

to Malawian, Zambian and Zimbabwian farmers.

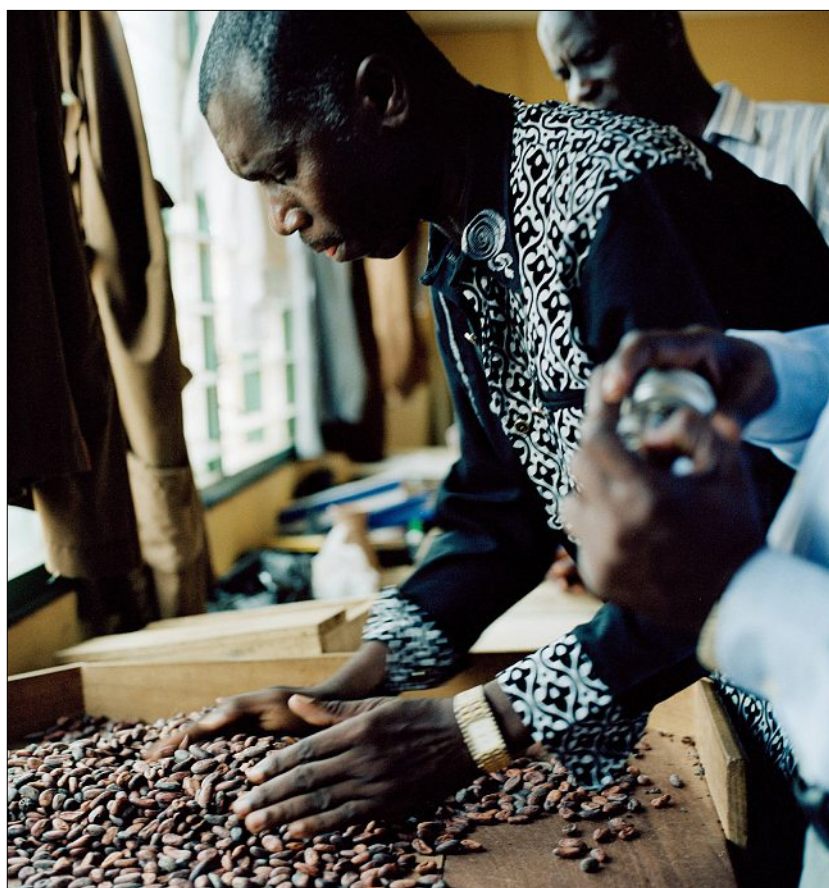
Though the idea behind corridors is compelling – the booming demand for food across the Pacific and the obvious synergies in weaving together production, processing, infrastructure and logistics – the implementation of them is more difficult. Despite having several heavy-weight anchor clients and bringing together governments and the private sector, the backers of the Beira corridor project are still having problems in securing financing and attracting ‘patient’, long-term capital to invest in the early stages of the plan.

CORRIDORS AS LINKS IN THE VALUE CHAIN The Southern Agricultural Growth Corridor is at an earlier stage of development. Similar in concept, it has ambitions to rival the Cerrado region of Brazil. According to Tanzanian President Jakaya Kikwete, it will tie in smallholder farmers into industrial-scale farms, helping with the transmission of business plans and know-how.

A condensed version of these corridors can be found in processing zones. These are generally near the coast or based near large population centres. They host crop production, processing, packaging and marketing units. Italian consultants Ambrosetti have signed a memorandum of understanding with the Ugandan government and are currently involved in a similar project in Tanzania.

Future-gazers will not stop there. India, one step down the road, may be a good place to look. Near Hyderabad is a vast expanse, nicknamed ‘Genome Valley’. Combining industries like biotechnology, agribusiness, medicine and telecoms, it is creating a swathe of companies specialising in the life sciences that are set to provide the second act in India’s technology revolution. It’s something that Africa, with its huge untapped genetic resources, can aim for. ●

Nicholas Norbrook



THORSTEN FUTH/LAIF-REA

FOOD PROCESSING

Investing in progress

Ensuring that Africa can build up indigenous food-processing capacity will reduce food security concerns and help build flourishing local companies

In the 1990s, the International Fund for Agricultural Development (IFAD) started researching cassava in West and Central Africa. A staple food crop, cassava was a cornerstone of IFAD’s work to alleviate poverty amongst the rural poor and improve food security. IFAD worked on disease-resistant cassava varieties, researched new growing methods and introduced new varieties. It was so successful that in some countries production quadrupled.

