Friday@Noon

A weekly African news briefing for the Southeast Asian community

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Africa

- **Africa:** According to Dieudonne Twahirwa, the owner of Gashora Farm in Rwanda, agriculture needs more role models. He is one of a growing band of successful young farmers working to jazz up agriculture's image in Africa.

  However, African agriculture productivity is low with crop yields just 56% of the international average. According to Tamara Kaunda, agriculture is mainly associated with suffering and no young person wants to suffer. She believes African agriculture needs a make-over to shed its old-fashioned image of backbreaking work with a hoe. The whole agriculture value chain should be targeted as well. Stepping up the use of mechanised equipment and new technology is another key way to attract young people – and will also improve productivity. Mechanisation would also open up a lot of business opportunities for young people. Modernising agriculture could also help turn it from seasonal to year-round work. However, young farmers still struggle to get loans. Interest rates are high and few banks are willing to take the risk of lending to them. More political leadership is needed at the top so that farmers do not feel they are facing these challenges alone. For more information, read: https://bit.ly/2BAMZad.

  CAS Analysis: This topic is very relevant and is the subject of quite a lot of discussions and policies. How do we get the youth interested again in the agriculture sector? As has been stated before, the average age of the farmer in Africa is 63. Many of the youth have left the rural areas and the agriculture sector due to their unwillingness to struggle like their parents have done. Getting the message from the youth, about the youth in agriculture, makes a bit more sense rather than listening to geriatrics (or close to it). Tamara Kaunda's point of view of projecting a changed image of the farming environment hits the nail on the head. We frequently see pictures of farming depicting famers with hoes, etc., instead of farmers using modern equipment. Positive role models are equally important. The last point made is important as well, namely a political will to advance the cause of agriculture amongst the youth. And to set the example – talking about it is one thing; doing it is another!

East Africa:

- **Rwanda:** Recently, a group of delegates from China's High Commission in Kigali visited a coffee roasting plant factory. China's ambassador to Rwanda, Henry Rao Hongwei, has pledged to attract more investors in the coffee business to Rwanda.

  This follows the Electronic World Trade Platform (eWTP) Africa hub that was recently signed between Rwanda and the Alibaba Group. The deal gave Rwanda's premium coffee, tea and handcrafts access to all online Chinese and global markets. According to Hongwei, Rwanda coffee is becoming famous on the Chinese market. Rwandan dignitaries believe the exporting of roasted coffee to China is still in a trial phase, but that it will gradually develop. Currently, a kilogram of roasted coffee sells at US$8 minimum on the international market. However, some (roasted coffee) goes up to US$9 and US$10, depending on quality and price fluctuations. For more information, read: https://bit.ly/2Bwoyum.

  CAS Analysis: While coffee in Rwanda is nowhere as big as in Ethiopia and Kenya, it is a growing industry. Having done a coffee tasting at Olam International in Kigali, I must confess upfront I am a fan of Rwandan coffee. With a perceived strong demand in the Chinese market, there is considerable growth potential in Rwanda's coffee sector. With a growing online e-commerce community in China, this development can provide a massive growth spurt to the coffee farmers of Rwanda. While China is a massive market, there are obviously other markets that have great potential as well. One such a market is Japan, where Rwanda's coffee is also in high demand. Rwanda's National Agricultural Export Development Board adopted a couple of new strategies over the past few years, which is the reason for the solid performance of Rwanda's coffee globally. In 2017, coffee from Rwanda was ranked the second-best quality coffee globally by an independent international jury of coffee experts in the USA.

- **Uganda:** Uganda's Minister for Agriculture, Animal Industry and Fisheries has rolled out a mega project aimed at boosting agricultural production. The Agriculture Cluster Development Project (ACDP) is a 6-year intervention partnership of the government of Uganda and the World Bank, intended to boost commercial production of 5 prioritised crops in 42 districts of Uganda.

The crops are maize, beans, cassava, rice, and coffee. They are to be grown in cluster districts known to have big potential for production of the particular crops. The objective of the ACDP is to raise on-farm productivity, production, and marketable volumes of selected agricultural commodities in specified geographical clusters. The United Bank for Africa was contacted to supply, install and maintain an electronic Voucher Management System (e-Voucher) that is to be used to distribute agro inputs to farmers. A few agro input dealers were contracted to set up retail shops in all the clustered districts where the prioritised crops are to be grown. When a farmer goes to purchase an item such as a bag of fertilizer, he presents his voucher code to the agro-input dealer and an electronic receipt is sent to his mobile phone confirming that such a transaction has taken place. Should the fertilizer turn out to be fake, the input dealer is punished with deregistration. For more information, read: https://bit.ly/2SiieMW.

