

African Union

- **Africa:** African coffee growers are watching market trends tilt in their favor, as retail giants shift from high volume to high-flavor beans. The rise in demand for specialty coffee has compelled retailers to bring on board growers in riskier markets such as South Sudan, Burundi and Congo. What matters most now is the cup quality to the majority of consumers, and coffee beans from Africa are highly sought after due to their unique and desirable qualities. There are two different markets: the bulk market for blends and the market where \$6 cups of single origin brew are sold. Analysts say that producing more specialty coffee gives African smallholders a comparative advantage over large-scale farmers in Asia and Latin America. To make the industry more resilient, African growers should emulate producers such as Ethiopia to consume more of their coffee. Africa's coffee crop yields are the lowest on the planet, due largely to old trees in poor soil. Climate change will increase the challenges, including insects and disease. For more information, read [here](#).
- **CAS View:** Companies such as Starbucks have transformed coffee from a commodity (beans) to a product (coffee powder), to a service (sold in cafes), and eventually to an experience (sitting in a nice environment with great ambience, drinking a Café Late or something similarly unique). In the process, the price has escalated from a few cents to about \$7 a cup! And the irony is that the consumer quite willingly pays this for the perceived value added. The element in the industry value added that seems to lose out, is the grower. Again, companies such as Starbucks have developed Fair Trade classifications to protect the grower. However, there are limits to the extent that the growers can benefit from this. So the African growers must concentrate on quality and they must concentrate on building the local market to consume more of their product. Integrating forward into the whole value chain and developing their own outlets to tap into the experience market, as opposed to the commodity market, is becoming a source of competitive advantage. It also seems that developing modern agricultural practices to prevent the negatives of climate change, etc., has become important as well. This is true for agriculture as a whole, and not just for the coffee sector.
- **Africa:** Why does Africa get treated badly by the rest of the world? 1) The world doesn't fear or respect Africa. In the Middle East, what Saudi Arabia, Iran, or Israel says is taken seriously, because they have the diplomatic, economic, or military muscle to upset the world or regional order. 2) African countries do not offer a different philosophical vision or try and change it, or present different policies about how the global order should be organised. It mostly blames, accuses, and threatens. 3) The failure of the wider African political and policy class to engage the world creatively is also evident at home, in the fact that no one is taking risks on new things. 4) Africa is also notorious for not acting out of its enlightened self interest. Nigeria is hurting badly in the face of the global crude price slump. Beyond whining, it has not pushed any position that would force OPEC's hand or move global oil prices. 5) While the China bonanza was on, Africa didn't diversify and after 60 years could not come up with a different plan beyond flogging natural resources. For more information, read [here](#).
- **CAS View:** Africa must become more assertive and develop its own position. It has become a target for those countries that want to mobilise support for their own points of view, and promise Africa aid, investments and other forms of support. Until it does stand up for itself, Africa will always be treated poorly in the greater scheme of things. This is in spite of the fact that it presents wonderful opportunities for investors. Just in the last 6 months, China, the USA and India have visited Africa, not really for Africa's sake, but to generate support. And some of these countries have the habit of being prescriptive as to what Africa has to do and how it has to manage its affairs, like a parent would. It's time Africa puts an end to this approach. But it does require Africa to start taking control of its own destiny and let go of its victim mentality.

