

# Development of Agribusiness & Regoverning Markets in parts of Africa

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# Outline

- **Introduction**
- **Regoverning Markets Programme**
- **Drivers of change**
- **Opportunities for pro-poor agribusiness investment**
- **Conditions required to promote pro-poor agribusiness**
- **Conclusion & Recommendations**

# **1. Regoverning Markets: Keys to Inclusion of Small-scale Producers in Dynamic Markets in Africa**



# Regoverning Markets: Keys to Inclusion of Small-scale Producers in Dynamic Markets in Africa

- Changes in the **structure & governance** of national & regional agri-food markets in Africa
- Challenges affecting ability of **agriculture to contribute** to economic growth, poverty reduction & sustainable rural development
- Small-scale agriculture, which supports the livelihoods of rural poor → **poorly prepared** for these changes
- Urgency for **anticipatory policy responses** to agri-food restructuring → focus on inclusion of small-scale producers in dynamic markets.

# Background

- International 2.5-year programme (2005-2007) of collaborative research & policy support
- Understand keys to inclusion into agri-food systems under different degrees of restructuring
- Deepen research on implications & opportunities for small-scale producers & SMEs & specifically
  - To strengthen the empirical evidence base (C 1)
  - To understand what is “good practice” in connecting small-scale producers with dynamic markets (C 2) &
  - Wider public & private sector policy arenas (C3)
- Focus on dynamic restructured national & regional markets → displacing existing chains & their interface with small-scale farmers & local rural economies.



# Impacts of restructuring on primary producers: A conceptual framework

**Factors driving dynamic market change**

Consumer 'pull'  
Policy 'push'  
Urbanisation  
Commercial opportunity  
Food standards  
FDI  
Local investment



**Creates changes in supply chains....**

Technology  
Management  
Organization  
Industry structure, concentration  
Procurement  
Standards  
Finance



**Leading to small-scale producer and SME..**

**INCLUSION**



**EXCLUSION**

**..in dynamic markets**

????



**Entry Points**

Policies  
Institutions  
Business Models  
Collective Action  
Support Systems  
Research & Development

# Early lessons on opportunities for policy & intervention (Zambia & South Africa).....

- Importance of & **need for collective action & group formation**
- **New models & partnerships** between small-scale producers & the dynamic market players (need to reduce transaction costs)
- Critical need for **skills acquisition & mentoring** (technical, business & managerial)
- **Quality assurance processes** & need for sound technical & organizational **support** to secure small-scale producer market entry

## ....Early lessons on opportunities for policy & intervention (Zambia & South Africa)

- **Greater transparency** in market & private sector regulation (incl. public sector local & municipal planning)
- Shifting the **incentive framework** for the business sector (incl. preferred supplier schemes, taxation policy)
- Securing effective **AgriBEE** implementation (South Africa)
- Tackling informal **institutional & cultural barriers** that limit access & participation.

# Progress

- **15 case studies on innovative practices** in connecting small-scale farmers to dynamic markets (2006)
- **Following case studies from Africa:**
  - **For business models** i.e. initiatives driven by private sector buyer:
  - **For collective action models** i.e. models driven by farmer group formation:
- **Rapid country assessments**
- **Country information sheets:** Ethiopia, Tanzania, Zambia, Mozambique, Kenya



market access for small-scale producers

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Welcome to the Regoverning Markets Project  Search

This collaborative research project is analysing growing concentration in the processing and retail sectors of national and regional agri-food systems and its impacts and implications for rural livelihoods and communities in 18 countries in five regions – Central and Eastern Europe, Central and South America, Southern and Eastern Africa, South Asia, and Southeast and East Asia.

[View Project Summary document...](#)

quick links

Regional Pages:

[East Africa](#)

[Southern Africa](#)

[Latin America](#)

[China](#)

[South Asia](#)

[South-East Asia](#)

[Central and Eastern Europe](#)

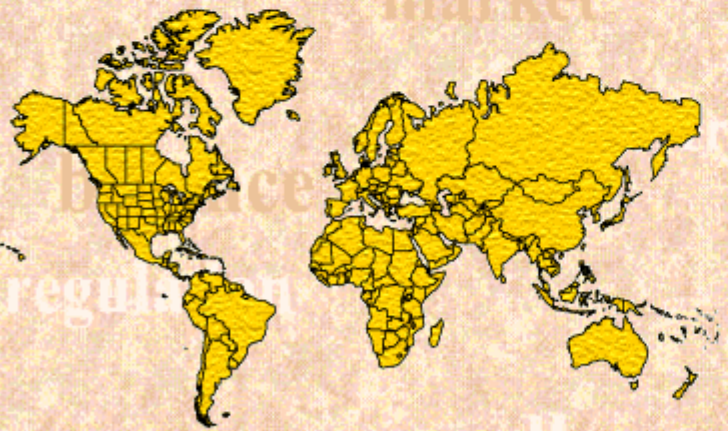
News:

New FAO reports: [The Growth of Supermarkets as Retailers of Fresh Produce in Asia.](#)

NY Times Article, December 28, 2004: ["Food Chain: Survival of the Biggest: Supermarket Giants Crush Central American Farmers"](#) by Celia W. Dugger (registration required).

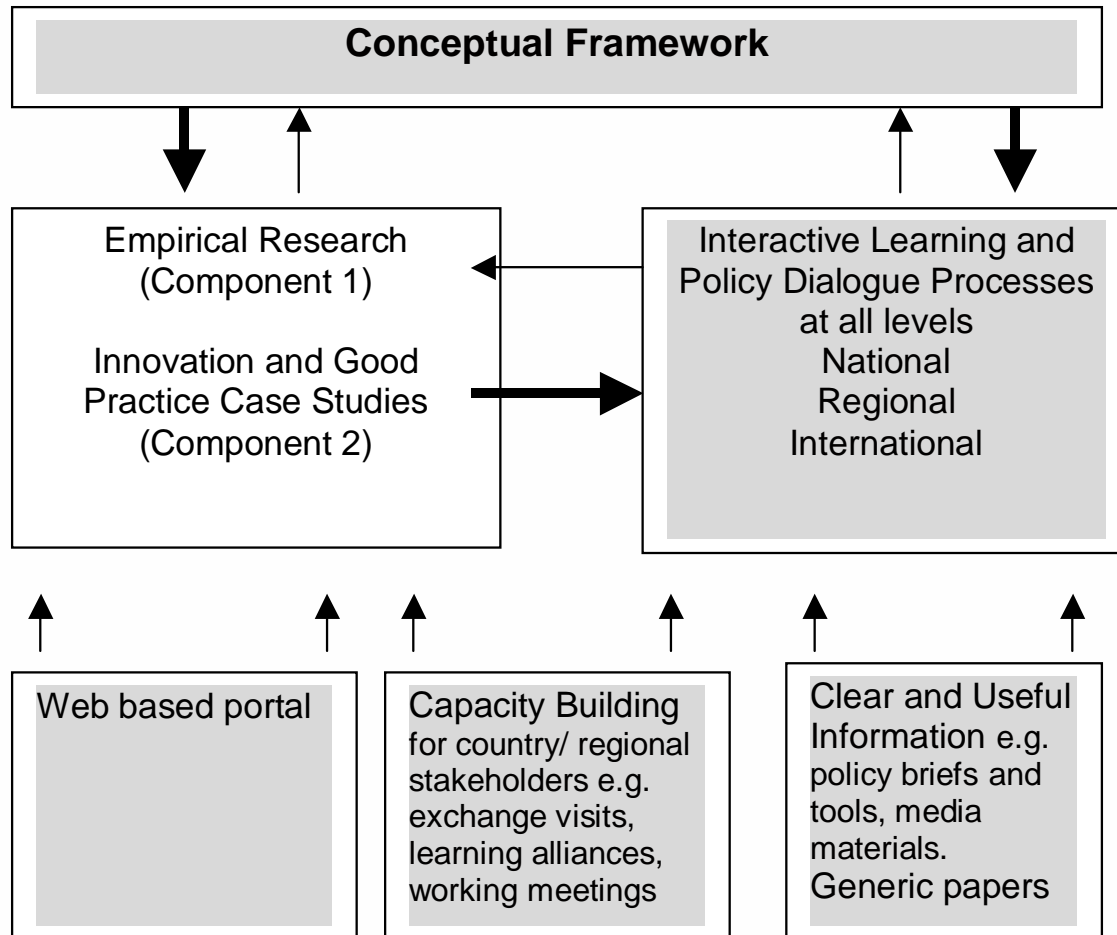
Between 4 and 22 October 2004, the project hosted an [electronic conference](#), based

Click on a region on the map below to visit the regional sub-sites.



The project is assessing the challenges facing primary producers and their economic organisations in negotiating market access and improving terms of trade in specific agricultural supply chains. It is also examining approaches to redressing power imbalances and improving governance of key actors in those agri-food systems.