The trouble was, nobody knew what to do with the surplus. Cassava is highly perishable once harvested,

and the only way to increase its shelf life is to process it. So, in 2006, IFAD started focusing on cassava processing and marketing rather than production.

In some ways, cassava is not much different from other crops. Brent Wibberley, an agribusiness consultant at TechnoServe, an organisation that offers business support to rural entrepreneurs in the developing world, says that post-harvest losses are a major issue across the continent. About 30% of cereals and 70% of fruit and vegetables are lost every year because of poor handling, storage and processing in Tanzania, for example.

By increasing the shelf life of raw materials, “you not only create a market for local farmers and suppliers, you also provide better quality food that is available year round,” says Wibberley. Investing in food processing has now become a major focus of both commercial inves-

500 million

consumers will swell the domestic food market in the next 15 years, spending 50% of their income on food and drink

tors and development finance institutions.

Governments are also busy. Ghana has a history of promoting cocoa processing. The world's second-largest producer of cocoa and well known for the quality of its beans, Ghana now boasts a processing capacity of 350,000 tn, about half of annual production. But local processing is more exposed to variations in harvests. Leading cocoa supplier Archer

There are powerful arguments behind capturing the higher segments of the value chain, but Nate Schaffran, regional director for Africa at Root Capital, a social investment fund offering finance to businesses in rural areas, warns that any effort to retain value in the country of origin should be driven by the private sector. As the case of cocoa processing in Ghana illustrates, promoting processing at all costs

market, explains Jeff Dykstra at Partners in Food Solutions. "This is our sweet spot because we are impacting both upstream and downstream of the food chain."

The focus on food aid goes back to humanitarian concerns on food security, but the retail aspect of AAIFP is tapping into one of Africa's unsung emerging sectors. The food industry on the continent has grown at an average of 20% per annum over the past four years. It is also estimated that the continent will have an extra 500 million basic consumers in the next 15 years who will spend an average of 50% of their disposable income on food and drinks.

SEIZING INVESTMENT OPPORTUNITIES The opportunity has not escaped Zin Bekkali, the founder and chief executive of Silk Invest, a private equity firm based in London. He launched a €100m fund dedicated to investing in food processing companies in Africa in November 2010. The Silk Africa Food Fund seeks to invest in 10-15 high-profile consumer goods companies such as local fast-food outlets and biscuit and soft drinks manufacturers with proven track records, good cash flows and strong management teams.

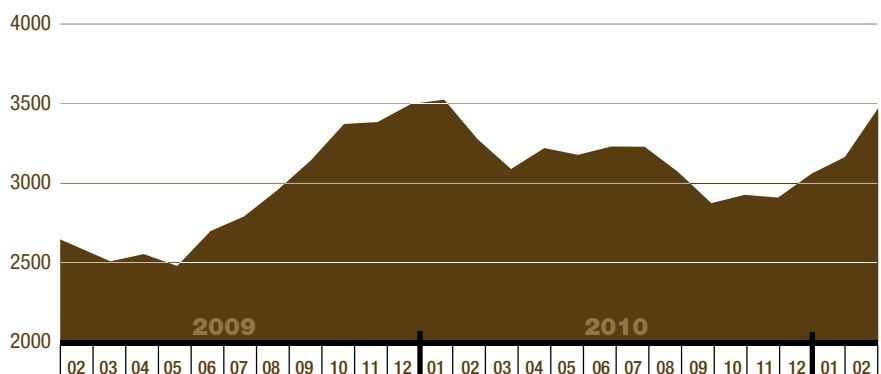
The fund is focusing on just seven countries – Kenya, Ethiopia, Nigeria, Ghana, Angola, Morocco and Egypt – but even with those restricted search criteria, Silk Invest identified about 600 potential companies. "That gives you an idea of how big the sector is," says Waseem Khan, the fund's managing director.

Khan says that most of the companies they are targeting need capital for growth but also crave the expertise. "They know we can help them improve the quality of their products as well as their business practices."

Wibberley says that professionalising the sector is essential because of the growing influence of supermarkets. "Much of the food market is informal in Africa but most processed foods are sold on the formal market and

COCOA PRICES

US\$ per tonne



Daniels Midland (ADM) reportedly came close to shutting its Kumasi plant following supply shortages in late 2010. Cargill's Wendy Garbutt tells *The Africa Report* that supply contracts were essential to its processing plans in Ghana: "Cargill signed a supply agreement with the Cocobod for delivery of cocoa beans to ensure that the plant can run at its designed capacity."