CAS Analysis: Africa's agriculture community has a productivity challenge, due to, amongst others, outdated farming methods, lack of modern irrigation equipment and the absence of the use of fertilizer. With the Government aiming at addressing some of these challenges, it will hopefully provide some impetus to the productivity of the Ugandan farming sector. Holding dealers accountable for the quality of their products should have the effect of reducing fraud and corruption. Transforming smallholder subsistence farming into commercial farming should have the effect of increasing productivity. As noted in previous newsletters, Africa has the potential to feed the world, yet struggles to feed itself. Uganda's efforts have the potential to address its shortcomings in this regard.

West Africa

- **West Africa:** Ghana and Ivory Coast produce about 60% of the world's cocoa, yet they mostly sell unprocessed beans. Their cocoa-export earnings are less than 10% of world chocolate sales. Power lies with a small group of trading firms and chocolate-makers in rich countries.

  Ghana and Ivory Coast are trying to move up the value chain. Ghana is close to finalising a US$600 million loan from the AfDB, some of which is expected to support cocoa processing. It is also seeking Chinese help to build a state-run processing plant. However, cocoa is unlikely to bring much revenue or many jobs. About 21% of the world's cocoa is ground in Africa, up from 15% a decade ago. Most of the processing in the region is done by the multinationals that were already grinding cocoa in Europe or elsewhere. In Ghana, nearly half of capacity is unused. The entire Ghanaian processing industry employs just a few thousand people. Most of the value in chocolate comes from marketing and branding, and it is a big step up from grinding to chocolate-making. Consumers are mostly in Europe or North America, while transporting chocolate through tropical climates is a logistical headache. Chocolate-producing firms in West Africa operate on a tiny scale. For more information, read: https://econ.st/2zmOoQg.

  CAS Analysis: The AfDB has been propagating the development of a chocolate producing industry in Africa, in order to capture more of the value in the total chocolate value chain (and create more jobs in the process). As is generally known, only about 4% of the total value captured in the industry currently comes back to the cocoa farmers in Africa. The article rightly points out that most of the consumers of chocolate are in Europe and North America (and may I say, in Asia as well). However, Africa's middle class is growing, and urbanising. This would make it easier to develop a chocolate consuming segment in Africa. The challenge remains the heat, and maintaining a cold chain is expensive. However, Cadbury's has developed chocolate that would not melt and would stay solid for up to 3 hours after being exposed to temperatures of 40ºC. Nestle can produce chocolate that they say can withstand heat of between 40 and 45ºC. There is therefore no technical reason why chocolate cannot be made in Africa for Africa.

Southern Africa

- **Namibia:** Rio Tinto has signed a binding agreement with China National Uranium Corporation (CNUC) to divest of its 68.62% stake in the Rössing uranium mine, in Namibia, for US$106.5 million.

  The total consideration comprises an initial cash payment of US$6.5 million, payable at completion, and a contingent payment of up to US$100 million following completion of the transaction. The contingent payment is linked to uranium spot prices and Rössing's net income during the next 7 calendar years. In addition, Rio will receive a cash payment if CNUC sells the Zelda 20 mineral deposit during a restricted period following completion. The transaction is subject to certain conditions precedent, including merger approval from the

Namibian Competition Commission. The company would work closely with CNUC to ensure a smooth transition and ongoing sustainable operation at Rössing. For more information, read: https://bit.ly/2P7g7cw.

CAS Analysis: Just another case study of China acquiring scarce resources for its industry. Rössing is the world's largest open cast uranium mine, and was scheduled to start closing down from 2025. According to its former MD, Werner Duvenhage, there are currently no drilling initiatives and existing mineral resources that could expand mining beyond this period into the next decade. As it is, Rio Tinto has fully impaired the assets of the mine. However, while Rössing's current life of mine will take it to 2025, they have recently discovered 20 new pits next to Husab Uranium mine that will take them to 2032 and beyond. According to the Namibian (local newspaper), with the sale, China will now have complete control of Namibia's active uranium production, with China General Nuclear (GCN) owning the Husab mine next to Rössing. It now remains to be seen whether the Namibian competition authorities will approve the transaction. Namibia's president, Hage Geingob, earlier this year visited China, during which he and President Xi Jinping discussed, amongst others, Namibia's participation in the BRI.