# Regoverning Markets 2005-2007



 - Component 3

## 2. Drivers of change

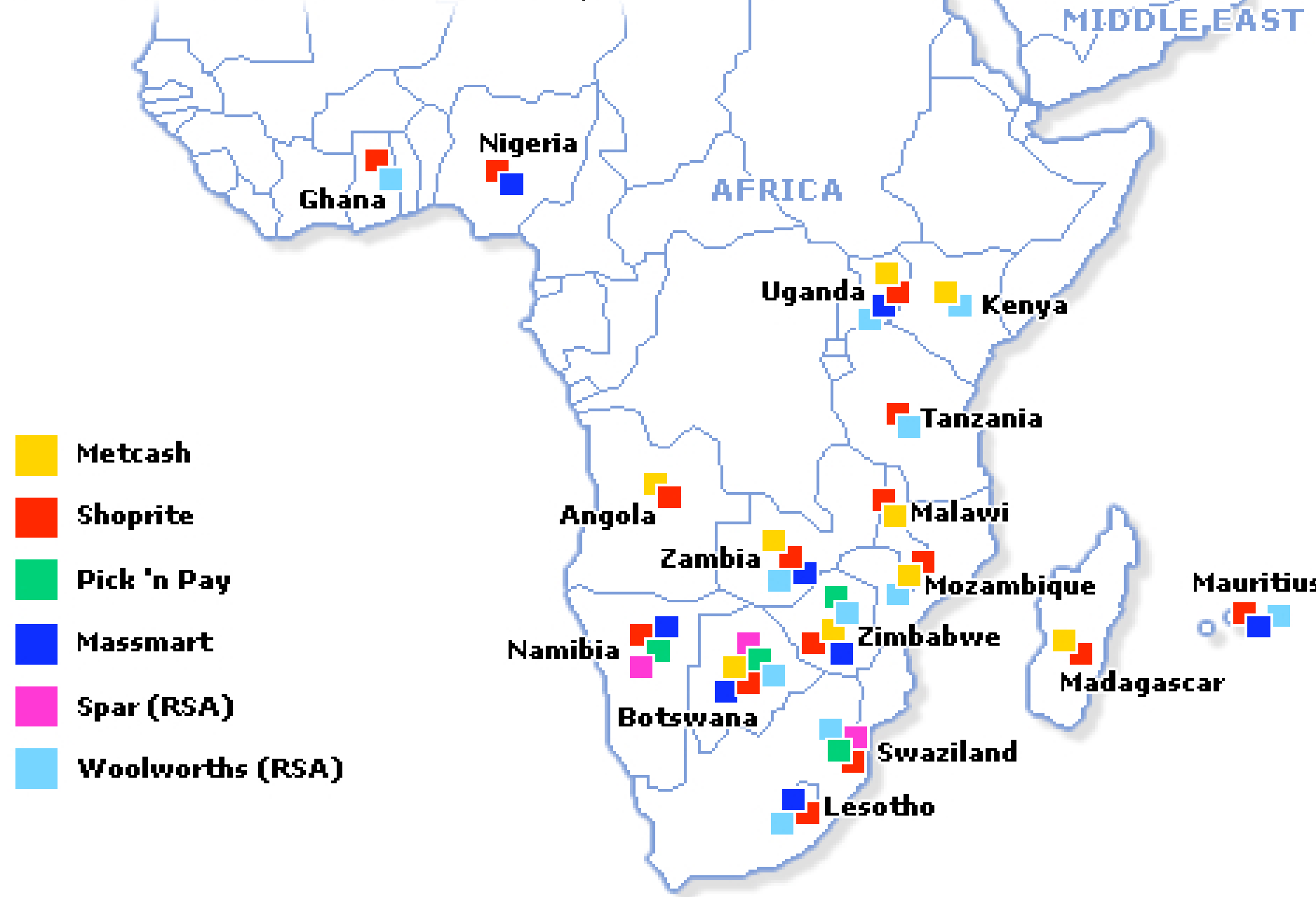
Forces influencing changes in Southern Africa's agro food systems include:

- **Market liberalisation**
- **Regional integration**
- **Privatisation**
- **New players e.g. RSA since 1994**
- **New retail formats**
- **Changes in consumption & consumer preferences**
- **Importance of food quality grades & food safety standards**
- **Technology**
- **Population growth, migration, urbanisation**
- **Increasing disposable income due to the emerging middle-income groups**

