

# The imperative to create shared value for Africa through investment in agriculture

By [Axel Smeulders](#)

27 Aug 2020

Agriculture has been the bedrock of global economic development for centuries, with the agricultural revolution pre-dating the industrial revolution. And while other industries and sectors may have come to hold greater economic prominence in much of the developed world, in Africa, agriculture remains the most significant economic driver and the main provider of employment and income in the vast majority of countries.



While a significant proportion of people employed in agriculture in Africa make their living by means of subsistence farming, this doesn't detract from the fact that the activities of growing crops and farming livestock are the continent's primary employment or income generating opportunities; and are likely to continue to be for many decades to come.

This simple truth has significant implications for investors that have embraced the need and importance of putting money into industries, sectors, projects and organisations that have the potential to go beyond just providing a return, but that also embrace environmental, social and governance (ESG) factors in order to deliver shared value and make a lasting positive impact on the world.

Clearly, the way to make the biggest positive impact in Africa is through investment in agriculture on the continent.

This is especially true when one considers that, despite well over 60% of employed Africans working within the agriculture supply chain, and farming outputs contributing a massive proportion of overall GDP, there are still many African countries that are importing a large percentage of the basic staple foods they require like rice and maize.

Typically, this is due to a breakdown somewhere along the agriculture value chain, resulting in crops either not delivering desired yields due to a shortage of farming inputs, or degenerating once harvested due to logistical challenges like a lack of access to transport, storage facilities or even markets. Adding to this situation is the fact that there are still large swathes of arable land across the continent that are not being used for agricultural purposes, either because of land ownership being uncertain or unresolved, or simply because those who could, or should, be farming that land lack the resources, inputs, knowledge or skills to do so.

## **The power of investment**

The obvious solution to all these challenges is investment into agriculture in Africa, and there's no shortage of opportunities for such investment. The problem, however, is that global investors broadly remain sceptical about the viability of investment into agriculture in Africa. The main challenge, it would seem, lies in the failure of such prospective investors to recognise that there is much more to agriculture on the continent than just subsistence or small-scale farming. While investment is undoubtedly needed at this primary level, Africa's agriculture sector comprises massive direct and indirect value chains, and there are compelling, and fairly predictable, investment opportunities all along these chains.

The opportunity is not only in actual farming, but rather it is present across the whole agricultural value chain, from agri inputs and supplies (supply and distribution of fertiliser, seeds, agritech, mechanisation and financing thereof) as well as route to market (logistics, warehousing, storage) and finally in agri-processing (transformation and processing of agri outputs into consumer products).

At the same time, actual farming also needs investment and reform, including the establishment and operation of effective farms, cooperatives and out-grower schemes, sustainable farming practices, permaculture and irrigation, education, training and skills development. Often opportunities will touch on many of these areas, rather than be focused on only one aspect, and require an active approach.

## **Driving development**

What's more, the recent achievement of the African Continental Free Trade Area (ACFTA) should help to create the significant potential for investment returns by helping to drive the rapid development of intra-African markets for African produce, supported by steady growth in the continent's middle class population and the anticipated increase in demand for goods from within fast-growing urban centres.

Of course, even once investors have recognised the significant untapped investment potential that exists on the African continent, the actual processes of investing is not a simple one.

Given the diversity of agricultural activity, and the vastly differing levels of productivity and growth potential that exists across regions and crop types, not to mention the vast differences in government policies, processes and even attitudes to investors, a pan-African approach to agricultural investment on the continent is simply not viable. Rather, the two keys to successful African agriculture investment are an understanding of these factors, and an ability to take a differentiated approach according to each unique market.

But with the correct approach, underpinned by solid insights and understanding of the challenges, opportunities and nuances of agriculture in the various regions and countries making up the continent, investment in the sector can, and will, be a lucrative undertaking for the investor. At the same time, such investment will also deliver massive value to Africa and its

people, both in terms of raising the levels of self-sufficiency on the continent, and delivering foreign currency to free up local funding for investment into infrastructure, industrialisation and sustainable economic development.

## ABOUT THE AUTHOR

Axel Smeulders is Principal at Nedbank CIB.

For more, visit: <https://www.bizcommunity.com>