

Africa – are you in for the ride?

Agribusinesses Insights Survey 2014/2015



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Cross-border expansion

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Renewable energy – where do we stand?

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Opportunities for technological innovation



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Introduction to the publication



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A word from Frans Weilbach – PwC South Africa Agribusiness Industry Leader

We are proud to introduce a publication with a focus on agribusiness in Africa. We have been conducting surveys on South African agribusinesses for a number of years. However, with the 2014/2015 survey we are entering a new era by providing insights from Africa CEOs for Africa CEOs in the agribusiness space.

Agribusinesses today operate in a globalised world. With change as the only constant, companies and individuals can reach around the world faster, further, deeper and at lower cost than ever before. Furthermore, there are significant shifts in demographics, economical- and political power, and the natural environment – shifts that in the end will have an impact on most businesses. These megatrends may be perceived as being far removed from us here in Africa, but their significance should not be underestimated. They will define our future and we would do well to pre-empt their impact rather than sitting back and waiting for the results.

The Agribusinesses Insights Survey for 2014/2015 on the one hand provides insights into the strategic challenges CEOs face and on the other hand introduces a number of megatrends that will shape the future of these businesses. Each year, going forward, we will include one or two viewpoints from PwC partners in Africa on agriculture as a sector in their respective countries. This year we are featuring viewpoints from Sarah-Mary Frimpong (Ghana) and André Bonieux (Mauritius). We trust that you will find our findings and perspectives to be thought provoking, value adding and interesting to read.

A handwritten signature in black ink, appearing to read 'Frans Weilbach'.

Frans Weilbach
PwC South Africa Agribusiness Industry Leader
March 2015



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A word from Mark James – PwC Global Agribusiness

Agribusiness is a hugely important sector for our firm globally. And within this, we have a keen focus on Africa. An abundance of natural resources, coupled with coherent strategic and operational plans, relevant partnerships and sufficient capital, offers great opportunities for value creation in African agribusiness. We are working closely with companies, governments and multilateral organisations to make this happen.



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Agribusiness Insights from Ghana

Agriculture is a significant and established sector in the Ghanaian economy and contributes 23% of GDP. Ghana's geographical area is conducive to agriculture. The coast of Ghana supports fishing and small-scale farming. The middle belt, occupying around a third of the country, is the main agricultural area where cocoa beans, the major export crop, are grown. Farmers also produce palm oil, rubber and pineapples for both export and local consumption. The northern belt is suitable for livestock rearing, as well as for growing yams, rice and millet, shea butter, cotton and kola nuts.

Agriculture in Ghana is not mechanised and takes place mainly on a small scale. Mechanisation would offer opportunities for the expansion of farms and growth in business incomes, but would require sustained investment, which is difficult to obtain. The majority of the produce is exported in its raw state, and local processing and value adding to turn the produce into exportable commodities would increase local employment while also contributing towards a reduction in the export deficit and shrinking Ghana's budget deficit.

With some focus and an increase in spending levels in the agriculture sector it should be possible to create more jobs, with a resultant positive impact on all other sectors as well. Agriculture is a sector of opportunity for Ghana's youth and offers a means to curb urbanisation.

The main threats and challenges to growth in the sector include the scarcity of capital, the lack of infrastructure development in the rural areas, and the high cost of farming inputs and utilities. However, there is collaboration between Government and the private sector to implement certain programmes that will address these challenges, increase yields and enhance productivity. Moreover, training programmes have been identified to improve the technical skills and competence of managers and farmers in order to increase their efficiency and productivity. Farmer training and education is being organised both at a national level through Government agencies and by donor partners such as AGRA, NORAD, and stakeholder companies through their foundations.



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Agribusiness Insights from Mauritius

Agriculture in Mauritius is synonymous with sugar cane. With a production of 650,000 tons of sugar in the 70s, at the time the island was truly a mono-crop economy. The whole sector has undergone major reforms, however, and the industry has shrunk in size to 415,000 tons. Throughout this period, and in the last 20 years in particular, there have been many reforms in the sector, including a number of critical projects:

- Labour reduction plans – the industry has gone from 32,700 employees in 2000 to 14,700 in 2013
- Centralisation of sugar mills – since 1994, 10 mills have closed, leaving only four in operation in 2014
- Industry negotiated power supply agreements and finance agreements to build power plants at sugar mills – all four mills today are independent power producers (IPPs) and a number of those that closed were also IPPs
- Restructuring in the wake of price decreases and reforms brought about by the end of the sugar protocol that had been in place between the European Union and its ACP (Africa/Caribbean/Pacific) partner countries
- Raising cash through the realisation of land banks
- Industrial projects to produce refined and special sugars, and ethanol – the strategy of millers today is to develop a cane industry together with its side products – refined and special sugars, ethanol, and energy (by burning bagasse or cane pulp) – rather than merely producing sugar.

It is important to understand the global political and economic forces affecting demand for sugar.

The current issue is obviously the price of sugar, which has been falling throughout 2014. From a net price of approximately \$586/ton for crop year 2012, the equivalent price for crop year 2014 is closer to \$390. This could be temporary, with a known global demand/supply imbalance in 2014. Nevertheless, many doubt that the industry is sustainable at this price level. The recent weakening of the euro, the currency of the main export market for the island's sugar, has added to the woes of the local industry. We expect yet more restructuring to happen in the industry, with farmers probably exiting their lower-yielding fields in addition to implementing new cost-cutting programmes. Some relief is also likely this year from the Sugar Insurance Fund, which normally only pays compensation to farmers on account of crop losses due to cyclones and drought, but which could release some of its funds to sugar producers.



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Our research

This publication focuses on providing agribusinesses operating in Africa with insights into industry trends, while at the same time emphasising the impact of global megatrends on their business. Agricultural businesses play a significant role at various levels of the wider agro-food value chain – from primary production to processing, logistics, marketing, and supplying input materials and services. Furthermore, they are major employers in the economy and play a major role in providing rural infrastructure. Money spent in agriculture achieves more than money spent in any other industry due to the multiplier effect of the value chain.

The larger agro-processing sector contributes significantly to the GDP of Africa and is key in realising Africa's economic potential in the future. Africa is at a crossroads where it can either take concrete steps to realise its potential, or continue to lose

competitiveness – missing a major opportunity to increase growth, employment and food security (World Bank, 2013).

Section 1 of this publication contains a high-level economic outlook on sub-Saharan Africa by Dr Roelof Botha, economic advisor to PwC. Dr Botha will highlight the most important macroeconomic trends that agribusinesses need to be aware of today.

In **Section 2** we provide feedback on PwC's Agribusiness Insights Survey, conducted among chief executive officers (CEOs) of agribusinesses in Africa. This feedback is coupled with PwC's own insights and market knowledge on five selected megatrends that impact agribusinesses today. We hope that you will find this an interesting and thought-provoking read.

To gain further insights, we had a cup of coffee with two industry leaders. We share their thoughts with you in **Section 3** of the publication:

- Johan van Rooyen, Director, Standard Bank Centre for Agribusiness Leadership & Mentorship Development at Stellenbosch University and president elect of IFAMA (International Food and Agribusiness Management Association)
- Norman Celliers, CEO of Zeder Investments, an agriculture-orientated investment company based in South Africa

Through this publication, we want to support the sector to realise its potential and, given the megatrends that impact the world in which agribusinesses operate, make smart strategic decisions for the future.

Five global megatrends

Megatrends are global, sustained and macroeconomic forces of development that impact businesses, economies, societies, cultures and personal lives. They thereby define our future world, and keep changing it at an increasing pace. The following five megatrends will feature in the publication:

Demographic change



Climate change and resource scarcity



Technological advances



Accelerating urbanisation



Shifts in economic power



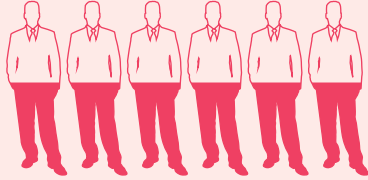
Highlights from the report

Employee numbers per survey participant

Average number of employees: **1 366 employees**

Permanent employees:

50%



Casual/Contract workers:

50%

60%
uncultivated land



The continent houses almost 60% of the world's uncultivated land and an abundance of natural resources

Renewable energy – where do we stand?

Investment in renewable energy:

Yes **45.5%**

Investigating **54.5%**

Types of renewable energy invested in:



Solar **50%**



Biogas **45.5%**



Success rate of government grant applications

50%

37%

Developing countries account for 37% of global trade



62% of sub-Saharan

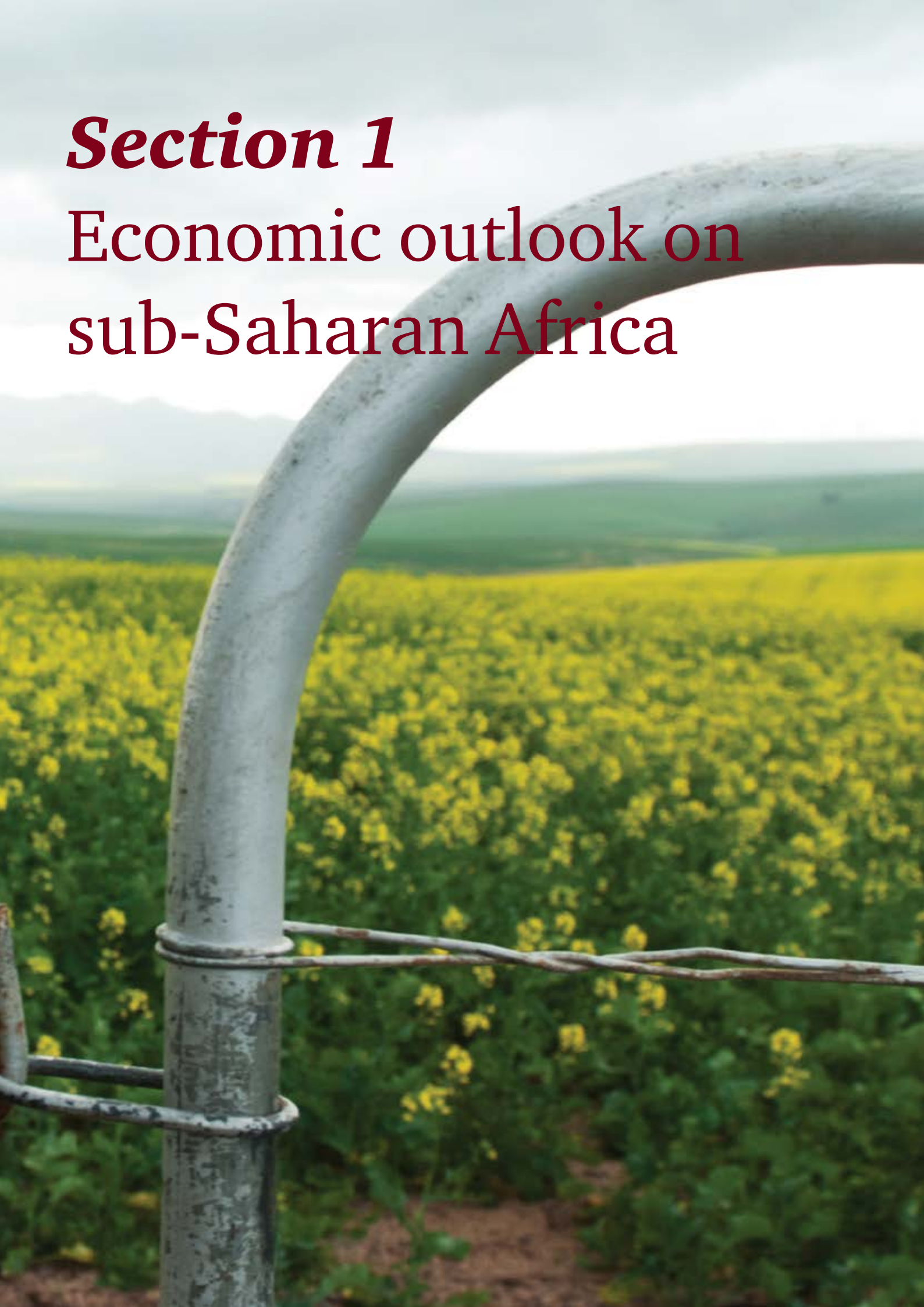
Africans are **below 25** years of age





Section 1

Economic outlook on sub-Saharan Africa



Sub-Saharan Africa – socio-political stability, economic performance and food security – a quantitative perspective



Dr Roelof Botha

Economic Advisor to PwC

Democratic freedom

The 2015 *Freedom in the World* survey by Freedom house paints a bleak picture for the advancement of democracy.

Following dramatic gains for the principles underpinning political rights and civil liberties around the globe during the late 20th century, the institutions designed to protect democracy and place a check on state power have come under pressure. Recent case studies of the retreat of democracy include the Russian invasion of Ukraine and chaotic civil warfare in parts of the Middle East and North Africa.

Sub-Saharan Africa has nevertheless performed quite well in lifting the region's average Freedom Index score, albeit from a low base, with some notable exceptions. Table 1 contains the classification of the extent of political freedom for selected sub-Saharan African countries, including all seven countries that are classified as free.

Table 1: 2015 Freedom in the World classifications – selected sub-Saharan African (SSA) countries

Free	Partly free	Not free
Benin	Burkina Faso	Angola
Botswana	Côte d'Ivoire	Burundi
Ghana	Guinea	Cameroon
Mauritius	Kenya	Chad
Namibia	Mozambique	Ethiopia
Senegal	Nigeria	Gabon
South Africa	Sierra Leone	Rwanda
	Tanzania	Uganda
	Zambia	Zimbabwe

Economic Freedom Index

A common denominator for most African countries found in the latest Index of Economic Freedom is the pervasive presence of corruption and over-regulation of formal business activity. Several countries are also faced with rigid labour legislation, especially South Africa.

The Index of Economic Freedom is an annual index and ranking created 20 years ago by The Heritage Foundation and The Wall Street Journal to measure the degree of economic freedom in the world.

The index scores nations on ten broad factors of economic freedom using statistics from organisations like the World Bank, the International Monetary Fund and the Economist Intelligence Unit. The factors include business freedom, property rights, freedom from corruption, labour freedom and the size of government.

More committed structural and institutional reform could make the region a promising future candidate for sustained high levels of growth, fuelled by the range of incentives for enhanced productivity that flows from progress with economic freedom.

Table 2 lists the countries in SSA that are ranked by the Index of Economic Freedom and are not classified as repressed.

Table 2: Countries in SSA that are not ranked as repressed by the 2015 Index of Economic Freedom

	Rank	Score		Rank	Score
Mauritius	10	76.4	Côte d'Ivoire	103	58.5
Botswana	36	69.8	Gabon	104	58.3
Rwanda	65	64.8	Senegal	106	57.8
Ghana	71	63.0	Tanzania	108	57.5
South Africa	72	62.6	Gambia	113	57.5
Madagascar	79	61.7	Seychelles	114	57.5
Swaziland	91	59.9	Mali	119	56.4
Uganda	92	59.7	Nigeria	120	55.6
Namibia	93	59.6	Kenya	122	55.6
Benin	99	58.8	Mozambique	125	54.8
Zambia	100	58.7	Malawi	126	54.8
Burkina Faso	102	58.6	Niger	127	54.6

Global competitiveness rankings

During the five years since the end of the 2008/09 global recession, SSA has continued to register impressive GDP growth rates of close to 5% per annum. Combined with high population growth and a structural increase in capital formation/GDP ratios in most African countries, the region has become more attractive to potential foreign investors – both direct and via bond and equity markets.

Table 3: 2015 Global competitiveness rankings – top 15 countries in sub-Saharan Africa (SSA)

	SSA rank	Global rank
Mauritius	1	39
South Africa	2	56
Botswana	3	74
Namibia	4	88
Kenya	5	90
Zambia	6	96
Gabon	7	106
Lesotho	8	107
Ghana	9	111
Senegal	10	112
Côte d'Ivoire	11	115
Cameroon	12	116
Ethiopia	13	118
Tanzania	14	121
Uganda	15	122

Table 3 lists the top 15 ranked countries in SSA, according to the 2014/2015 Global Competitiveness Report, published by the World Economic Forum (WEF).

According to the WEF, significant challenges remain in the region as regards closing the infrastructure gap; improving basic health and education facilities; and accelerating the transition from agriculture and mining to the secondary and tertiary sectors of the economy.

Economic performance and outlook

Over the past decade, sub-Saharan Africa (SSA) has been one of the fastest growing regions in the world, with the majority of countries actually having avoided the 2008/09 global recession. Africa's large natural resource base continues to attract foreign direct investment, whilst several countries have increased their spending on infrastructure improvements.

Over the past six months, however, a number of key developments have changed the economic outlook for the region in 2015.

The lower oil price will undoubtedly lessen inflationary pressures and will also provide some relief on the current account of the balance of payments for oil-importing countries. Unfortunately, countries that rely heavily on the export of this key energy commodity will experience budgetary and trade balance pressures that may even necessitate higher tax rates.

A second key feature of the global economy is the narrowing of the gap between the two largest economies in the world, the US and China. The US dollar has strengthened considerably on the back of stronger growth in the US, combined with lethargic economic output in Europe and fears over a Greek debt default.

The resulting modest currency depreciation of most African countries over the past six months (against the US dollar) will mitigate the negative effects of the sharp declines in the prices of most metals and minerals since 2011.

The commodity slump, which is now in its fifth year, has led to downward revisions to economic growth in the SSA region by the International Monetary Fund (IMF), particularly for commodity exporters.

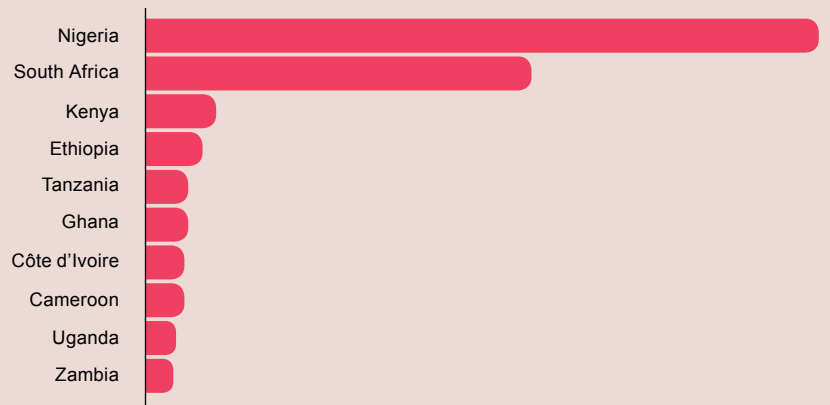
A rise in interest rates and risk spreads in many emerging market economies, notably commodity exporters, holds the potential for increased capital market activity in these countries, whose bond yields have become more attractive.

Once the commodity price cycle has returned to an upward trajectory, the economies of these countries should respond quite fast, warranting the current favourable investment climate for government bonds.

The IMF nevertheless still expects the SSA region to grow at 4.9%, in real terms, during 2015, rising to 5.2% next year. This compares favourably with expected world growth of 3.5% and 3.7%, respectively, over the next two years.

The top 20 economies in SSA (by size) and their average annual real GDP growth rates are depicted by the figures. Only countries that possess a critical mass of investment attraction have been included (using the Index of Economic Freedom as guideline).