- **South Africa:** The trade volume between Russia and SA increased by 26% to almost US$800 million in the first 9 months of 2018. Russia's Minister of Natural Resources and Environment, Dmitry Kobylkin, hopes it will reach US$1 billion by the end of 2018.

  SA accounted for 20% of Russia's total trade with all countries in the region. SA's Minister of International Relations and Cooperation, Lindiwe Sisulu, believed more could be done, e.g. exporting a number of SA's agricultural products, building partnerships on water and agricultural technology, and education and skills development. Russia and SA have signed an agreement for the implementation of joint projects in the market of platinum group metals, as well as on the exploration, extraction and processing of mineral resources until 2025. Platinum has a wide industrial use in the automotive industry, dentistry, weaponry and aeronautics. Russia and SA are working on joint projects in nuclear energy, subsoil use, oil and gas, and projects in agriculture. The 2 BRICS members have signed agreements on cooperation in agriculture and water resources during the bloc's recent summit in Johannesburg. For more information, read: https://bit.ly/2E2UkBX.

  CAS Analysis: While China has tied up the ownership of Namibia's uranium mines, Russia seems to be shopping for platinum in South Africa. As it is, Russian Foreign Minister Sergey Lavrov visited Zimbabwe in March 2018 to revive a stalled platinum project. A Russian SPV, OJSC Afromet, is reportedly the Russian representative in the joint venture in the Darwendale platinum mine. The platinum group metals apparently have a variety of potential defence uses. Lavrov's 2018 trip to Zimbabwe included the signing of cooperation agreements in the military sphere and an effort to re-invigorate the platinum project. With the agreement with South Africa on the platinum group metals, Russian could be in a very strong position regarding control over this resource in Southern Africa. Russia also visited Namibia in March 2018, during which Lavrov stated that Russia and Namibia were preparing to sign an agreement on the peaceful uses of nuclear energy, which will enable joint construction of a nuclear power plant in Namibia. We are therefore seeing China and Russia expanding its influence in Southern Africa, as they have done elsewhere on the continent.

- **South Africa:** The world's largest cattle feedlot is expanding SA beef exports beyond the Middle East to take advantage of surging demand in China and other Asian markets. Karan Beef's feedlot is an example of a push by SA agriculture to boost exports of more niche products, ranging from grapefruit and avocados to macadamia nuts. The emphasis is on high-value products rather than mass output of less lucrative crops like corn.

  The operation accounts for 70% of SA's beef exports and 30% of the local market. In the year to November, it shipped 4.34 million kilograms of beef to China and 4.68 million kilograms to the Middle East. China wants more beef. There is potential for Karan to scale up exports, but its facility is producing at maximum levels. China's beef imports have jumped this year and are on pace for an annual record. Karan Beef is also looking at Malaysia as a new export market. The SA beef industry is under pressure to increase production to meet local and international demand. One possibility is building capacity of small-scale farmers, who own about 40% of SA's livestock, but lack the competitiveness required for export markets. Karan rejected an offer of R6 billion for the entire business by Chinese investors who wanted to export all of the output. For more information, read: https://bloom.bg/2TTHrPh.

CAS Analysis: China has always been a market that the South African agriculture sector has been looking at longingly – imagine a market with 1.4 billion consumers! With China wanting more, and Karan Beef struggling to supply given the constraints of its current operations, this is a nice problem to have. With South Africa's government looking at getting its Black farmers settled on farming land, this is a great opportunity to not only give them access to farm land, but to also provide them with a superb opportunity to achieve success. It is a bit confusing when the country is struggling to help its aspiring Black farmers to get settled, and one then reads that "the SA beef industry is under pressure to increase production to meet local and international demand." Malaysia is another attractive market with 32 million consumers, as is Indonesia with 264 million. South African exports to Malaysia in 2017 amounted to US$684.06 million, with beef constituting very little thereof, if at all. Indonesia imported US$493.79 million from South Africa in 2017, with beef in a similar situation as for Malaysia.

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