

East Africa

- **Kenya:** Millions of Kenyans depend on coffee for a livelihood. Unfortunately, many coffee farmers have embraced other crops that promise better returns. That could be attributed to declining productivity, expensive inputs, lack of access to credit and shifting attitudes to coffee farming.

To tackle the many industry challenges, farmers require appropriate tools to boost productivity and access finance and critical information about the market. The recent automation of the coffee auction system will enhance transparency as farmers and agents can access instant market reports. If only half of the more than 700,000 coffee farmers embraced ICT platforms and applications, it would be possible to radically transform the industry and revolutionise the agricultural sector. Given the risk of declining productivity and output, the next phase will involve connecting farmers and financial and credit institutions. The system will also provide direct links to local and international coffee markets, ensuring that all intermediaries in the value chain earn only a commission, based on the final produce value, as opposed to making large margins at the expense of the farmer. ICT can also make coffee farming look 'cool' to the youth. For more information, read: <https://bit.ly/2N76eeR>.

CAS Analysis: A number of points are noted. Firstly, we see the youth leaving the industry, as is the case in Uganda's coffee industry. In Uganda, the average age of the coffee farmer is 63 years. This is not a sustainable situation for the industry. It becomes a bigger problem when the youth find themselves jobless and in dire conditions in cities. Secondly, as is the case in other parts of Africa (and in Kenya), we see technology being used as the basis of innovation to address challenges in agriculture. In Nigeria we see FarmCrowdy connecting investors with farmers and the markets to everyone's benefit. In Kenya, we have FarmDrive, where data on smallholder farmers are aggregated for the benefit of banks and smallholder farmers in need of credit and financing. Technology is also not only used in the coffee industry, but in various other crops, creating economies of scale for local value addition. Thirdly, it is important to ensure that all the stakeholders in the industry value chain, whether it be national, regional or global, get their share of the pie on an equitable basis. An example that comes to mind, is that of Cote d'Ivoire and Ghana where the farmers only get 4% of global revenues of the chocolate industry. This while they produce 60% of the world's cocoa; this is definitely also not a sustainable situation. There is therefore a need to rethink the industry business models and to innovate the revenue models thereof.

West Africa

- **Cote d'Ivoire:** The AfDB is ramping up the pace of its work in the agriculture sector. Its new strategy to transform African agriculture aims to eradicate extreme poverty, hunger and malnutrition in Africa and to transform Africa into a net exporter of food products.

This approach is much in evidence in Côte d'Ivoire, where the Bank set the tone in 2012 and 2016 by funding the Agricultural Infrastructure Support Project and the Value Chains Development Project. The rice growers have seeds, production equipment, and a warehouse, but no threshing equipment. They therefore sell their rice at low prices. Had they been able to thrash it, they could have sold it at the same price as imported rice and earned more. The project is at 80% implementation, yet it has made it possible to develop 566.3 hectares of lowlands, restore 566.4 kilometres of rural laterite roads, build 3 rural markets, and supply 22 rice-grower groups with 64 power cultivators, 64 power harvesters, 32 thresher-cleaners and 365 tarpaulins. 1,661 hectares of irrigated rice and 211 hectares of non-irrigated rice produced 4,975 tons of rough rice. Production was high in the previous crop year and the restoration of tracks between the villages had led to growth in inter-village trade. For more information, read: <https://bit.ly/2OM3bt2>.

CAS Analysis: The need to transform Africa into a net food exporter is an urgent one. Currently, Africa is a net importer of food to the tune of US\$41 billion annually, which is set to rise to US\$110 billion annually within the next decade or so if nothing is done about it. This will be more difficult to change than would seem to be the case at first glance. The need for technology, indeed for the industrialisation of the agriculture sector, is an important issue. In this example in Cote d'Ivoire, it shows what can be done with the necessary investment in the modernisation of the industry.

- **Ghana:** The Deputy Minister of Trade and Industry, Carlos Kingsley Ahenkora has stated that for Ghana to survive from its economic crisis, there is a need to increase exports and Ghanaians must buy Ghanaian-made products to help attain a surplus balance of payment.

Ghana was also excited about the Continental Free Trade Agreement since it would open a lot of market opportunities for companies under the free zones programme. It was hoped that the licensed free zone enterprises would make the maximum of this opportunity to expand their frontiers and market to the whole of Africa. Ghanaian companies were collaborating with institutions to train more young people to help create innovation and employment. For more information, read: <https://bit.ly/2Mn3TA9>.