Largest ten SSA economies



(Source: IMF)

Note: Only includes countries not ranked as repressed by the Index of Economic Freedom

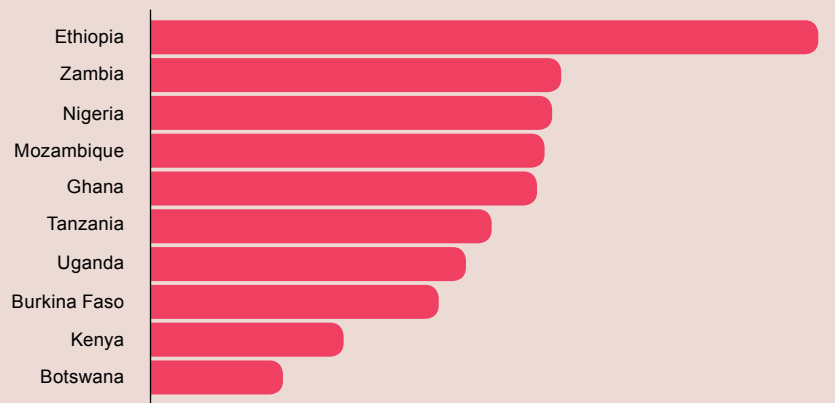
Second-largest ten SSA economies



(Source: IMF)

Note: Only includes countries not ranked as repressed by the Index of Economic Freedom

Average annual increase in real GDP (national currency) 2004 to 2014 – top ten SSA economies



(Source: IMF; own calculations)

Note: Only includes countries not ranked as repressed by the Index of Economic Freedom

Average annual increase in real GDP (national currency) 2004 to 2014 – second top ten SSA economies



(Source: IMF; own calculations)

Note: Only includes countries not ranked as repressed by the Index of Economic Freedom

Food security

Table 4 lists the scores and rankings for SSA of the global food security index (GFSI), developed by the Economist Intelligence Unit (EIU) and sponsored by DuPont. This model considers three core pillars of food security, namely affordability, availability, and quality and safety, covering 109 countries, including 28 from the SSA region.

Food security is defined as the state in which people at all times have physical, social and economic access to sufficient and nutritious food that meets their dietary needs for a healthy and active life. This framework is based on the internationally accepted definition established at the 1996 World Food Summit.

Table 4: Scores and rankings for sub-Saharan African countries included in the EIU/DuPont global food security index

	Score	Ranking		Score	Ranking
South Africa	61.1	46	Malawi	33.9	94
Botswana	60.7	48	Mali	33.4	95
Uganda	45.6	74	Sudan	32.7	97
Cote d'Ivoire	44.7	76	Zambia	32.6	98
Ghana	43.1	78	Guinea	32.5	99
Kenya	40.1	80	Burkina Faso	31.6	100
Benin	38.4	82	Mozambique	31.0	101
Senegal	38.4	82	Nigeria	30.5	102
Cameroon	38.1	84	Tanzania	29.9	104
Nigeria	36.5	87	Burundi	28.8	105
Ethiopia	35.8	89	Togo	28.4	106
Sierra Leone	35.8	89	Madagascar	27.7	107
Angola	34.4	92	Chad	25.5	108
Rwanda	34.2	93	DR Congo	24.8	109

Nine of the ten lowest-ranked countries are from the SSA region, providing a clear indication of the substantial potential for developing the agriculture sector in Africa. Botswana and Zambia are the only two countries in sub-Saharan Africa (SSA) to have improved their rankings for food security in the latest GFSI (2014), whilst the rankings for three countries deteriorated, namely South Africa, Senegal and Benin. In terms of the 2014 index score itself, the most improved countries in SSA over the past year are Uganda, Togo, Malawi, Benin, Mali, Sierra Leone and Sudan.

Food security in most of the SSA region continues to be compromised by a combination of inadequate infrastructure, low incomes, volatile weather patterns, widespread poverty and a lack of food processing industries, which necessitates food imports.

In addition, the majority of the populations in many SSA countries reside in rural areas, where road networks are in a poor condition, raising the costs of logistics services. The challenges facing the attainment of a greater level of food security are further exacerbated by the prevalence of socio-political unrest and armed conflict in several SSA countries.

According to the latest GFSI, the region has nevertheless witnessed a strengthening of its food security position over the past year, with 20 of the countries in the region recording an overall improvement. This progress is largely due to sustained high levels of economic growth across the region, which has accounted for eight of the world's 20 fastest-growing economies over the past five years (2009-13).

SSA also has an abundance of agricultural resources (land and water), and economic policies in several countries are increasingly focusing on improving the performance of the agriculture sector, including investments in irrigation, storage facilities, transport modes and training programmes.



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March 2015





Section 2

Agribusiness in Africa – CEO insights

Agribusiness in Africa – CEO insights

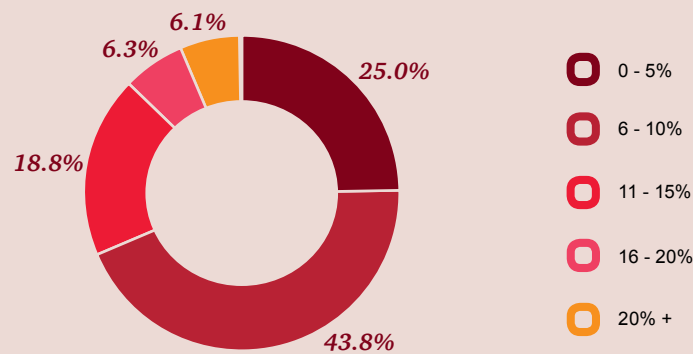
This section provides feedback from CEOs in the agricultural industry on strategic issues, obtained through a detailed survey. Survey results have been combined with thought leadership inputs regarding megatrends and doing business in Africa. The result is insights into the strategic issues impacting decision-making in the agribusiness environment.

Growing your business

Revenue growth

There is a range of expectations regarding revenue growth over the next 12 months: More than two-thirds of participating CEOs indicated that they expect revenue to grow between 0% and 10%. The remaining third of respondents are very optimistic, indicating that they expect revenue growth as high as 20%.

Revenue growth over the next 12 months

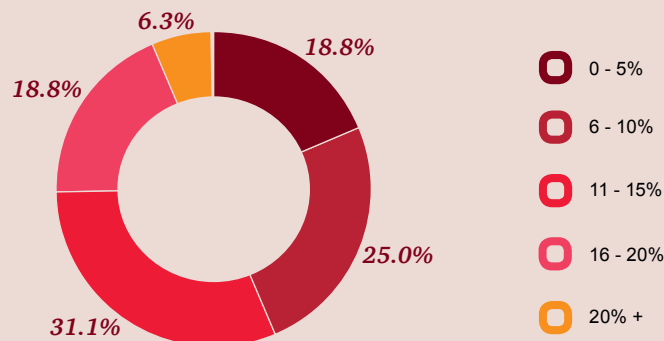


Considering revenue growth over the next five years, the largest group of respondents (31.1%) felt that it would increase between 11%–15% over the

longer term. Comparing this to the view on revenue growth over the next 12 months, the largest group (43.8%) expected it to increase between

6%–10%. This increased comfort in revenue growth over the long term is promising for the agricultural sector.

Revenue growth over the next five years



Business expansion

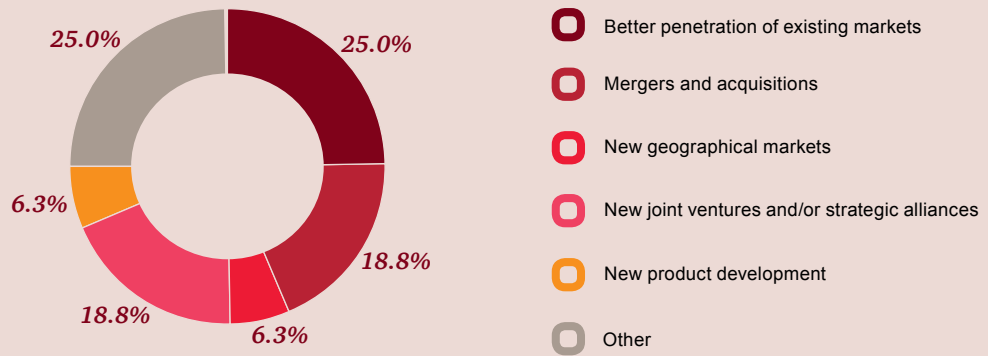
Better penetration of existing markets is noted as one of the main reasons for growth expectations over the next 12 months. Accessing new markets allows agribusinesses to broaden their reach and increase their potential to

sell products and services to more customers. This year's survey has a specific focus on cross-border expansion into other African countries.

Other opportunities for business

expansion include mergers and acquisitions, new joint ventures and/or strategic alliances, increased yield and horizontal growth.

Business expansion in the next 12 months



Respondents were asked to prioritise factors that pose the biggest challenges to business growth. As illustrated in the graph below, scarcity

of natural resources was prioritised as the biggest challenge. This very real concern will be dealt with in more detail under the climate change and

resource scarcity section of the publication.

Challenges to business expansion



Risk management and compliance

Effective risk management is expected to improve performance against objectives by (1) reducing management time spent 'fire-fighting', (2) an increased focus internally on doing the right things properly, and (3) a greater likelihood of change initiatives being achieved within an agribusiness.

Various matters regarding integrated reporting, risk assessments and compliance were addressed in this year's survey. The results are analysed below.

Integrated reporting

Integrated reporting is concise communication about how an agribusiness's strategy, governance,

performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term.

The majority of participating CEOs indicated that they prepare an integrated report that includes sustainability reporting.

Do you prepare an integrated report, including sustainability reporting?

Yes **62.5%**

No **37.5%**

All respondents that prepares integrated reports, indicated that their sustainability report is compiled internally as opposed to getting external assistance with this task.

Assessing risk

In order to properly manage risk it is important to understand risk events, risk exposure and the causes of the risk. To address problems of risk and vulnerability within the agricultural

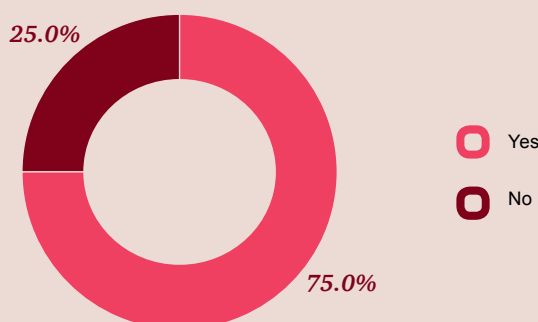
sector, an understanding of the cross-cutting issues and of the multiple approaches to managing risk is key. It is therefore vital that agribusinesses conduct formal risk assessments to manage possible risks in their business environment.