- **Africa:** According to McKinsey, the crisis facing African mining companies, which have fallen behind their global peers due to declining productivity and return on invested capital, can be turned around. While African companies supply 83% of the world's platinum, 73% of the world's cobalt and more than half of the world's manganese, chromium and diamonds, they have underperformed in terms of value creation. The good news is that African mining companies "have access to a range of levers to triple or quadruple their chances of becoming world-class performers". By taking specific actions in productivity, strategic merger and acquisitions, and allocation of capital, "African mining companies can boost their odds of moving up the power curve by a multiple of three or four.". Mining companies should also support regulators to create the right conditions, collaborate with labour to create a mutually beneficial environment for capability building and labour, work with governments to create a more favourable business climate, work with communities to build an environment that creates shared value and productivity enhancements, and cultivate a local supplier basis. For more information, read [here](#).
- **CAS View:** African mining companies used to generate large proportions of the GDP of their countries. Although this percentage has decreased significantly, they are still responsible for a significant proportion of export earnings. It seems that the African mining sector has suffered considerably from the economic slowdown of China, with some companies such as Anglo American losing a significant proportion of their market capitalization. A couple of them have become takeover targets, from amongst others, Chinese companies. This all creates pressure on downsizing, which has very negative consequences for the employment status of these countries. Part of the cost pressure is that salary increases have not necessarily been accompanied by higher productivity. McKinsey's advice is therefore quite opportune. What is also interesting, is the role of society at large. The mining community speaks of a social license to operate. Without this, mining companies struggle as they face a hostile society, where the negative attitude towards the mining company frequently is accompanied with low engagement levels and high levels of labour militancy. Actually, mining companies do not really have a choice but to accept McKinsey's advice. It remains to be seen which of them will.
- **Africa:** The cellphone is to SSA what the steam train was to 19th-century Europe: the mechanical workhorse driving social and economic transformation. Seizing the opportunity, hundreds of technology start-ups have sprung up across Africa to plough new trade routes and seek breakthrough innovations. There is mounting competition between global technology companies for a slice of what are some of the world's fastest-growing IT markets. The future of technology for Africa is in looking at the things they lack and using these gaps as an opportunity to invent something they can use to leapfrog the rest of the world. The first big leap came with the adoption of cellphones. The next wave of technological advances is occurring as high-speed internet and smartphone handsets become more accessible. Already there is an app for almost everything: herding cattle in Kenya (i-Cow), private security in Ghana (Hei Julor!), remotely monitoring patients in Zimbabwe (Econet) and in Uganda, an Uber-like service (Yoza) connecting dirty laundry to mobile washerwomen. Armed with technology and information, Africa's youth are hooking up to networks far beyond their immediate communities, creating new outlets for music, TV, fashion and social comment. Nor can the politicians afford to ignore the ramifications. Some of the latest innovation is being driven by commercial necessity. Products such as M-Pesa raise fresh revenues and help the company retain subscribers. For more information, read [here](#).
- **CAS View:** CAS has frequently written about the digitization of the African landscape. This trend has empowered so many people in Africa, from helping in the health environment, to ascertaining where the most lucrative fishing markets are. It has also helped governments to gain access to their population, such as with the M-Akiba, which is based on M-Pesa, to sell government bonds of very small denominations directly to the man in the street. CAS has also stated that Africa has succeeded in becoming the leader in some of these areas, such as with M-Pesa, where it has increased the degree of financial inclusion of Africa's previously unbanked. For more on this topic,

read [here](#). This trend has also opened the world of e-commerce, where countries such as South Africa and Nigeria are becoming quite sophisticated in this regard. A Tolaram subsidiary, Vconnect, is already tapping into the potential referred to above in Nigeria. CAS has also referred to other empowering apps such as MKopa, which creates the opportunity to transform a high once-off capital cost to a low monthly operating cost. What all of this indicates is that Africa is really adopting technology at a scope and scale that creates enormous opportunities. The lack in infrastructure and development in Africa ensures that these opportunities will be there for quite a while. Companies wanting to invest in Africa in this sector, will therefore mostly only be limited by their lack of imagination!

- **Africa:** China has long been the dominant and most visible investor in Africa's growing industries. But 2015 saw increased investments from other nations looking to get in on Africa's rich opportunities. That trend will only increase in 2016. India especially signaled a strong interest in Africa last year, holding a summit and extensive meetings with African leaders and trade officials. Africa's stabilising political situations and expanding economies make it one of the most attractive long-term investment regions in the world. Here's what investors need to consider as they plan their 2016 strategies: **1) Diversification:** Expect to see a shift toward non-extractive sectors. The pricing tumble in African commodities became a boon for non-resource markets throughout the region in 2015 because governments realised they needed to insure their economies against future slides. **2) Clarity:** Some investors shied away from African markets in 2015 due to fears of political unrest related to general elections in Nigeria, Ethiopia, and Tanzania. But all three saw relatively peaceful transitions of power, assuaging investors' anxieties and providing a clearer view of the landscape going forward. **3) Disruption to FMCG funds:** A rate hike by the US Federal Reserve could derail cash flow to the FMCG sectors in most African markets. Such a move by the Fed would end the era of "easy dollars" and upset the FMCG mojo that's been thriving for the past few years. Nothing in Africa is guaranteed except that early investments here will pay off handsomely down the road. Governments are investing in a wide range of industries, creating opportunities to build a diverse, thriving African portfolio. For more information, read [here](#).
- **CAS View:** The last 2 sentences form the core of the above article. Africa has been hit hard by the slowdown of the Chinese economy, but it has brought home the realisation that its economies need to diversify to escape the pain of low commodity prices. This has created many opportunities for investment. It has also become clear that while Africa will always have a few cases where political instability provides for violent protests, there are also quite a number of countries where political stability reigns and where peaceful transitions of power have taken place. This drives home the point made in the article that early investments will pay off handsomely down the road. In Nigeria alone, there are many opportunities to invest in cassava flour production, glucose production, and starch production, to name but a few. One must always bear in mind that Africa consists of 54 countries. Treating them as one homogenous entity where instability and poor business conditions in one country, equates to instability and poor business conditions in all of them, is a big mistake made all too frequently.

