

East Africa

- **East Africa:** East Africa is becoming a frontier market for milk exports from Europe, which is posing a threat to the region's farmers and processors.

East Africa is becoming a frontier market for milk exports from Europe, which is posing a threat to the region's farmers and processors. Some industry players feel the opening of the local market to imports would have a devastating impact on efforts to expand the industry, and could destroy the livelihoods of 1.5 million small scale farmers who depend on dairy farming. There are fears that the dumping of cheap imports will kill the sector, because it cannot compete with the EU, where the cost of production is very low. For the EU, finding new markets for milk and milk products is a matter of urgency considering that milk production has increased sharply since the end of milk production quotas imposed in 2015 to prevent overproduction. While Kenyan processors have tried to penetrate the Tanzania market, they have largely failed due to a \$0.1 per litre tariff imposed on milk and milk products. For more information, read: <https://bit.ly/2HOOUwM>.

CAS Analysis: Imports from the EU, and other parts of the world, such as the USA, are creating challenges for local producers in Africa. East African textile companies are under threat from second-hand clothing imports from especially the USA. Attempts by the region's governments to curtail these imports have been met with resistance from the USA, with President Trump threatening to end AGOA benefits of these countries. With the exception of Rwanda, the others all capitulated and dropped their intention to raise tariffs on these imports. The dairy sector is now under threat as well. Subsidies in EU countries create an even more unequal playing field. It is not just East Africa that has to contend with these challenges. Both Southern Africa and West Africa frequently suffer from cheap imports that threaten the local industries. Free is not always fair; nor is fair necessarily understood in the same way by all concerned. One is reminded of President Trump recently saying, during the visit of President Buhari to Washington, that it is just fair that Nigeria opens up its markets to the USA in the same way the USA is open to Nigerian exports. Really? And just to show it is not just the developed world playing hardball in Africa, we see the trade tiff between Tanzania and Kenya continuing with the former raising tariffs against imports from the latter. This is in spite of both being members of the East African Community. They have been involved in a tit-for-tat trade relationship characterised by some conflict. They should focus on creating regional benefits instead of focusing on national interests!

- **Rwanda:** Chinese-owned C&H Garments provides work for 1200 Rwandan workers in Kigali's SEZ, churning out different styles of clothes in 2 workshops. C&H is focusing to get orders from Rwanda and Europe to reduce their vulnerability to possible USA restrictions.

Chinese-owned C&H Garments provides work for 1200 Rwandan workers in Kigali's SEZ, churning out different styles of clothes in 2 workshops. Uniforms of the Rwandan military, police, immigration department and schools are made here. C&H is supporting the Rwandan government's initiative to encourage domestic production of certain goods currently imported and promote export diversification through a "Made in Rwanda" campaign. Twenty percent of clothes made by the factory are sold in Rwanda, while 80% are sold to Europe and the USA. All the workers had to be trained to make clothes as they initially had no knowledge. Potential withdrawal of the AGOA benefits from Rwanda has affected C&H's business as many USA companies have stopped giving them orders. This follows a decision by East African countries to raise tariffs on second-hand clothing imports, in order to promote local manufacturing capacity in garment and other industries. The relatively high transportation cost in a landlocked country also has an influence on the business. C&H is now focusing to get orders from Rwanda and Europe. For more information, read: <https://bit.ly/2HLXAQo>.

CAS Analysis: The manufacturing sector in Rwanda, as is the case for the whole East Africa, has a lot of potential. Its contribution to the region's GDP is too low, given this potential. Africa must set itself up as the world's factory. This requires skilled low-cost labour and a business-friendly policy framework, with great tax breaks and infrastructure, such as the industrial parks in Ethiopia. Restricting imports and buying locally produced goods is a sound strategy that all countries in Africa, and not just East Africa or Rwanda, must buy into. Tapping into the export market is a natural complement to the import-substitution strategy. When Rwanda stuck to its guns and refused to back down from its intention to raise tariffs on the impor-

tation of second-hand clothing from the USA, it got a clear message it was gambling with its AGOA benefits. Looking towards developing its home market and the EU market therefore makes a lot of sense. One wonders to what extent President Kagame's position as chairman of the AU for 2018 is influencing his decision. He is clearly sending a message of strength! Africans will admire him for it, but only if his decision does not land them in hot water, metaphorically speaking. One must admire his guts, though!

- **Tanzania:** A new angel investing network is set to launch in Tanzania in May, to support the emergence and growth of a local angel investor community in the country. The Tanzania Angel Investors Network (TAIN) will be the first community for angel investors in Tanzania.