In this light, it is comforting to report that the majority of respondents (83.3%) periodically conduct a formal risk assessment.

Only 25% of respondents indicated that their board of directors have not delegated their risk responsibilities to another committee.

Participating CEOs indicated that their risk committees comprise mainly non-executive directors and executive directors. Only 25% of agribusinesses included external specialists or consultants on their risk committees.

Delegation of risk responsibilities to a committee

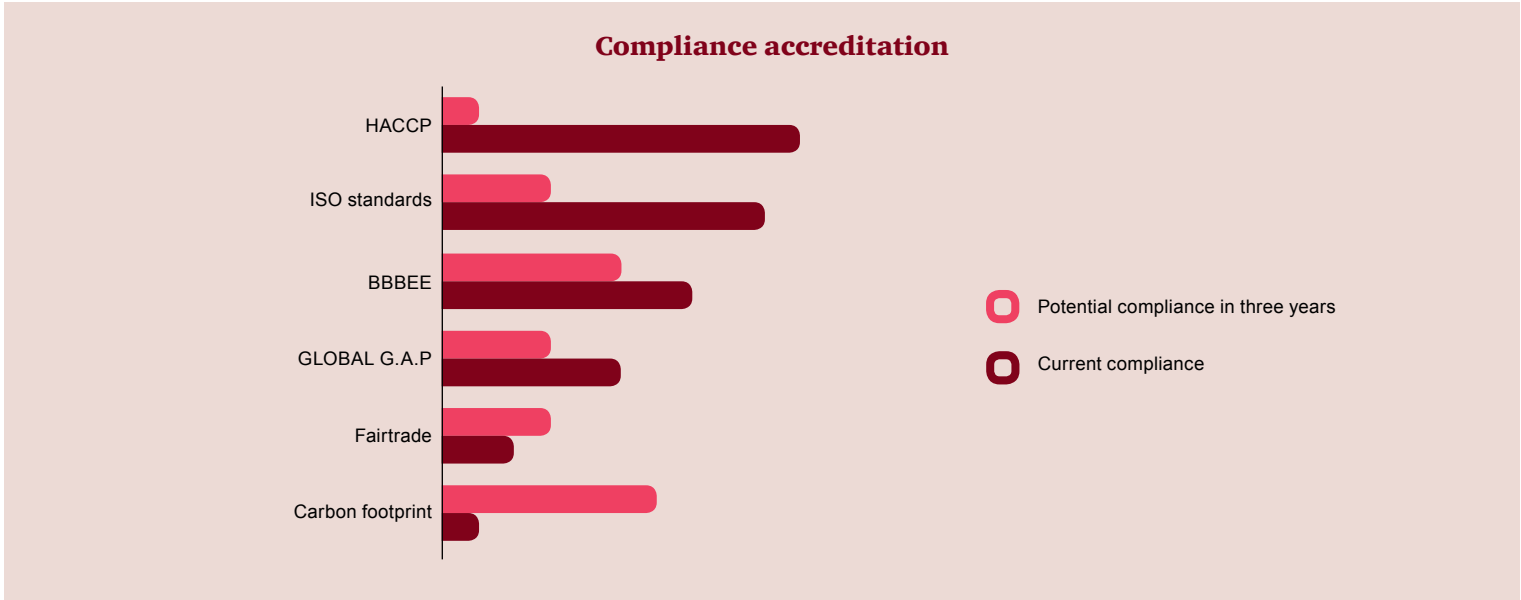


Compliance

Compliance is part and parcel of any business. Often, businesses feel burdened by the number of systems and scorecards they have to comply with, but these also have their benefit in providing the necessary

accreditation and legitimacy in terms of their sustainability. On being asked which accreditation systems agribusinesses currently comply with and potentially plan to comply with, it was evident that Hazard Analysis and Critical Control Points (HACCP) and

ISO standards are a priority. Future compliance may include a carbon scorecard, as well as broad-based black economic empowerment (BBBEE).



External audits and reviews pertaining to sustainability issues such as energy consumption, water

consumption, chemical usage, and health and safety are becoming more and more of a reality for

agribusinesses. A strong 82.8% of participating CEOs indicated that they had been subjected to such reviews.



Role of government

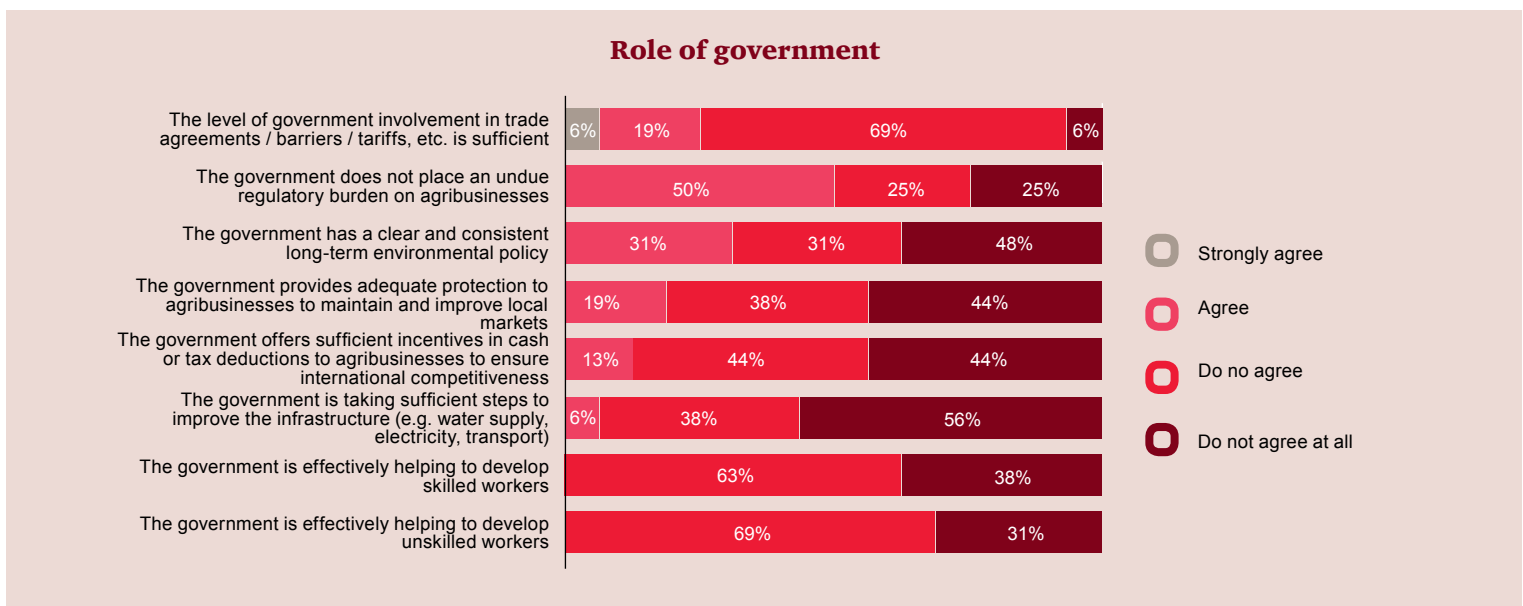
Housing six of the ten fastest-growing economies of the world, Africa is rapidly becoming a preferred investment destination. Africa is also said to represent the 'last frontier' in global food and agricultural markets. The continent houses almost 60% of the world's uncultivated land and an abundance of natural resources. Agriculture and agribusiness together account for nearly half of the GDP in Africa (World Bank, 2013).

Due to the large percentage of uncultivated, fertile land and the presence of water, sub-Saharan Africa is specifically attractive. With the exception of South Africa, countries in sub-Saharan Africa measure an average annual growth rate of over 5% (DAFF, 2013).

To take the African agricultural sector, with its enormous potential, to the next level, public-private partnerships throughout the value chain as a whole are key. The role of governments in supporting the private

sector to grow their businesses should not be underestimated.

The following graph illustrates participating CEOs' perceptions of the role of their government in their respective contexts. As noted in the feedback, there is still a long way to go towards better government support.



According to Dr John Purchase, "Despite Africa's huge reliance on agriculture for its GDP, only a handful of countries invest 10% of their annual budgets in agricultural development, despite the Maputo Declaration, signed by African Heads of State, committing to this target. Investment by African Governments in agriculture will send a profound signal to the private sector, and private sector investment will follow." (DAFF, 2013)

Government grants

Of participating agribusinesses, 37.5% have applied for government grants during the past year. The following specific programmes and grants were mentioned:

- The Production Incentive Programme (PIP) of the South African Department of Trade and Industry for SA Dorper skins and hides production
- Critical Infrastructure Programmes (CIP) at the South African Department of Trade and Industry
- Water licenses at the South African Department of Water Affairs
- Financing of emerging farmers

One should ask why the success rate for grant applications is not higher. Can it be due to a shortage of funds to support agribusinesses, or is it perhaps because of inefficiencies in the administration of grant applications? It would be encouraging to see an increase in applications for government grants in future.



People matters

Agribusinesses have increasingly recognised the potential of their people to be a competitive advantage. Creating competitive advantage through people requires careful attention to human resources (HR) practices that best leverage these assets. HR plays an essential role in developing and realising the strategy of an agribusiness as well as handling the employee-centred activities.



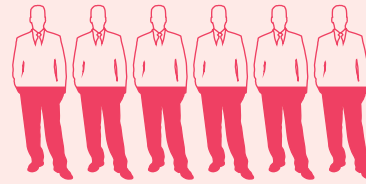
Understanding how the people matters are approached in the context of an agribusiness is crucial to understanding how HR contributes to business strategies, and the value that it is poised to bring the business.

This section will provide some insight into the human capital data and HR practices of participating agribusinesses.

Employee numbers per survey participant

Average number of employees: **1 366 employees**

Permanent employees:
50%



Casual/Contract workers:
50%

The value of an HR function

The HR function includes various functional areas comprising specific responsibilities, ranging from recruitment and staffing, to compensation and benefits, to training and development. In recent years, HR has moved from handling pure transactional HR activities to playing a strategic role through its business strategy, talent management and leadership development activities.

