (where in many cases agro-processing is in a primitive stage) is how to start incorporating certification systems that in a first phase could fulfill the local-regional requirements, and in a later stage the regional and international requirements if the final target is the export market.** In this respect, there is a gap in the knowledge of basic principles like GMP, HACCP..., their implementation, and in the availability of local certification bodies that could make the process accessible and cost effective even for small and medium food processors.
2. **It is also necessary to take one step backwards up to farm level (first step of the supply chain) to secure full traceability and implementation of good management systems (e.g. GAP).** The typical African farmer has no expertise in this area because the priority has been just simple production so far. Here, farmers associations and capacity building can play a key role in terms of creating awareness, implementing food industry schemes, and achieving vertical integration in the value chain.

DEVELOPMENT OF FARMER ASSOCIATIONS AND COOPERATIVES

MARKETS

Modern markets demand reliable supply in terms of volume, quality, and cost; and food safety is a non-debate for any modern food industry

Identify Sector Niches for SMEs:

- Basic and primary agro-processing
- Labour intensive activities
- Local and internal markets

AGRO-INDUSTRY (Big Vs SMEs)

These challenging requirements could take out of the market SMEs

benefiting big processors that can meet volume and additional costs related to certification, traceability...

ADVANTAGES

- Oriented production
- Contract Farming
- Farm extension and Traceability
- Access to technology
- Basic agro-Processing
- Become agro-industries
- Meet agro-industry demands

FARMERS ASSOCIATIONS COOPERATIVES

AREAS TO SUPPORT

- Finance Services
- Marketing Services
- Technical Skills
- Certification Schemes
- Managerial Skills
- Extension Services

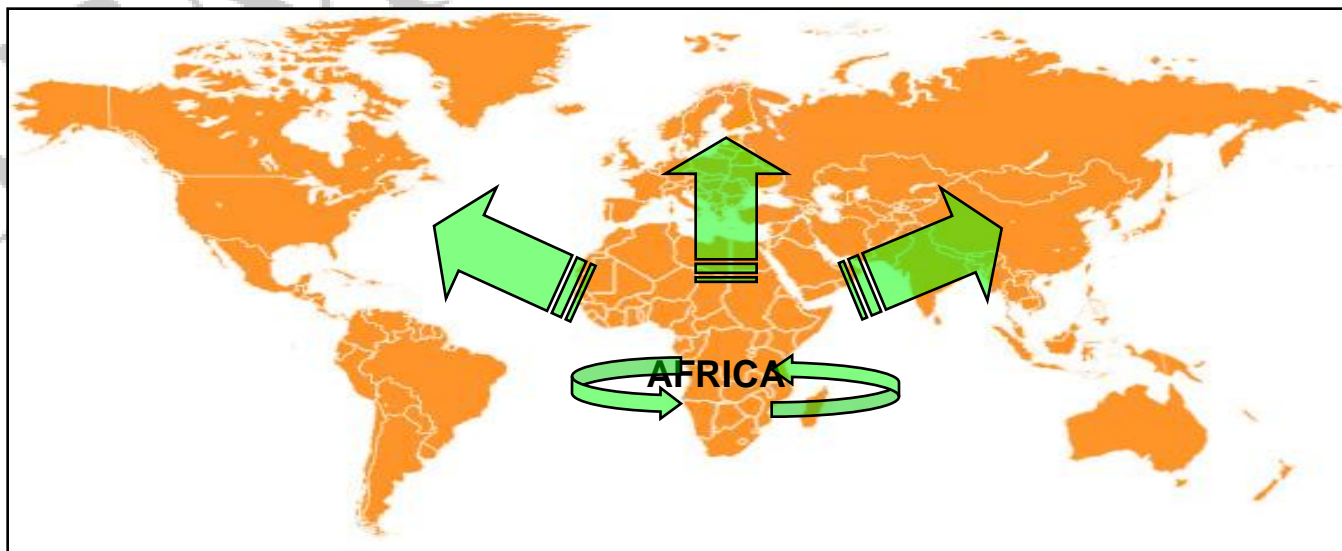
GROWERS

Farmer's associations and cooperatives, based on the scale economy, could overcome the gap that individual farmers could not. The challenge is how to promote and support them in a sustainable way, and how to equip them with a comprehensive tool package (finance and marketing services, technical and managerial skills, extension services...) that could make them competitive enterprises

TRADE AREAS AND AGRO-INDUSTRY



1. The creation of regional integration areas in Africa (COMESA, SADC...) opens a great opportunity for agro-industries to look beyond country's boundaries.
2. Also other international opportunities can be explored
3. Under this globalization environment, competitiveness and compliance with international standards will play a key role.
4. There is clear opportunity, but the challenge is huge in terms of entrepreneurial capacity, modernization, and market intelligence.