East Africa

- **Rwanda:** With a population growth of 2.7% and a growing middle class, Rwanda is experiencing a massive boost in the construction sector and growing demand for real estate developments. Every year in Rwanda between 28 thousand and 35 thousand units are in demand just in Kigali, a need developers are struggling to meet. According to the CEO of the Ujenge Group, Patrick Sebatigita, the construction sector has really boomed and had taken a significant chunk of the GDP, various sectors, infrastructure, offices and developments – however, on the real estate part there was still a high demand to address. To address the demand, local developers have to be empowered to generate capital. Fifty percent of the construction material is imported, but the East African bloc is

trying to compensate by waiving fees for those in the region. Sebaitigita suggests that governments in the bloc should provide incentives for manufacturers to produce finishing materials like flooring or ceilings. He theorises that Rwanda might have a housing policy that is pushing people to go high rise instead of horizontally, because of the scarcity of space. For more information, read [here](#).

- **CAS View:** As the middle class grows, the demand for more and better housing inevitably grows with it. This creates a beneficial reinforcing cycle, as construction companies benefit, who in turn employ more people, and more money is spent in the economy. The consumer market also grows and develops, with more retailers also entering the market. Singapore has a stake in Rwanda as Surbana was involved in the development of Kigali by drawing up a blueprint to strategically guide development, facilitate rapid economic growth by attracting investments, create employment, and position Kigali as a commercial hub of east-central Africa. Empowering local contractors and developers can only be to the benefit of Rwanda, but it is unlikely that they would be able to deal with all the issues without external support. Rwanda will surely be followed by other countries in this regard, such as Ethiopia. CAS does not know of better examples than companies such as Surbana to support Africa in its urban development endeavours.
- **Tanzania:** Local manufacturing concerns need to build strong corporate brands to position their firms well to penetrate the global market and compete with other brands. Multinational companies that have achieved so much and continued to gain more ground, are doing so because of the strong brands they had built over the years. This is what most local companies fail to do. They try to make profit so quickly that they end up destroying their brands. However, the Tanzania Bureau of Standards (TBS) commends local companies and urges them to continue investing in their brands. TBS has launched a promotional drive to award industries manufacturing premium quality products and those engaged in offering services. The key objective of the campaign is to provide the platform for Tanzanian consumers to patronize locally-made products. It also encourages local service industries to make significant improvements in service quality, service delivery and innovation to meet challenges of international standards. The assessment criteria for the manufacturing industry is based on 5 parameters, i.e. overall product quality, labelling, packaging, competitiveness and standard certification. The assessment criteria for the service industry is based on the basis of 4 parameters, i.e. overall service quality, delivery, competitiveness and innovation. For more information, read [here](#).
- **CAS View:** Marketing, and more specifically branding, is a field of expertise which Africa is in dire need of. All too frequently marketing is seen as advertising. Knowledge about the intricacies of branding is not that pervasive in African society. There aren't also that many MNC's that have succeeded in building a successful brand in Africa, but those that have, seem to be smiling. Understanding the African market is far more difficult than it seems. According to one of my impeccable sources in Africa, one large food supplier sent people to do marketing research in Kenya. They were found in a 5 Star hotel in Nairobi, and never got out to the villages. They therefore never realised that people do not buy washing power, amongst others, by the box, as their daily spending cap was limited to \$1.50. They soon found out what their mistake was. But brands per se are important to the African consumer. They give identify to the consumer; the shoes and shirts they wear, say to the community how successful the wearer is. And this is not just the case for the youth sector, but also for the affluent sector. The luxury market is growing in leaps and bounds, albeit from a low base, and for them brands are also important. They are all also demanding high levels of service. One would be making a serious mistake by ignoring these principles, as although Africa might on average be less affluent than Europe, they certainly know what they want and how and where they want it. People with a deep understanding of the African consumer market and its intricacies, are few and far between. Potential investors should know this and plan for it.