CAS Analysis: Ghana announced in April 2018 that its economy had grown at 8.5% in 2017. Inflation had dropped significantly. The overall budget deficit was 4.5% of GDP in September 2017 against a target of 4.8% and compared to 6.4% in the same period in 2016. Ghana's economic growth followed the consolidation of macro-economic stability and the implementation of measures to resolve the crippling power crisis. Its continued recovery in 2018 will depend on fiscal consolidation measures remaining on track, the quick resolution of the power crisis, two new oil wells coming on-stream, and an improved cocoa harvest and gold production. While the World Bank forecasted in early 2018 that Ghana would be the world's fastest growing economy in 2018 (at 8.3%), the IMF stated a month or 2 later that that honour would fall to Ethiopia, with Ghana's forecasted growth being reduced to 6.3% for 2018 and 7.6% for 2019. The call to buy local is one frequently made by various governments in Africa. The reality is that its consumers tend to look to price before origin. In Kenya, for example, many retailers buy cheap textile products from China instead of sourcing locally. Commentators have made the point that while consumers in developed countries tend to choose between low cost or differentiated products ala the Michael Porter model, consumers in developing countries want both, which everyone knows is great to aspire towards, but difficult to achieve. Using regional economic integration (such as the AfCFTA and TFTA) to increase intra-African trade is a strategy many countries on the continent will aspire towards. It will be interesting to see how all of this pan out. Innovative business models and operating models, including innovative supply chain models, are becoming more important on a daily basis. Relying on automation is not going to cut it, as Africa needs inclusive growth; jobless growth is not a realistic scenario for Africa in the short-to medium-term.

Southern Africa

- **South Africa:** The SA Poultry Association is suing the government to suspend a quota that excludes some US poultry imports from an anti-dumping tariff. If successful, the move – a response to the Trump administration's decision to impose tariffs on aluminium and steel imports – could put at risk duty-free access to the US market for nearly US\$2 billion (R28.6bn) worth of South African exports.

South Africa levies a tariff on so-called "bone-in" poultry that it says is exported by major world producers, including the US, at prices below production cost. However, in 2015 the government agreed to a quota that allowed 65,000 tons of meat from US producers to be imported tariff-free each year into South Africa to preserve its benefits under AGOA. In 2017, more than \$1.8bn in South African exports, including some now subject to tariffs of 25% on steel and 10% on aluminium imposed by the USA earlier this year, were covered by AGOA. The South African government has tried unsuccessfully to persuade the Trump administration to grant it an exclusion from the new tariffs. South African meat importers argue that ditching the tariff-free quota would drive up prices for the country's consumers and provoke retaliation by the US poultry industry. For more information, read: <https://bit.ly/2w62fZA>.

CAS Analysis: The South African government is finding itself between a rock and a hard place. On the one hand, it has its own producers who are under threat of losing their livelihood due to the dumping of chicken in South Africa by the USA. As stated above, one of the criteria of dumping is when you sell chicken abroad at a price below your production costs or below the price in the home market. Given its benefits from AGOA, the South African government took the decision in 2016, under threat from the Obama administration, to allow such dumping. Now the producers are trying to force the government's hand, citing the Trump administration's imposing of tariffs on steel and aluminium imports as being against the AGOA agreement. The question is, to what extent do you protect your local consumers against foreign imports? How do you ensure that your local producers, with all the jobs they create, are protected at the same time? How do you convince large countries that free is not necessarily fair, not when the playing

field to start off with is uneven? The reality is that on the short term, the developing country loses. On the long-term, everybody loses because the closing down of industries and the resultant job losses will reduce the government revenue and the purchasing power of the local consumers. They will then import less, and the foreign supplier loses as well. The Doha Round of Talks of the WTO have been trying since 2001 to address these issues, unsuccessfully I might add. As the issues are currently, it seems to be boiling down to a lose-lose for South Africa.

- **South Africa:** Proudly South African recently launched their own online shopping store (www.rsa-made.co.za). It's an extension of their own database of products and services.

South Africa has an active online shopping population of more than 18 million people, who last year bought goods of almost R40 billion. By the year 2021, the number of shoppers is expected to reach just under 25 million, each of whom will spend an estimated R2500, an increase of 56%! PSA's main value proposition is assistance with accessing new and bigger markets. As consumers become increasingly tech savvy and more confident of making online purchases, there have been a proliferation of new shopping sites. In addition, retailers are complementing their in-store experience with internet offerings. Following China are Germany, the US, Nigeria and India as the main suppliers to local online shopping platforms. Security of payment and guaranteed delivery are issues troubling consumers. Some international sites have stopped delivering to South Africa or at least restricted delivery to certain items as so many orders got "lost" in transit, for which they were obliged to reimburse customers. PSA's local store will utilise local banking systems and local couriers, ensuring that the payment process and deliveries are trouble free. For more information, read: <https://bit.ly/2Ndp2t6>.