LOW ACCESS TO FINANCE SERVICES AND INADEQUATE ENVIRONMENT FOR ATTRACTING INVESTORS AND PRIVATE SECTOR



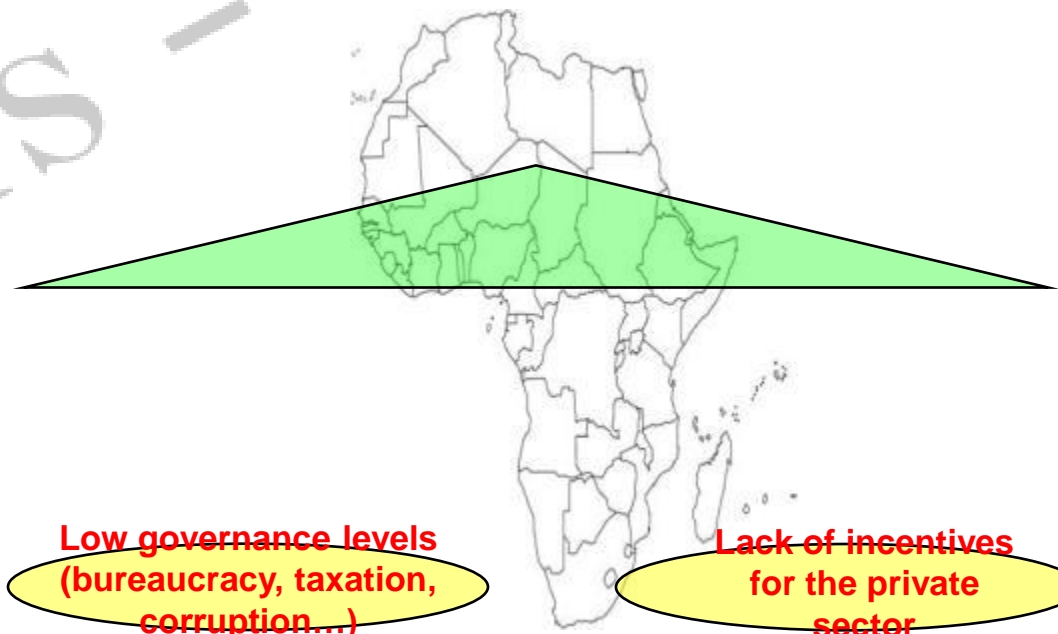
- 1. Africa is characterized by the limited financial resources, which have direct implications in the industrial development.** Commercial banks work at very high rates which are unaffordable for many small-medium entrepreneurs. Although some actions are being taken to help domestic enterprises, the impact remains very limited. This financial constraint is further magnified when it has to service to start-up business in agro-industry.
- 2. It is clear that “the easier to do business the easier to invest”. This is 100% applicable to the agro-industry sector. Many African countries are still at a very low position when ranking them on how easy is to do business.** Therefore, it can stop in some cases foreign agro-processing investors, and also make difficult the access to technologies and equipment.
- 3. Licensing , business start-up cost, trade procedures, time required ...worse in sub-Saharan Africa than other developing regions.**

The undeveloped agro-industry private sector in Africa is in part consequence of:

Low access to affordable finance tools

Low governance levels (bureaucracy, taxation, corruption...)

Lack of incentives for the private sector



NEW CHALLENGES - BIOENERGY

Africa may have a broad range of suitable conditions for growing crops used in the production of bio-energy **but**:

General Challenges	Africa - Specific Challenges
How to make it costly and environmentally feasible	Availability of technology (big-medium-small scale)
	Infrastructures and Logistics
How to balance bio-energy needs with food needs	Market demand and Trade (local-regional-international level)
How to develop bio-energy to a second phase which could overcome the above challenges	Balance food production Vs bio-fuel production
	How the rural population and SMEs can benefit