A new angel investing network is set to launch in Tanzania in May, to support the emergence and growth of a local angel investor community in the country. The Tanzania Angel Investors Network (TAIN) will be the first community for angel investors in Tanzania. TAIN's mandate is to support and unlock the potential of game-changing startups that can disrupt and change the way we live. The network also seeks to provide an organised platform for successful Tanzanian entrepreneurs, executives and those in the diaspora to support these startups as angel investors. The future is bright for angel investors, with many African countries expected to see faster economic growth above 6%. With various socio-economic challenges, the role of startups creating innovative solutions to address them provide interesting opportunities for angel investing. Tanzania's remittance sector provides a rich potential for support to startups, given that it receives ~US\$440 million in remittances a year; the same goes for Nigeria, Kenya, Egypt or Somalia! For more information, read: <https://bit.ly/2reu26S>.

CAS Analysis: I have frequently written about the need for financing amongst Africa's entrepreneurs. Formal bank financing is not generally available, and collateral remains a problem for many. Some of them refer to the 3F's of funding for entrepreneurs, i.e. friends, family and fools. Venture capital and private equity numbers are growing in Africa, but are still not that abundant. Angel investors in Africa are not that common at all. Creating a platform to not only support entrepreneurs, but to mobilise other successful entrepreneurs and executives as angel investors, is therefore a great strategy. These people know what it is like and what it takes to be successful. It is a great time to be supporting entrepreneurs, given that 6 of the top 10 fastest growing economies globally or 2018 will be from Africa. Unsurprisingly, Africa's challenges create great opportunities for entrepreneurs, which in turn create great opportunities for angel investors!

- **Uganda:** The pressure is on in Uganda to get more youth and women involved in the coffee value chain, starting with farming by using smarter agronomy practices, as the country looks to increase production to an ambitious 20 million bags by 2025.

The pressure is on in Uganda to get more youth and women involved in the coffee value chain, starting with farming by using smarter agronomy practices, as the country looks to increase production to an ambitious 20 million bags by 2025. Government hopes increased volumes will help address the double problem of much needed forex and job creation. Uganda, however, faces many challenges. An ageing workforce on the farms is a problem (average age of a coffee farmer is 60 years). Youth exodus to urban areas has created a shortage of labour because the old people do not have the energy to farm. Most young people in the coffee sector prefer the tail end of the value chain, doing jobs like marketing, branding and brewing. Uganda hopes to quadruple output in the next 7 years, which would see it earn more than \$2 billion annually from coffee exports alone. Commentators stated that Uganda has not done enough to involve the youth; they must be fully empowered. They should learn how the entire coffee value chain works since they need relevant skills to take coffee production to another level. For more information, read: <https://bit.ly/2l3YjQ7>.

CAS Analysis: One could remove the word Uganda and replace it with Africa, and the article would still remain relevant with the same message - Africa must get the youth and women involved in agri value chains, and boost the latter. And not just in the "sexy" parts such as marketing, but also in the "get-your-hands-dirty" parts as well! That is why the president of the AfDB has stated that Africa must get the youth to see the agri sector as a lucrative business-oriented sector, and not just as a lifestyle environment. Africa will be in serious food production trouble should it not be able to get the youth involved, given the

average age of farmers at 60 years! This age phenomenon is not just true for the coffee industry, but for agriculture as a whole! Or it would need to commercialise and mechanise its agri sectors. While the former is needed and good, the latter normally happens with the loss of job opportunities. Given the large number of Africa's people involved in agriculture, losing agri jobs is not an attractive prospect! Once again we see the importance of education – increasing the skill levels of the people of Africa.

West Africa

- **West Africa:** The System for Rice Intensification (SRI) has significant potential to close the rice production gap in West Africa and put the region on the path to rice self-sufficiency. “If all rice farmers in West Africa had used SRI in 2017, based on project participants results, rice self-sufficiency would already have been achieved with a 5% surplus.”

The System for Rice Intensification (SRI) has significant potential to close the rice production gap in West Africa and put the region on the path to rice self-sufficiency. The authors of a book on SRI report that more than 50,000 farmers started using SRI and more than 750,000 people benefited indirectly from the project, of whom 31.6% were women. By adopting the SRI method of planting rice, farmers' yields increased overall by 56% for irrigated rice and 86% for lowland rainfed rice. The project trained 33,514 people (of whom 1,032 were technicians), and the number of institutions working with SRI increased from 49 to 215 during the project period. SRI is a climate-smart and agro-ecological method of increasing rice production that focuses on the management of plants, soil, water and nutrients. West Africa only produced 54% of rice consumed in 2017 and spent \$4.16 billion in foreign exchange on rice imports. Achieving rice self-sufficiency by 2025 is a goal set forth by the Regional Rice Offensive of ECOWAS. “If all rice farmers in West Africa had used SRI in 2017, based on project participants results, rice self-sufficiency would already have been achieved with a 5% surplus.” For more information, read: <https://bit.ly/2HJJTWh>.