# Examples of South African Agro-food firms into Africa

- **Shoprite group (incl Freshmark)**
- **SPAR**
- **Pick 'n Pay (also trades as Score; stake in TM chain in Zimbabwe)**
- **Makro & Metro Cash & Carry**
- **Woolworths**
- **Steers, Nandos, Debonair's Pizza**
- **Afgri**
- **Parmalat**
- **Tigerfoods**
- **Premier Foods**
- **Foodcorp**

# Sub-Saharan: South African Retailers, 2005





# Challenges facing private sector investment in SADC & Africa

<b>POLITICS / GOVERNMENTS</b>	<b>LABOUR/SKILLS</b>	<b>ECONOMY</b>
<b>Unrest &amp; instability</b>	<b>Lack of local management expertise</b>	<b>Unstable exchange rates</b>
<b>Rapid leadership changes</b>	<b>Work permit problems</b>	<b>Lack or reliable information</b>
<b>Over-regulation</b>	<b>Expensive skilled labour</b>	<b>High local transport costs</b>
<b>Bureaucracy</b>	<b>Expatriate remuneration</b>	<b>Inadequate local infrastructure</b>
<b>Land issues</b>	<b>Productivity / HIV/AIDS</b>	<b>Corruption / ethics</b>
	<b>Training</b>	<b>Short term involvement</b>

# 3. Opportunities for pro-poor agribusiness investment

- Supermarkets
- Primary industries e.g. marine fisheries (SADC) & cashew nuts (Mozambique)
- Franchising
- High value products

## 3.1 Opportunities: Supermarkets

- **Growing presence in SADC & Africa**
- **Potential opportunity for poverty alleviation & development:**
  - For **suppliers** (sourcing from the rural areas)
  - Retailing could **reduce high cost** of food
  - More **employment** opportunities
  - **Market access** for small-scale farmers

## 3.2 Opportunities: Franchising

- Franchising: important **small business strategy**  
→ opportunity for private investors
- Key advantage: transfer of the **needed skills** to small businesses
- Currently **RSA fast-food outlets** playing a role in the region
- Further opportunities still beckon

# 3.3 Opportunities: High-value products...

- **High-value foods: potential to extract the poor from the subsistence trap**
- **Livestock, floriculture, horticulture, fisheries, niche products (e.g. organic foods) → potential to satisfy growing consumer demand**

# ...Opportunities: High-value products

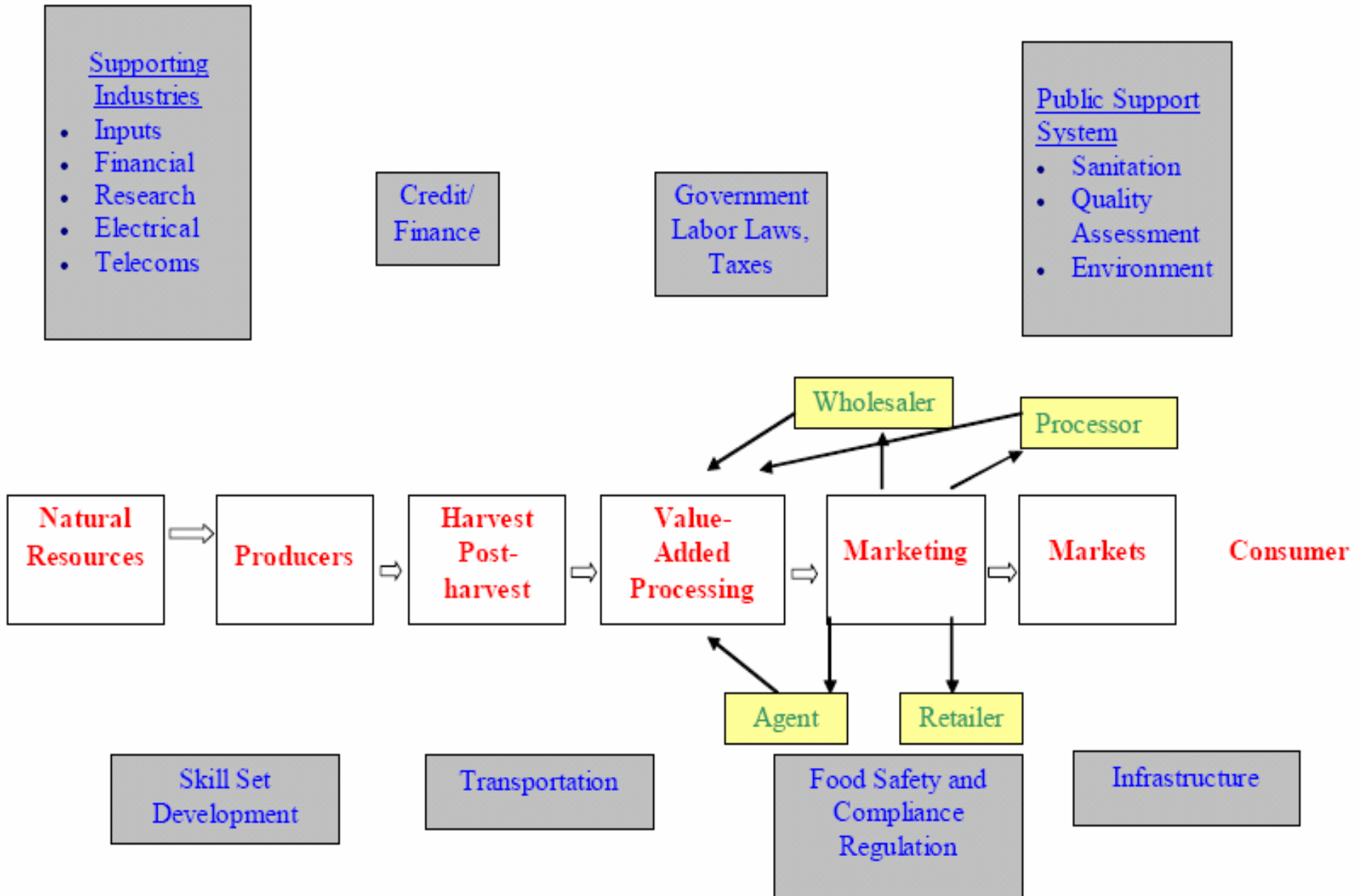
Potential investment areas in high-value products in SADC