Transactional HR activities typically include administration, disciplinary procedures and recruitment. Strategic activities consider the HR strategy in the context of the wider business strategy, focusing on activities such as succession planning, performance management, and organisational and

leadership development. Strategic HR does not abandon these transactional or administrative responsibilities, but its main task is to participate in business strategy rather than support administration.

All respondents (100%) indicated that their agribusinesses have internal HR functions as opposed to outsourced HR functions. The majority (64%) of respondents indicated that their internal HR functions perform both transactional and strategic activities. The remaining respondents (36%) stated that their internal HR functions perform purely transactional activities.





HR functions should go beyond their mere administrative support function to play a more strategic role, working with the agribusiness to reach its business strategy and to mould and equip the employees of the future, today.

Overcoming HR challenges

Respondents were prompted to prioritise or rank the HR challenges of their agribusiness from most to least concern. As illustrated in the graph below, the following were noted as the main challenges:

- Employee turnover
- Internal HR capacity
- Labour unrest
- Communication between employees and management
- Succession planning

HR challenges



1) Employee turnover

The employee turnover rate of an agribusiness is defined as the number of permanent employees that left the business, regardless of reason, divided by the average number of permanent employees, during the past 12 months. For the period ending December 2014, respondents indicated that the average turnover rate of their agribusinesses was 8%.

To manage employee turnover rates, agribusinesses should firstly identify the internal reasons for employees leaving the organisation. Thereafter, these specific reasons can be addressed through various initiatives.

Research in recent years indicated that management or leadership style, career path strategies and rewards are three of the main aspects of internal organisational functioning found to have a significant influence on employees' decision to leave an organisation (Muteswa & Ortlepp, 2011).

Management/leadership style

Managing the people dynamics within an agribusiness is essential to retaining employees. Top management should practise progressive leadership that empowers and grows employees to work independently as they develop. Democratic leadership has also been found to encourage high employee participation and to help reduce conflict and tension between management and employees.

Career path strategies

Agribusinesses should ensure that their current career path strategies are able to help their managerial-level employees identify the different potential career paths they can take to grow within the business and to identify their training and development needs to improve their skills and to achieve their personal career goals.

Rewards

Key to addressing rewards-related matters, agribusinesses should ensure that they make use of a compensation system that has been benchmarked against similar organisations in the agricultural sector. In addition, competitive intrinsic and extrinsic rewards should be considered to offer employees a holistic reward package in order for them to have reduced intentions to leave and be able to continue working for their current organisations for a longer period. (Muteswa & Ortlepp, 2011).

2) Internal HR capacity

Developing the internal HR function of an agribusiness to go beyond being an administrative support function to having a strategic focus is vital for HR success. Agribusinesses should identify their people-related needs and build their HR capacity around this.

3) Labour unrest

In recent years the agricultural sector experienced several waves of labour unrest, which might have led to the fact that it is noted as one of the biggest challenges for agribusinesses. The dissatisfaction of employees involves more than minimum wages; various social concerns need to be addressed as well.

“A narrow-minded and short-sighted focus on the minimum wage only denies the complexity of the issue and holds the potential to destroy job opportunities rather than to contribute constructively to broad-based economic and social development.” (Rabe, 2012)

To address the labour challenges the agricultural sector experienced and proactively address future concerns, both the private and public sectors have since made an effort to develop appropriate strategies. One such initiative in South Africa is the Future of Agriculture and the Rural Economy (FARE) process that was launched at

Elsenburg on 26 April 2013, following four months of consultation and deliberation with role players comprising different spheres of government, labour, organised agriculture, NGOs and smallholder farmers.

The strength of initiatives such as FARE will lie within the creation of models and recommendations that deliver a shared vision, and feasible and practical suggestions for implementation.

4) Communication between employees and management

Another challenge pointed out by participating CEOs is communication challenges between employees and management.

Ongoing and open communication between managers and employees can assist to clearly define roles and responsibilities and to proactively address potential areas of conflict. When expectations and issues are regularly discussed between managers and employees at both formal and informal forums, all team members have a better understanding of the status of the work relationship. Ways to increase communication between managers and employees include having regular staff meetings, conducting one-on-one meetings, having an open-door policy, issuing regular updates and formalising agreements in writing (McQuerrey, 2015).

5) Succession planning

Succession planning is a process of identifying, developing and recruiting people with the potential to fill key positions in the organisation. Actively planning for succession ensures that employees are constantly being developed and coached to fill positions, thereby creating clear career paths for employees. It is important that agribusinesses identify and understand the developmental needs of their employees. In addition, they must ensure that key employees understand their career paths and the roles they are being developed to fill. Lastly, be aware of employment trends in the agricultural sector to identify specific roles which might be difficult to fill through external candidates (Heathfield, 2015).

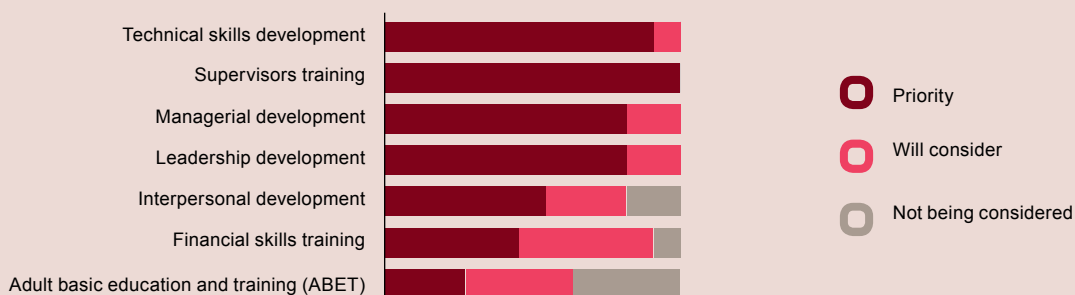
Learning and development

Participating agribusinesses indicated that on average their training budget for the following year is 2.3% of their payroll and 1.3% of their revenue.

In accordance with laid-down rules, AgriSETA in South Africa will fund certain staff training in the agricultural sector. Apprenticeships and learnerships offer agribusinesses certain tax breaks as well as a labour force that is more skilled, and agribusinesses should utilise these opportunities.

As illustrated in the graph below, respondents highlighted that their training focus areas will include supervisor training, technical skills development, leadership development and managerial development.

Training focus areas



In addition to the training focus areas that were pointed out by our respondents, DAFF (2013) has identified the following skills that are needed within the agricultural sector:

- Literacy and numeracy skills
- Basic decision-making and problem-solving
- Leadership, planning and management skills
- Social, interpersonal and communication skills
- Negotiation and facilitation skills
- The critical thinking that is necessary for fostering innovation and change
- Marketing skills
- Business, income-generating and entrepreneurial skills

It is essential that agribusinesses retain skills, invest in learning and development, and create opportunities for employees to grow and develop within the sector.



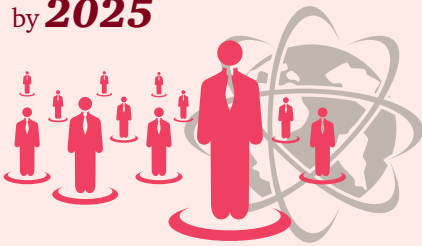
Megatrend 1

Regardless of what the demographic shift for a specific region entails, we are going to have to accept that world demographics are changing dramatically. It is therefore essential that we understand the implications of the changes in a specific region and act accordingly on a policy level.

Demographic change Did you know?

Increase in world population

1 billion
by **2025**



Proportion of world population

older than 60 years

1950 8%

2050 21%



62% of sub-Saharan

Africans are **below 25** years of age



2014

+ 10 weeks



Average person born in 2014 will live 10 weeks longer than average person born in 2013



World's **85** richest people own as much as the poorest

3.5 billion



By **2050**, one in three children born in the world will be born in sub-Saharan Africa

(UN, 2015; Oxfam, 2014; WHO, 2015)

These demographic changes are astounding, but we want to focus on the opportunities that they pose for agriculture:

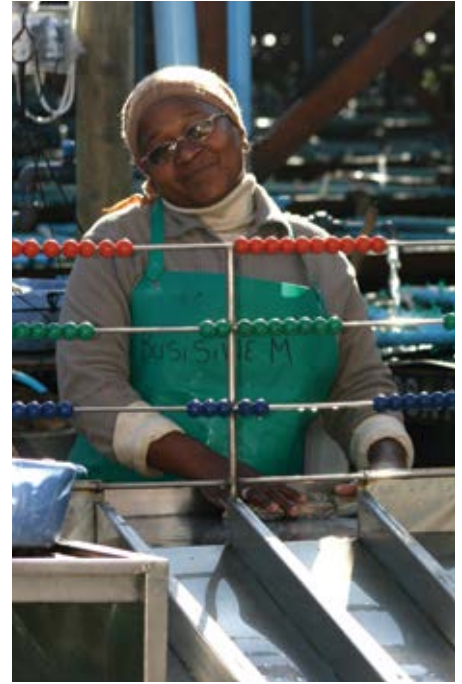
- The consumption of a growing population in creating higher demand for foods.
- The potential of a young workforce in Africa, compared to an ageing workforce the world over.
- Tapping into the growth potential that is projected for Africa and benefiting from this with further expansion into Africa.

Cross-border expansion

Agriculture is the economic backbone of most African countries. In sub-Saharan Africa the sector employs 70% of the labour force and contributes 30% to the GDP. Agriculture, through processing, generates growth in other sectors as demand rises for other goods and services. It is, however, concerning to note that Africa is responsible for only 10% of the world's agricultural production, and agricultural imports annually reach US\$33 billion for the continent. Smallholders with land sizes of less than one hectare still dominate the sector.

The high-performing economies have, however, shown that increased agricultural growth precedes any economic take-off (DAFF, 2013).