CAS Analysis: This is a typical sound strategy of the industrialisation of the agri sector. Making farming more professional and increasing the technical competence of farmers are prerequisites for success in the modern world we live in. We once again see the negatives of food imports – spending US\$4.16 billion on rice imports, and this in West Africa alone! The irony is that West Africa could have been exporting rice, instead of wasting valuable foreign exchange on “unnecessary” imports. At least, with SRI, West Africa has the prospect of supplying in its own demand with some to spare for exports. This approach should not only be adopted for the rice industry, but every sub-sector should develop a similar initiative to become self-sufficient. Africa should not be importing food; it has the potential to feed the world.

Southern Africa

- **Angola:** For President Joao Lourenco, diversifying the oil-dependent economy is his top priority. He has identified the fish sector as a focus area, as a lack of equipment and know-how has meant the industry has struggled.

For President Joao Lourenco, diversifying the oil-dependent economy is his top priority. He has identified the fish sector as a focus area, as a lack of equipment and know-how has meant the industry has struggled. Fish oil is highly sought after by the cosmetics and pharmaceutical industries, while fishmeal is used by farmers as animal feed. Lourenco vowed to improve the infrastructure to support fishing and the transformation of processing. The government is seeking to increase the annual fish catch by 16% over the next 4 years to 614,000 tonnes. Meanwhile, it is aiming for a 50% increase in fishmeal production to 30,000 tonnes over the same period. In Benguela, the fishing sector employs thousands of people, but more could be done. Angola has a critical lack of large fishing ships and processing factories. A lack of spare parts means ships often languish in harbour. They also face maintenance difficulties which seriously endanger the fishing industry. To stimulate fishing, the government recently announced the purchase of a specialised fishing vessel for \$3.7 million. Some economists have greeted Lourenco's ambitious plans with scepticism as the fishing industry represents less than 1% of GDP. For more information, read: <https://bit.ly/2Kw2dzJ>.

CAS Analysis: Angola has no option – it must diversify its economy to reduce its vulnerability to oil price fluctuations and to develop other sources of national income. It is not the first country to choose the fish

industry to develop. Tanzania recognised its fish supply fell way below the demand. It subsequently called upon women and the youth to become fishpreneurs to fill this gap. Another country that also took to the fish industry to create work and develop alternative revenue sources on the one hand, and boost import substitution on the other, is Ethiopia. They also targeted the youth and women segments to produce more fish. Angola has various mineral resources, in addition to its oil, that it can tap into. While the fish sector has the potential to generate jobs, concentrating to the extent that it does on an industry that only contributes 1% of GDP, does raise a question or 2 and lends legitimacy to the point of view of some critics. Having said that, Africa must reduce its food imports, being a net food importer to the tune of US\$35 billion annually. It seems the conditions within the industry have created a number of investment opportunities. The new president is also creating the impression that Angola will be more serious about governance, thereby improving the investment conditions.

- **Botswana:** Choppies has begun operations in Mozambique and Namibia as it expands its African footprint. The grocery retailer is also gaining market share in South Africa. The group has operations in Botswana, South Africa, Zimbabwe, Zambia, Kenya and Tanzania, and it is listed on the Botswana Stock Exchange and the JSE.

Choppies has begun operations in Mozambique and Namibia as it expands its African footprint. The grocery retailer is also gaining market share in South Africa. The group has operations in Botswana, South Africa, Zimbabwe, Zambia, Kenya and Tanzania, and it is listed on the Botswana Stock Exchange and the JSE. During the 6 months to end December, the group opened 33 new stores, to take its total to 235 stores on the continent. It generates 40% of its revenue in Botswana. Despite the subdued economic environment in Botswana, they maintained their market share and continued to improve their efficiencies. In South Africa it is taking on Shoprite and Pick n Pay, which have also been expanding their presence in the rest of Africa. Increased benefits of scale and other efficiencies will improve further as they expand their footprint. Zimbabwe also recorded encouraging improvement, and the company said it continues to perform better in that region despite the depressed economic conditions. Its overall performance has improved in the other regions, but it had yet to achieve profitability. For more information, read: <https://bit.ly/2KteLYz>.

CAS Analysis: There are a number of African food and general merchant retailers that have targeted Africa for their expansion strategies. Shoprite, Massmart (subsidiary of Walmart) and Pick n Pay, to name but a few from South Africa, are expanding into Africa, with the first 2 having the largest footprint of African retailers in Africa. Choppies has been a late mover, but has expanded significantly the last few years, and is seen as serious competition. It has also moved into Kenya to take up space left open by the struggling Uchumi. Together with Carrefour, Choppies has forced Shoprite's hand to also move into Kenya, as the latter has never been there before (other than using Kenya as a supply chain base). It will be interesting to see to what extent Choppies is able to steal market share from the South African retailers in their own backyard. It reminds one of how Aldi from Germany stole market share from Walmart in the USA! The reality is that the retail market at the bottom end is getting cramped for space, and it has become a cost race, which is not ideal for profitability. Somewhere someone is going to get hurt. The consumers, however, will be smiling as greater competition means lower prices!