



## AGRF 2016 – PRE - EVENT REPORT TWGs

Day 2 - Tuesday, September 6

11:30am- 13:00pm

TWG: Trade, Markets and Domestic Private Sector

Title: Expanding Domestic Private Sector Investment in Africa's Agriculture and Agribusiness Markets

### SESSION BRIEF

**Context:** By the year 2050, Africa will have a population of two billion people, the majority of whom will be women and youth. Even in advance of this doubling of the continent's population, Africa currently represents a \$300 billion food market that is projected to grow to \$1.0 trillion by 2030. Furthermore, today Africa imports roughly US\$ 30-40 billion of food annually and this potential import substitution market, represents a huge potential market for organized family farmers (inclusive of smallholders, cooperatives and farmer producer groups, SMEs and all value chain actors).

A lot of effort has gone into various agriculture development initiatives in Africa in the past. However, to transform agriculture into a robust catalytic player on the continent and one capable of addressing the growing food demand in Africa and globally, there are some critical steps that need to be made to accelerate agri-trade, and to make cross border and international agricultural trade a key driver in the continent. In Africa today, there is a mismatch in existing policies in the area of trade and agriculture and uneven and often ineffective implementation has a negative impact on intra-regional trade.

When it comes to smallholder farmer development efforts, aggregation and value chain efficiency development efforts are still in very formative stages in most countries on the continent. Increased involvement and investment of the domestic private sector must be encouraged as they are key potential off-takers and facilitators of the commodities produced on the continent. Addressing market failures, de-risking value chain actors and creating efficient market/produce pathways is critical to achieving a tipping point for agribusiness on the continent.

#### Session Objectives:

- Discuss and frame a transformative agenda for increased investment in domestic private sector;
- Showcase models/approaches that are working with potential to go to scale; and
- Initiate a common framework on the policy front to accelerate national and intra-Africa trade.

#### Key Issues/ Questions:

- How can the awareness of local farmers to the available opportunities and markets be improved, including through the use of ICT tools;
- How to reduce cross-border trade bottlenecks, including tariff and non-tariff barriers that relate to time taken at the border posts;



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- How can regulations and policies be harmonized;
- How to improve the standardization of product quality;
- How to improve product competitiveness;
- How to develop greater incentives to support domestic private sector investment;
- How to support increased aggregation and bulking among small hold farmers.

### **Outcome Desired:**

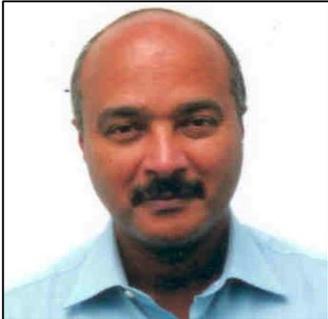
- Improved understanding of how to increase cross border trade in Africa;
- Conceptualize a bold agenda to remove regional trade barriers;
- Discuss possible strategies for clearer harmonized trade policies and regulations;
- Promotion of increased supplier development efforts to aid domestic private sector stakeholders;
- Promotion of increased sourcing by the private sector from the region and locale economies;
- Identification of resources to help improve smallholder farmer capacity to engage with local and regional markets.

**Organizer(s):** The Rockefeller Foundation, AGRA and Omega Farms



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| Name   | Picture   | Discussion   |
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| <p>Mr. Daniel Gad, CEO,<br/>Omega Farms</p> <p>Role: Moderator</p> |  | <p>Mr. Gad began with a welcome note and commented on the development of agriculture in Africa which has taken tremendous steps in the past decade in terms of markets development, the provision of access to finances, and the use of fertilizers and quality seeds.</p> <p>The next step he felt would be to focus on increasing processing, obtaining higher yields and conquering new markets. This will require an increase in crop production and the creation of various financial tools to expand trade in commodities – including formal commodity exchanges.</p> <p>He further noted that it is important for Africa to develop more commercial companies involved with agriculture at scale and to link them with commodity exchanges. There is a need he exclaimed for off takers to buy from small holder farmers, and larger technologically equipped farms and processors to create commercial farmers that can compete regionally and in the rest of the world.</p> <p>He concluded by introducing a Sunflower oil seeds to producer and ask that we take time to listen to the story of a small holder farmer into the industry and how he has pursued value addition in his business.</p> <p>He then introduced Bernard Rutaro who is producing Sunflower in western Kenya. He began by noting that over time he has had issues with low output from farmers, as they did not always have access to seeds and fertilizers. He also noted challenges with intercropping and how they added Soya to increase productivity (soya) and off take to supply BIDCO. He added that they began to need machines for milling to reduce on transport costs. He has limited milling</p> |