Country	Potential investment areas
Angola	Coffee, sugar, fish, agro forestry
DRC	Palm oil, cocoa, rubber, fisheries
Mauritius	Sugar byproducts, yeast, flowers
Mozambique	Cashew nuts, sugar, wood prod.
Seychelles	Copra, coconuts, cinnamon
Tanzania	Coffee, cotton, leather, fishing

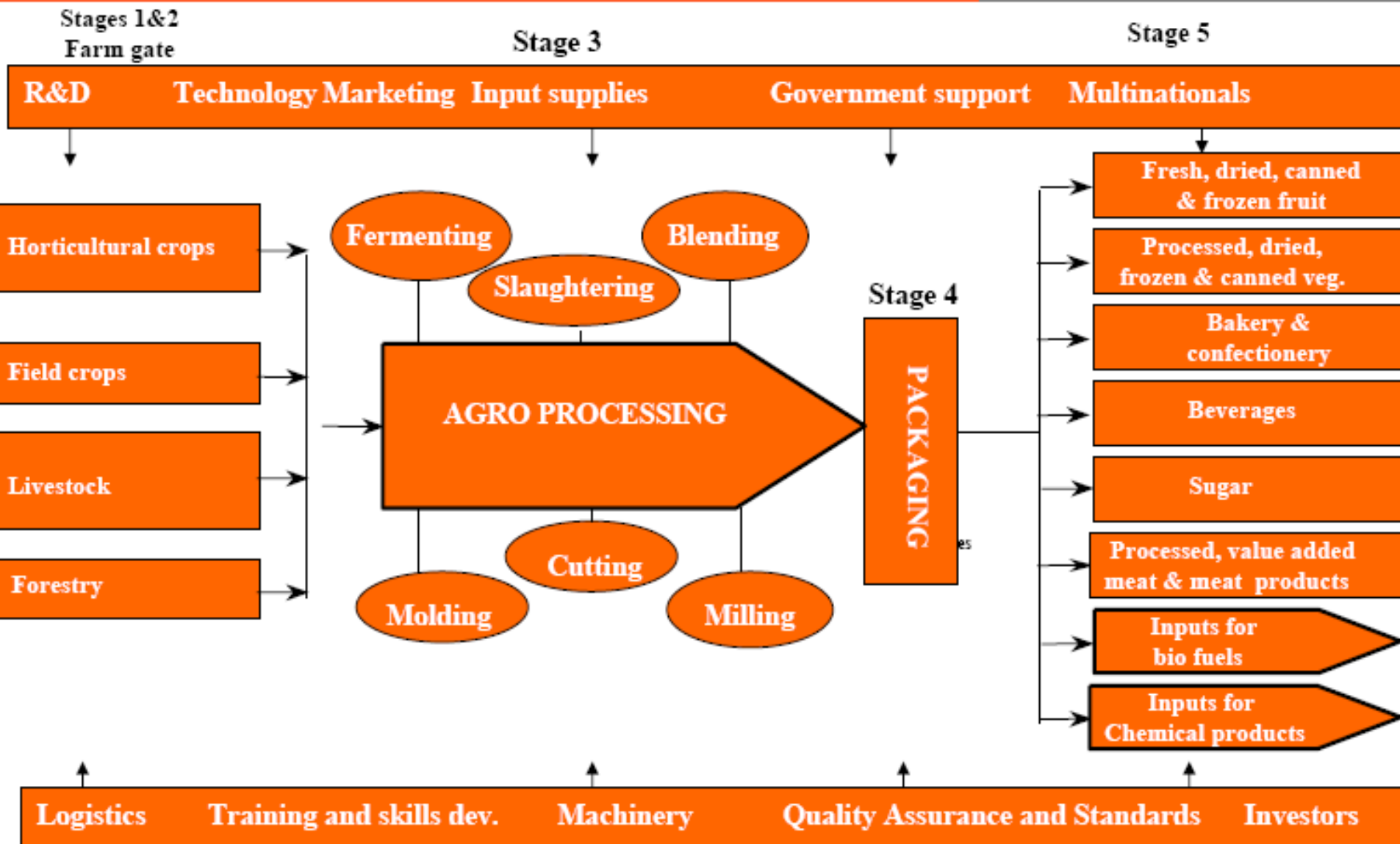
# 4. Conditions required to promote pro-poor agri-business