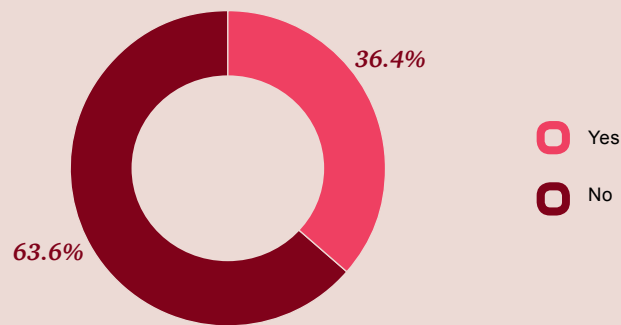
“Africa is on its way to becoming a preferred investment destination, a potential pole of global growth, and a place of immense innovation and creativity. But there is also a long way to go, and Africa’s governments must as a matter of urgency turn their attention to those who are being left behind.”
Former United Nations Secretary-General Kofi Annan, introducing the Africa Progress Panel in 2012 (DAFF, 2013)



Expansion in Africa

The majority (63.6%) of participating CEOs indicated that they have not yet invested in African countries outside of their own.

Investment in other African countries



Participating CEOs were asked to identify other African countries where they are currently invested in as well as those they are planning to invest in. The results are illustrated below.



Africa is becoming an increasingly attractive hub for foreign investors in light of various economic, political and social reforms that are noticeable throughout the continent, resulting in a much improved business environment that is conducive to foreign direct investment. Apart from that, there is widespread development of critical social and other physical infrastructure, and there is an increasing pool of well-educated, English-speaking, enterprising workers in most countries across the continent (Nsehe, 2011).

As the world's population increases rapidly (recently exceeding the seven billion mark), global agricultural production must rise to feed these growing numbers. Much of that increased agricultural production will come from Africa. Therefore, as obstacles to boosting agricultural

output in Africa are overcome and agricultural output is increased, there'll be a business opportunity for the manufacture and marketing of products such as fertilizers, pesticides and seeds as well as a demand for food-processing services such as grain refining.

Supporting this perspective, 72.7% of participating CEOs consider investment in other African countries as an opportunity for their agribusiness to expand.

Do you consider further investment in other African countries as an opportunity for your business to expand?

Yes **72.7%**

No **27.3%**

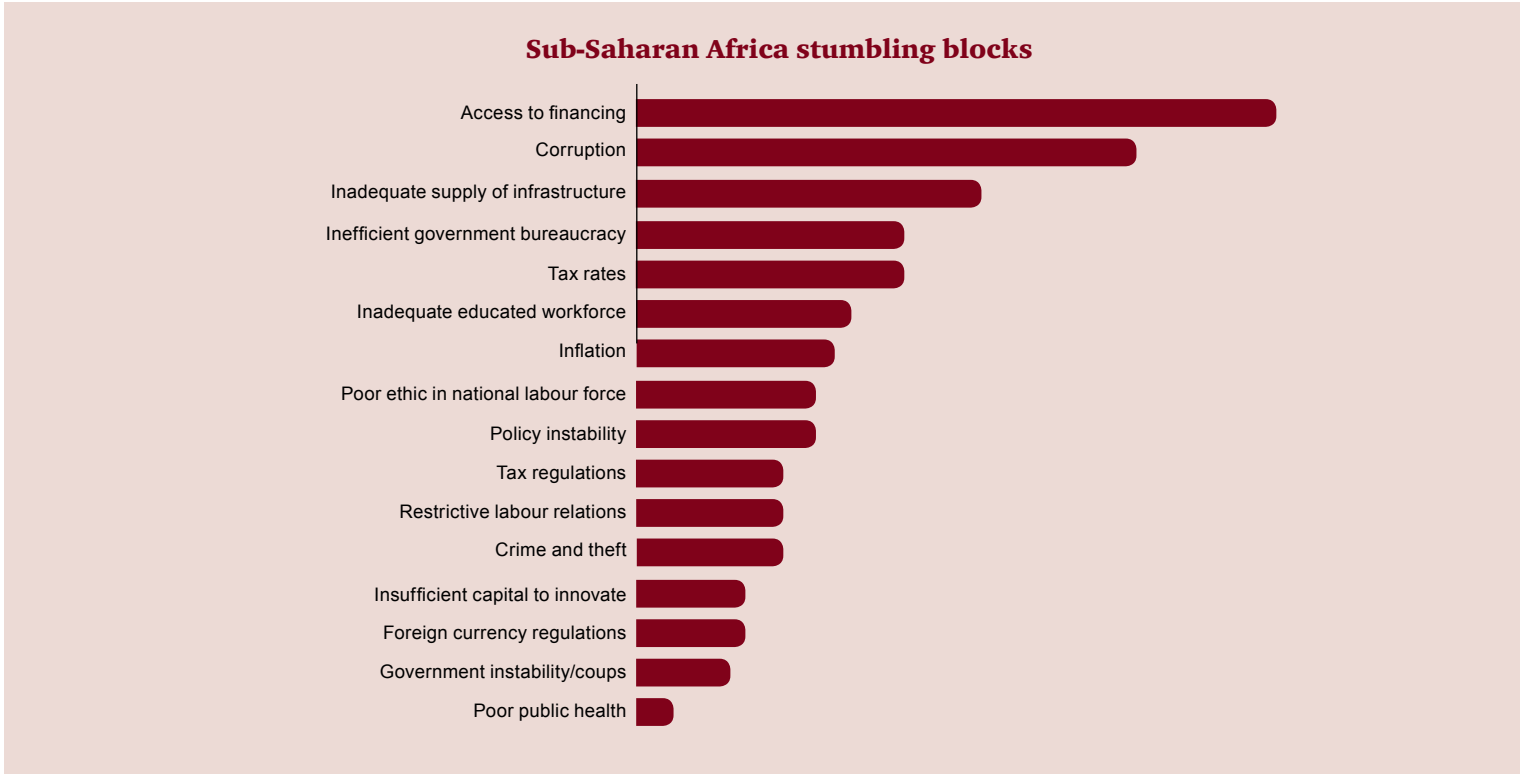
Challenges to cross-border expansion in Africa



In addition to the challenges to cross-border expansion in Africa, as indicated in the survey and illustrated above, the graph below illustrates the stumbling blocks to doing business in

sub-Saharan Africa as compared to those of North Africa, according to an executive opinion survey conducted by the World Economic Forum in 2012. The five most prevalent

stumbling blocks, in order of ranking, are access to finance, corruption, inadequate supply of infrastructure, inefficient government bureaucracy and tax rates (WEF, 2012).



Climate change and resource scarcity

Climate change is getting closer to home as it starts to directly influence the essential natural resources that agribusinesses need to operate sustainably. The following provides some insights into where our participating agribusinesses stand right now with regards to climate change and resource scarcity:

Renewable energy – where do we stand?

Investment in renewable energy:

Yes **45.5%**

Investigating **54.5%**

Types of renewable energy invested in:

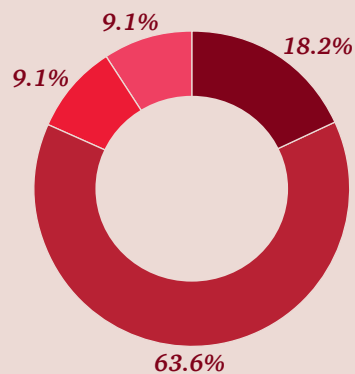


Solar **50%**



bio Biogas **45.5%**

Expected impact on agriculture



- Yes, significant impact in the next 50 years
- Yes, significant impact in the next 20 years
- Yes, significant impact already/ in the short term
- Unsure

Water and carbon footprint measured?



Water footprint 9%



Carbon footprint 0%



Both water and carbon footprint 9%



Considered one of the above 73%



Never considered any of above 9%

Biggest drivers of environmental sustainability considerations in the future, from most to least important:

1. Resource scarcity, such as water
2. Consumers
3. Regulators
4. Retailers
5. Competitors

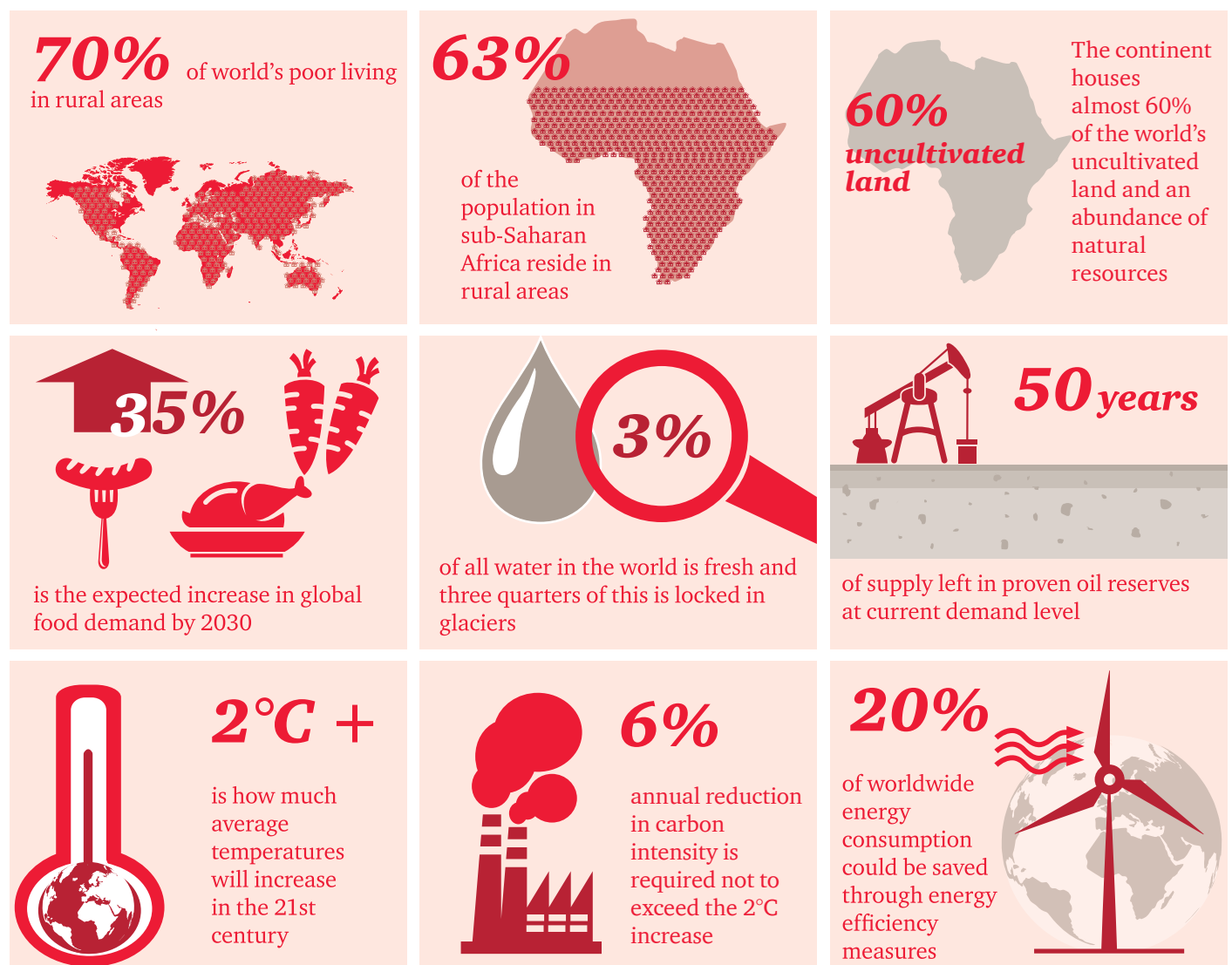
Megatrend 2

Scarcity is the fundamental economic problem of having seemingly unlimited human wants in a world of limited resources. It states that society has insufficient productive resources to fulfil all human wants and needs. A common misconception on scarcity is that an item has to be important for it to be scarce. Scarcity involves making a sacrifice – giving something up, or making a trade-off – in order to obtain more of what is wanted (Heyne, Boettke and Prychitko, 2014).

Resource scarcity in our day and age shapes the way we produce, source and consume. We cannot merely accept that we have enough water, productive soil and other natural resources. The result of resource scarcity that is not proactively managed is food insecurity. As already mentioned in the section on business growth, respondents were asked to prioritise factors that pose the biggest challenge to business growth. Scarcity of natural resources was prioritised as the biggest challenge.

Climate change and resource scarcity

Did you know?



(World Bank, 2015; Rain Harvest, 2015; Global Trends 2030: Alternative Worlds, National Intelligence Council 2012; BP Statistical Review of World Energy, 2013; Intergovernmental Panel on Climate Change, 2007; PwC Low Carbon Economy Index, 2013)

The depletion and degradation of land and water pose serious challenges to producing enough food and other agricultural products to sustain livelihoods and meet the needs of urban populations. Sustainability and corporate social responsibility are no longer a luxury – they have become a necessity. Agribusinesses in Africa will have to be aware of this reality and be part of the solution.

Technological innovation

To remain competitive, agribusinesses need to pre-empt and respond effectively to the rapid pace of technological change in the agricultural sector globally. It is essential that all decision-makers understand technology, integrate their technology strategy with their business strategy, and actively manage technological innovation.

Software package selection

Software/ERP implementations are challenging propositions for agribusinesses looking to adopt new systems to support their business

activities. This fact is true for agribusinesses of all sizes and levels of complexity, but it is especially true for smaller agribusinesses.

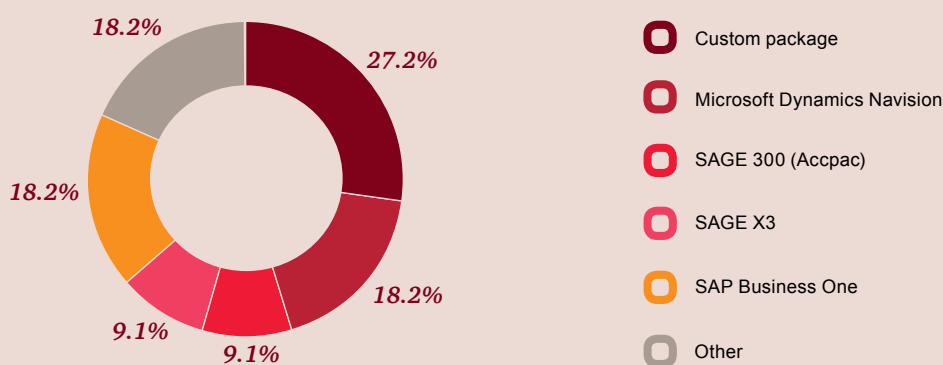
The good news is that smaller agribusinesses have a number of options to choose from when evaluating potential software packages/ERP systems. Traditional ERP vendors are moving downstream to find additional sources of customers and revenue in the small business segment, while a number of start-ups are providing niche solutions for smaller agribusinesses.

A focus on innovation and fit-for-the-business is crucial when selecting

software packages. Special attention to new-product development is imperative to obtain and maintain a competitive edge.

The majority of participating CEOs (27.2%) indicated that they make use of custom software packages, 18.2% use Microsoft Dynamics Navision and 18.2% use SAP Business One within their agribusiness. Other software packages/ERP systems specified were IQ and QuickBooks.

Software packages/ERP systems



When implementing a new ERP system or software package, a key consideration, which is often given a back seat, is managing the change associated with an implementation. A common mistake is to view change management as an exercise in end-user training that happens shortly before go-live. However, the people issues associated with software implementations tend to be much more complex. A comprehensive organisational change management strategy is important for agribusinesses wanting to make their projects more successful.

Critical change management activities to consider are regular status updates, focus groups and emails to employees. The most effective and successful project teams also leverage change readiness and impact assessments, process training and communications, and organisational risk assessments to make their projects successful (Kimberling, 2015).

It is important for agribusinesses to adequately define business processes and requirements that will lead them into the future and that will assist them in achieving their strategic

objectives. Given the importance of strategic and business alignment when selecting software packages/ERP systems, a positive response to note is that 63.6% of participating CEOs were of the opinion that their software package/ERP system fulfils their business requirements and supports their strategic objectives. The remaining 36.4% indicated that it neither fulfils their business requirements nor supports their strategic objectives.

Opportunities for technological innovation

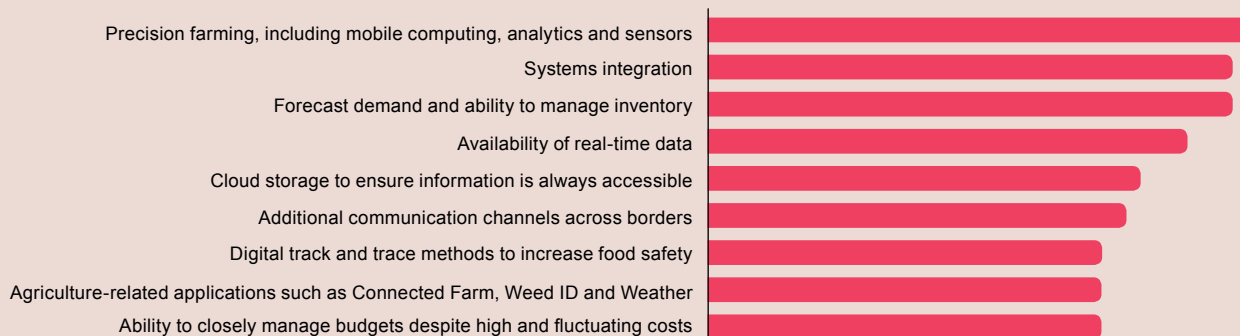
Respondents were prompted to consider the biggest opportunities for technological innovation within their agribusiness. As depicted in the graph below, the biggest opportunities can be grouped under the availability of data.

A large number (45.5%) of participating CEOs indicated that farm-level data and precision AG (soil, satellites, yield, etc.) played a very important role in their agribusinesses over the past ten years. In addition, all respondents indicated that farm-level data will gain a new level of meaning and importance if consolidated on one

platform and if new live metrics are generated with artificial intelligence.

Other big opportunities identified were system integration, forecast demand and the ability to manage inventory, the availability of real-time data, and cloud storage to ensure information is always accessible.

Opportunities for technological innovation



Farming technologies

In the last 15 years, precision farming has had a big impact on industrial agricultural farming operations, using precise applications of fertilizers through knowledge gained from yield maps, satellites, and soil analyses. In recent years, variable rate seed applications have further enhanced this system to increase yields and decrease input costs.

However, new technology has been developed in the last three years that integrates precision farming principles with new technologies such as cloud computing, data mining, modelling, and neural networks, all of which can be applied very effectively to agriculture at a new and higher level of artificial intelligence farming (AI-farming). What this means for everyday practical farming operations and management is summed up below.