INTEGRITY IN THE SUPPLY CHAIN

ADM says it is committed to operating a successful processing plant in Kumasi. "[Our] presence in Ghana as a cocoa processor reflects our goal to help ensure supply-chain integrity. We are able to select quality beans, work directly with cocoa farmers to support sustainable, responsible growing practices and invest in local communities by employing colleagues from within the country and implementing community outreach programmes to benefit those living in the surrounding area."

– foreign processors benefit from discounted supply of cocoa beans from the Cocoa Board – is ultimately unsustainable.

Local processors also face a variety of challenges: food standards, logistics, product formulation, obsolete equipment and a lack of general business skills are recurrent difficulties, as is access to finance. In a bid to help local entrepreneurs, TechnoServe co-founded the African Alliance for Improved Food Processing (AAIFP) in September 2010 with US food company General Mills and Partners in Food Solutions, an organisation that provides expertise from food multinationals with small and medium-sized processors in the developing world. The premise is simple: TechnoServe identifies African processors and Partners in Food Solutions matches them with volunteers from its member companies.

The alliance is targeting companies that supply the food aid market, producing things like corn-soya blends, and the retail

SOURCE: ICCO

require certification, standards and access to markets.”

Food standards are also the key to unlock international markets. “The US and Europe have stringent food safety standards, which act as a barrier to African products,” says Schaffran. “So there is an opportunity for investors to build internationally certified labs that will facilitate local exports.”

Silk Invest’s fund reached a first

financial close in March and plans a second one in June. “This is a very exciting opportunity for us,” says Khan. His hunch is echoed by Root Capital. “We have \$2m to invest and are really hoping to scale it up,” says Schaffran. AAIFP, for its part, hopes to reach 200 small and medium-sized processors in the next five years. ●

Emilie Filou

FAIR TRADE

The big versus the beautiful

Small farmers and large multinationals make uneasy bedfellows in the world of fair trade

“Africa is the poor relation of the fair trade world”, says Eric Garnier of Alter Eco, a France-based equitable commerce company, “but things are changing fast.” Alter Eco began a scheme to turn a women’s farming cooperative into an olive oil exporter. The cooperative is located in Morocco’s Rif Valley, an area better known for the cultivation of cannabis. The women receive €5.5 per litre, compared to a local market price of €2.5. The cooperative is using the profits generated to diversify its product line, with rabbit breeding a popular alternative.

Alter Eco are also keen that the cooperative diversifies its customer base as well. At the moment, Alter Eco is its largest client by far, something that often happens in the fair trade market and which creates long-term risks. “And we are helping to bring professional skills and equipment in to help that process,” says Garnier. The cooperative now operates a modern olive press, replacing their ancient stone press, with a resulting bump in quality. “This helps convince new clients.”

The idea of ethical trading has its origins in Mexico, where people wanted to help coffee farmers get better prices. It later spread to Asia and the sugar

and rice sectors. The fair trade movement, which seeks to connect educated consumers and farmers who have difficulty accessing markets in North America and Europe, is now well established in Africa.

However, tensions exist between those in the movement, such as Fairtrade and Max Havelaar, who want to push the concept into the mainstream, and those who believe that as soon as the multinational food processors such as Nestlé and Kraft or the multinational distributors such as Carrefour, Tesco and Walmart get involved, then farmers are back to being on the wrong end of excessive market pressure.

Garnier rejects a binary characterisation of the two camps, as Alter Eco also works with Max Havelaar certification, “but we do not, for example, agree with accepting products created by plantation farming.” He also underlines that while supermarkets tend to demand an ever-lower price, they do provide a way of reaching a shopping public that is not confined to elite urban areas.

This is also Fairtrade’s ethos, hoping to connect larger numbers of producers with a large number of consumers, as well as giving space to niche players. In late 2009 they certified Nestlé



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In Morocco’s Rif Valley, Alter Eco is helping a women’s cooperative export its olive oil to Europe and diversify its product line and customer base

cocoa from Côte d’Ivoire, bringing extra cash to the 6,000 farmers from the Kakovia cooperative. Under the Fairtrade terms, the farmers will receive a guaranteed minimum price, plus a \$150 per tonne premium.

The idea of broadening access extends to the debate over smallholder versus large farms. There is certification of two different categories. In areas where it is mostly smallholders who produce a crop, Fairtrade ensures only smallholders gain certification, rather than allowing some big farms that also produce the crop to receive it too.

“But for things like bananas and fresh fruit, it’s open to both types of models,” says Jessica Gordon, producer research manager at Fairtrade. “We are also about supporting workers of plantations: minimum wage, working conditions, health and safety, and formalising contracts with employers.” ●

Nicholas Norbrook