# Stakeholders in the Agri-food Supply Chain



# SA agro processing value matrix



# Conditions required to promote pro-poor agri-business

- From production to market orientation in research
- Financial & human capital
- Supply Chain Management (SCM)
- Technology
- Capacity building
- Private organizations
- Business linkages
- Sound information
- Government action
- Growth process
- Concentration

# From production to market orientation in research

- Encourage a **commercial & market** focus from the outset
- Adapt production orientated research to include **EurepGAP & other standards**
- Focus on **value chain analysis, market research & market information services**
- Ensure research output is freely accessible & **disseminated**

# Financial & Human capital

- Collective institutions
  - Develop a system of selecting participants who are most likely to successfully “graduate” into commercial producers
- **Train market chain actors** in technical & managerial skills
- Invest in **skills training** for small-scale producers
- Need to gear operations to those of the FPMs - the main market

# Supply Chain Management (SCM)

- Improve effectiveness & efficiencies
- Depth of analysis of specific areas required
- Consider consumer needs
- Greater role clarification for players in agribusiness
- Role of Govt in ensuring efficient SCM
- Cross boarder SCM
- Awareness of levels & roles of stakeholders in the SC
- Trust to enhance relationships

# Technology

- Promote ‘**productivity-raising**’ technologies
- Invest in more **proficient support systems** in technology compliance
- **Harmonise & enforce SPS** measures
- **Adapt to international food quality grades & standards**
- Provide **EurepGAP training & application**

# Capacity building

- **Leverage support** at different levels of the value chain
- Improving access to **farmer credit**
- **Mentorship programs** by successful producers
- Strengthen **producers' organisations**
- Improve **contract enforcement** mechanisms

# Business linkages

- Increased **contract farming** will lead to increased food security
- Build **strategic alliances & joint ventures** with producers & consumer markets with comparative advantages
- Contracting arrangements with the **larger processors** (with support services)
- Special **credit arrangements** (capital requirements)

# Conclusion & Recommendations...

1. Investment in agriculture & agribusiness
  - Engine for development
  
2. Investigate opportunities:
  - infrastructure
  - value adding
  - high value produce
  - processing of raw materials
  - packaging
  - cold chain
  - fisheries
  - supermarkets
  - franchising, etc.

# ... Conclusion & Recommendations ...

## 3. Agricultural research

- Production to market orientation in both commercial & emerging agricultural sectors
- Increased competitiveness
- Measures to promote 'productivity-raising technologies'

## 4. Focus on development & support in:

- technology, communication, SCM, human & financial capital

## 5. Focus on sub sectors that present opportunities

# ...Conclusion & Recommendations

6. Primary data, information & intelligence development
7. Specific analysis of supply chains
8. Establish PPPs throughout value chain
9. Harmonise trade agreements & SPS measures
10. Government's role → anticipatory policy



Thank You!