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|   |   | <p>capacity (500kg per day) but in a good season he produces about 20 tons. This then has meant that he now needs more storage facilities. Access to capital is also a real issue as he is working with 2000 farmers.</p>  |
| <p>Dr. Eleni Zaude Gabre-Madhin, Founder, Eleni Exchange</p> <p>Role: Keynote Speaker</p> |  | <p>Dr. Gabre-Madhin began her keynote presentation by stating that she would like to speak on the subject of transforming African agriculture from her experiences and reality – and in so doing hopefully help close the gap between reality and our aspirations.</p> <p>She began by explaining that when we look at agriculture and agribusiness in Africa we see immense potential but when we look at the present day realities in the continent’s markets there is an important gap. Access to information and finance. We need to limit the gap - and she had a big, bold and beautiful idea to do just that, which led to the creation of the Ethiopian commodity exchange. Today, there are 20 million farmers participating and the exchange has reached transactions amounting to one US \$1billion.</p> <p>As farmers received their payment the next day after the transaction, they doubled their production of coffee providing quality, quantity and reliability.</p> <p>This has been made possible by the explosion of the information sector and the development of the telecommunication sector with its millions of subscribers. This is Africa’s time, with the population growth of the continent we will have in next 30 plus years a market of 2 billion Africans, the majority of whom will be young, familiar with technology, part of the mobile revolution, “smart kids” who are at ease linking various people and sectors and using technology to serve the needs of Africa.</p> <p>The development of the agriculture sector has implications for the development of other sectors including the financial sector, the industrial sector, the education sector, the infrastructure sector, the health sector etc. This is akin to learning a new language. Beyond agriculture the effect is felt in storage, quality management, banking, packaging, a whole</p> |



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|  |  | <p>ecosystem related to services at the nexus of business and policy work. We need another mindset to capture the hearts of African youth, their innovative spirit which will be the backbone of the continent’s development.</p> <p>There are many transformational initiatives in solving problems, today the majority of Africans are not interested in top down models. The future will be built in Africa quoting from Mark Zuckerberg the founder of Facebook.</p> <p>She met a young Kenyan woman, Rita Kimani, who saw a gap between rural farmers and financial institutions, she saw a problem and conceived a solution to connect data and farms and finance. How best to apply venture capital to foster innovation? It is the age of innovation, knowledge and data. Africa growth is her passion she continued.</p> <p>She proceeded to state that “we promised a zero default market, which made this all the more beautiful. Farmers produced more quantity and quality.” We have buried the Washington consensus; Agriculture is about industry, power, finance, and telecommunications.</p> <p>Her closing remarks were “Let’s align public sector policy to catalyze growth in this sector. We live in an age of innovation. What will be the next innovative idea for agriculture? Unleashing the ideas of the youth is not a choice, it is the only way.”</p> |
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### Panelists

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| <p>Ms. Stephanie Race,<br/>CEO, Crop Performance<br/>(UK)</p> |  | <p>Ms. Race began her presentation by providing a brief overview of her career and her company, Crop Performance.</p> <p>Ms. Race moved from Silicon Valley to the United Kingdom at the request of some important clients. Her current company is the fourth company she has founded; it commercializes applications for monitoring plants globally. She spent 8 years utilizing common technology for plants using satellite remote sensing and informatics to forecast productivity of plants.</p> |
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|  |   | <p>The company works with 56 scientists in the United States, Canada and Australia who study the interaction between water, fertilizers pests and diseases, to understand crop diseases. This is done through the monitoring of fungus and spores. They are currently monitoring among others a dangerous fungus that is originating from Uganda called UG99.</p> <p>She has been involved in agricultural transformation in Africa. 2008 marked the launch of her venture and since then they have embarked on a series of projects. In a period of 8 years they have managed to build a monitoring system for the food processes. They believe that the biggest opportunity is in Africa, where there is great potential to grow food.</p> <p>Crop Performance does their Research and Development in the United Kingdom because of the complexity of the soils and the complexity of diseases found there. Informatics present cost-benefiting analysis related to the plants and soil fertility, this allows farmers to farm smart and farm at affordable cost.</p> <p>She concluded by mentioning that she believes that there are great opportunities to set up commercial value chains by harnessing technology.</p> |
| <p>Mr. Paul Nguru, Partner, Agri-Vie</p> |  | <p>Mr. Nguru is a partner in a food and agribusiness equity company known as AgriVie. Acknowledging that agriculture provides nearly 40% of the GDP in Africa and employs more than 70% of its people (directly and indirectly), and given that Africa has most of the arable land in the world, he argued that Africa can not only feed itself, but indeed feed the world.</p> <p>Agri-Vie has established a private equity fund and functions fully at risk. The company has raised funds and is operating in South Africa, Tanzania, Uganda, Kenya and Ethiopia.</p> <p>Agri-Vie’s Fund has successfully completed its deployment program by investing USD 100 million into a portfolio 12 growing East and Southern African food and agribusiness</p>   |