CAS Analysis: Online commerce is growing in leaps and bounds, not only in South Africa, but also in the rest of Africa. Trust seems to be growing, in spite of lost orders. Delivery issues seems to be sorted out, as are payment issues. In Africa, the big players include the likes of Jumia and Kilimall. In South Africa, Spree and Superbalist recently merged to form one big player, as it was decided that with the razor-thin margins in the e-commerce environment, scale was important. In Kenya, we have also seen the decision by Safaricom to launch its own e-commerce platform, Masoko. Given the growth of e-commerce consumers and the solutions to the payment and logistics issues, this sector is becoming an exciting one, filled with opportunity and promise. As for the RSAMade platform, it seems to be an underwhelming experience as far as choice is concerned. It remains to be seen whether it will attract enough traction to survive.

- **Zambia:** Zambian Vice President Inonge Wina on Friday called on the Turkish Cooperation and Coordination Agency (TIKA) to support the country's economic diversification agenda through mechanization of the agriculture sector.

The Zambian government would appreciate TIKA's support in training and imparting skills to small-scale farmers and youth who want to venture into agriculture. While Zambia has been dependent on mono commodities like copper and on mono crops like maize for a very long time, it wanted to diversify to other crops to export and to add value to the crops for export to boost Zambia's economy. Wina also urged Turkish investors to consider investing in Zambia's tourism, agriculture and energy sectors. She called for strengthening trade relations between the two countries for mutual benefit, stating that the establishment of TIKA offices in Zambia would strengthen these relationships and develop common interests based on business and trade. Zambia also appreciated the support rendered by Turkey in its health and education sectors. For more information, read: <https://bit.ly/2BqhnWN>.

CAS Analysis: It is good for African countries when the number and identity of its investors and trade partners change. Turkey has frequently been referred to in the Centre's weekly newsletters as being quite interested in expanding its diplomatic (more than 40 embassies), investment and trade footprint in Africa. Turkish Airlines serves many countries in Africa as well (50 African destinations). It also has a military base in Somalia. According to some analysts, Turkey has various cultural, economic and geopolitical reasons for its foray into Africa. As it is, there is already strong interest in the African Union-Turkey Co-

operation Summit of 2019. Turkey's one Middle East ally, Qatar, is also interested in Africa. These alternative choices reduce Africa's dependency on China as the major investor on the continent. We are also seeing India, Japan and South Korea as keen investors in Africa.

General

Seminar on Innovation in Emerging Countries: I had the privilege to attend a workshop on innovation in emerging countries presented by Mr. Ranveer S. Chauhan, Global Head of Natural Rubber and Edible Oils of Olam International Ltd. at Enterprise Singapore. He based his views primarily on Olam's business in Africa. The following are key points taken from this presentation:

- Olam's original innovation was through its model that aimed to out-localise the global companies and to out-globalise the local companies.
- As for manpower, the prevailing mindset was
 - to bring in expatriates and give them minor roles (stock control). Olam recruited top-quality executives and gave high decision-making authority to them.
 - To not give much authority to local staff. Olam recruited extensively from amongst the local community and gave them significant roles and invested well in training.
- The different paradigm of staffing its operations gave Olam additional freedom to spread its operations
- The need to "Keep at it." Perseverance has been and is very important. Persistence and implementation are important; just the idea is not sufficient, persistence and good execution completes the picture.
- New market reality was that from the original format of needing to place large orders from established European firms, the Chinese suppliers allowed small importers to order small quantities.
- Olam judiciously applied standard treasury norms – utilising short-term capital for working capital needs and only long-term capital for long term assets. On top of this basic principle, Olam was aggressive in using developed market banking products (collateral management) in African markets. Collateral management financing products allowed Olam to run shorter cash-to-cash cycles and grow its business.
- Grow your supply base. Partner with local communities and policy makers and encourage local small-holder farmers, support them (amongst others by means of working capital support).
- Be low on resources and high on application. Be very careful about investing/spending too much capital, leverage ideas – demand innovation.
- Scope the market and understand the imperatives thereof. Be entrepreneurial.
- Selectively add value locally. Stop the logistics of exporting raw materials and then importing finished products. This will support job creation and import substitution, as well as developing the ability to increase export revenues.
- The importance of data. Niche and small markets frequently do not have good information available on the nature of and opportunities within industries. This presents a challenge to innovation. Many times, the best guesstimates are the best data available; search for corroborations and use your data with applied judgement.
- Do not underestimate the importance of transferring and adapting ideas from elsewhere to Africa. Bring ideas from outside confidently, apply the local adaptations.
- Business models were innovated and adapted for each market as Anglophone countries were different from Francophone countries. West Africa was different from East Africa. Neighbouring countries were different from each other.

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