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|  |  | <p>companies since 2008. The portfolio is performing up to expectations.<br/>Building on this momentum Agri-Vie II has opened for subscription.</p> <p>The Fund’s vision is to be a catalyst for sustainable growth in Africa’s food and agribusiness sector. Building business and delivering enviable returns while mindful of the impact on people and the environment. This is food and agribusiness with purpose.</p>  |
| <p>Mr. David Stanton,<br/>Director General<br/>TradeMark East Africa</p> |  | <p>Mr. Stanton introduced TradeMark East Africa as a company focused on trade facilitation in the East African region.</p> <p>Trademark is a company providing trade facilitation and is involved in the development of the East Africa transport corridor. The company receives funding from 8 donors and has a budget of USD 120 million. It also focuses on easing access to markets. It is very expensive to move goods through the port of Mombasa.</p> <p>In order to alleviate some of the problems associated with the situation, TradeMark invests in electronic systems, customs management systems, cargo shipment, railway standard gage for goods in transit, management systems.</p> <p>It works to facilitate efficiency across border posts and to help create a more seamless single common market of 140 million people in the region. It takes political will to demolish barriers.</p> <p>In conclusion he said that “None of this is possible without a strong push from government. The biggest challenge to regional integration are the policy and physical barriers that have been established to make it difficult to cross the borders.”</p> |



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Ms. Lucy Muchoki, CEO,  
Kenya Agribusiness and  
Agroindustry Alliance



Ms. Muchoki gave a brief background of herself before stating that “not everybody understands what CAADP is.”

In taking stock of where we are, we see a growing number of platforms that assist networking particularly within the framework of the implementation of the Comprehensive Africa Agriculture Development Program. The private sector at national, regional and continental level has the right to engage the Government through public private platforms and partnerships.

The Kenya Agribusiness and Agroindustry alliance has had the opportunity to be part of the discussions on the transformation agenda with the Kenyan government and advocate for provision of support to the SMEs. The development of Special Economic Zones was one of their advocacy aims to SMEs to produce value added goods and to prepare for export and even to sell more within the country.

The Kenya industrialization Programme was formed to transform Kenya, and today most horticulture products come from Kenya. She noted that Kenya wants to continue with exports, but also to sell more value added crops.

Is there a better way to share information among stakeholders and to engage with the private sector? She proceeded to respond that “You need to work in your own country and understand it before looking to expand a regional level.” We need to get together and engage our government.

SMEs are most challenged when it comes to doing business in Africa. How many are able to access finance. These are the issues to discuss in these platforms. The AU is struggling with this particular agenda. The CAADP Malabo collaboration confirmed it is time to work together.

“How best can we work in collaboration to deliver in Africa” Is the question she asked as her closing remark.

Q & A session from the audience



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Q: To Eleni

How will we remove the middle man from the system?

RE: The idea is not to get rid of the middle man because they provide an essential service to the small farmer. The question is rather how do we align everybody; in other words, how do we increase the size of the pie? This is done by thinking about how to make the system sustainable over the long term rather than trying to make the maximum benefit over the short term. This approach allowed commodities margins to increase, brokers consolidated, and volumes increased. It is achieved by making everybody efficient.

Q: To David

Any interest in rural developing rural roads?

What are some of the technologies that you support?

RE: Trademark is not engaged in the construction of rural roads but works along them at the border - we hope that government takes on the challenge of developing rural road. There are billion dollar funds available to Government and efforts are underway for them to access them.

Ishamba is a communication program with smallholder farmers that started with the use of SMS and now has a TV program. There are also electronic gadgets that can be used to reach young people. Young women and men are learning more about what level of quality brings what price in what market. We need to promote business incubation to cultivate more such enterprises.

Q: To Stephanie

How affordable are your technologies?

RE: Access to the technology is priced by crop and geography, from the agronomy team based in north America. The price model for Africa and Asia is different. They look at bulk subscription. Commercial companies have a lot to gain. How technology is sold into this market needs another look.

Q: To Stephanie

How can we introduce your technology to schools and make it attractive for young people?

RE: The demographics and age difference in Africa is a big thing. We have not yet addressed reaching students but that needs to be addressed. We can build a curriculum.

Q: To David: what are the strategic plans to help small holders transport without barriers



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RE: It is a ray of hope but Ishamba is one of the initiatives that we support which we hope can make a difference. Daniel added that you can't get a free pass in the export market, the important thing is ability of information access, the right prices.

Q: To Paul

From experience what is that you do to secure investment in the area of micro lending?

RE: One of the biggest learnings is that it has been easier to deal with small holder farmers. The loyalty comes in terms of supply. Small holder's farmers do not have a culture of managing cash flow. There needs to be a greater culture of contracting among these farmers. Ideally, work with Governments and NGOs can help build this culture.

Q: To Lucy

How can we establish similar advocacy work in other parts of Africa such as Nigeria?

RE: We need to come up with a solution of what is the best platform. There is a Kenya-Nigeria business association that should be able to help. The problem we face is that we don't know who does what. The best way to move forward is to find like-minded people and engage in addressing some of the issues we face and establish a limited number of platforms. Government gets fatigued by meetings with too many associations.

### **Summary**

We must develop incubations in Africa and bring the experiences together that we have and make it work. It is also not simply incubation that we need but actually a startup eco system. There are emerging innovation hotspots in Nairobi and Nigeria and in these nodes it's all about mentoring, helping people to learn about finance and market development. We must also improve our logistic networks and our rail and road networks. Developing our commodity markets can help strengthen our local agricultural markets and technology can be used to drive agricultural transformation.