Precision agriculture

Precision agriculture makes use of satellite and yield maps to generate application maps for GPS-driven farm implements, which control valves and solenoids to precisely apply inputs such as fertilizers and seeds. Precision agriculture makes use of variable rate application and the following tools and technology:

Satellite imaging	Soil maps	Yield maps	Soil moisture	Irrigation scheduling
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AI-farming

Summed up, AI farming integrates all the verticals of farming operations that are related to technology and data. AI farming then uses the mined big data to model it through sometimes simple and sometimes complex system dynamics modelling using neural networks and agent-based models. This new form of farming with its high level of technology makes use of dashboard visualizations, and computation in the cloud and is accessible from mobile devices. In addition, it communicates with mobile devices to gain further access to data. In addition to precision agriculture, AI makes use of the following tools, technology and data:

Satellite imaging	Soil maps	Yield maps	Soil moisture	Irrigation scheduling
Irrigation prediction	Disease prediction	Weather stations	Weather forecast	Long weather prediction
Data modelling	Image recognition	Remote sensing	Field scout	Data cross-pollination

Additional benefits of this vertical integration include the ability to further supply the following features:

Season planning	Harvest records	Auditing	Legal compliance	Mass data storage
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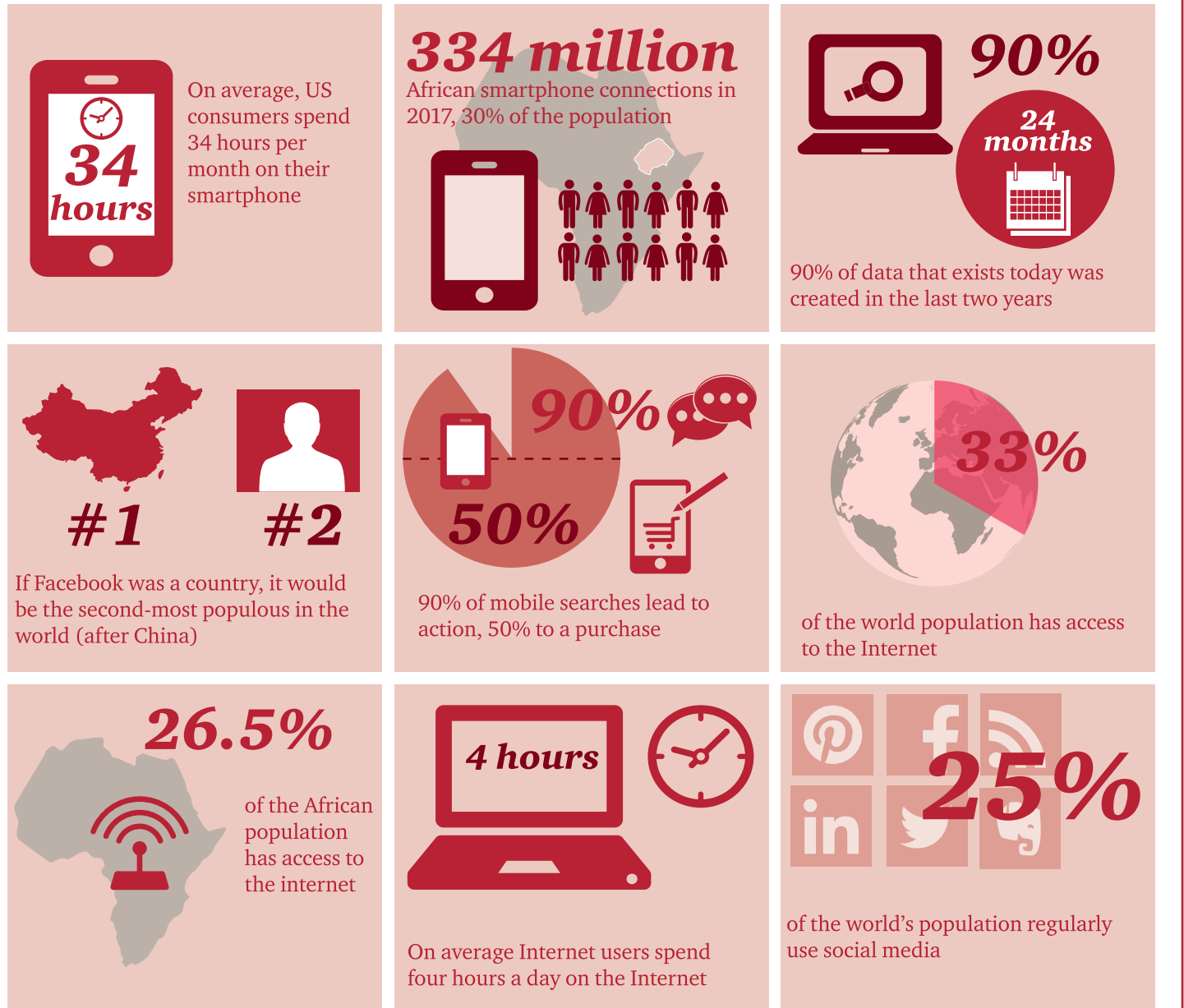
(Wolfgang von Loeper, 2014)

Megatrend 3

Technology that is not doing its job can be one of the biggest disrupting forces in an organisation; and as already alluded to, even advanced technological tools such as ERP systems can bring massive frustration if they are not properly implemented, accepted and understood by all users. However, technological advances have the potential to increase efficiency to unimaginable levels and thereby positively transform the way we work.

Technological advances

Did you know?

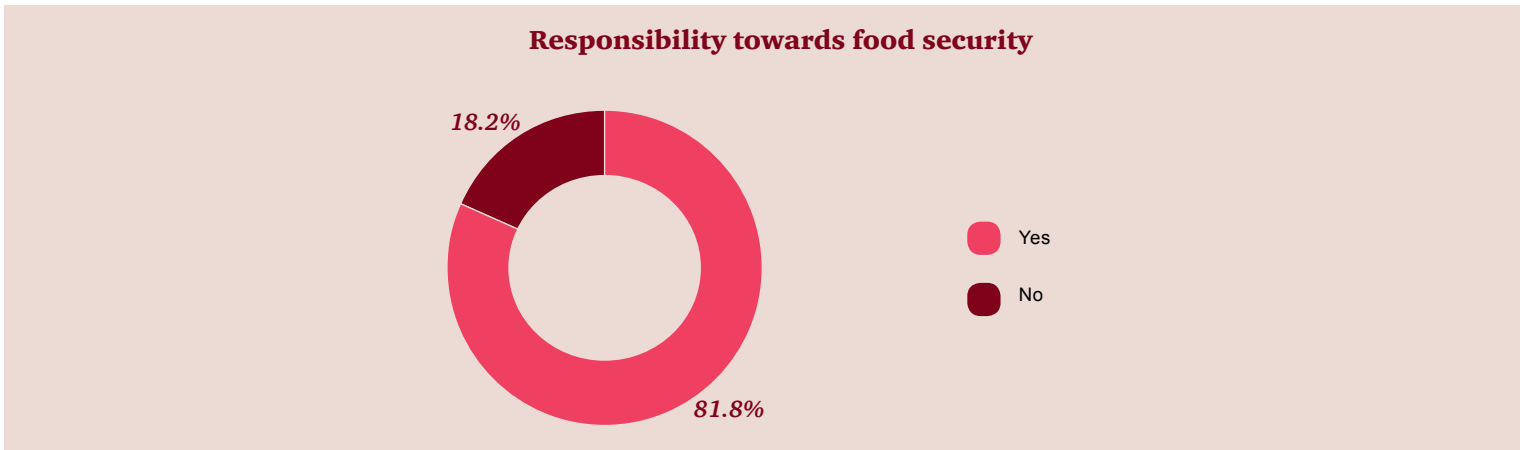


(Business Tech, 2014; Nielsen, 2014; Un Population Division, 2012; Internet World Statistics, 2014)

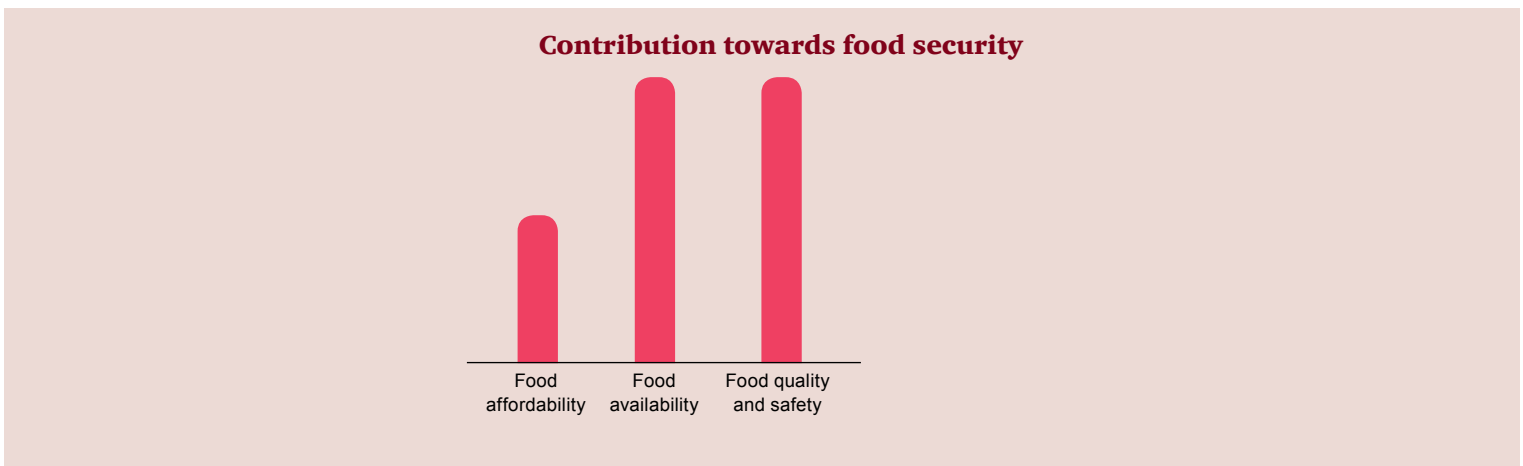
Population growth and food security

Food security has been on the agricultural policy agenda for more than a few decades, alongside environmental and social sustainability – but is it also on the agenda of agribusinesses? There is no direct return or benefit linked to efforts towards food security, yet this policy issue cannot be ignored, as it is in the hands of agribusinesses to secure the world’s food sources for the future.

On being asked whether they have a responsibility towards food security in their respective countries, the majority of responding agribusinesses (81.8%) indicated that they do acknowledge their responsibility, as illustrated in the graph.



Most respondents indicated that their contribution towards food security is or would be focused on either food availability or food quality and safety, as opposed to food affordability.

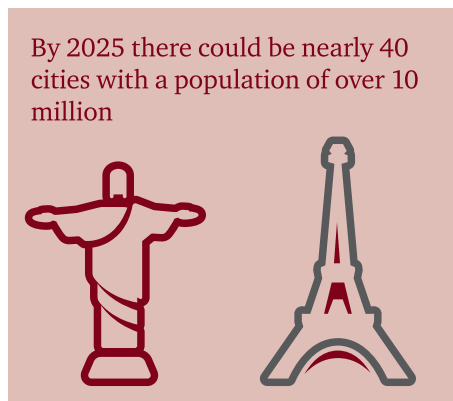
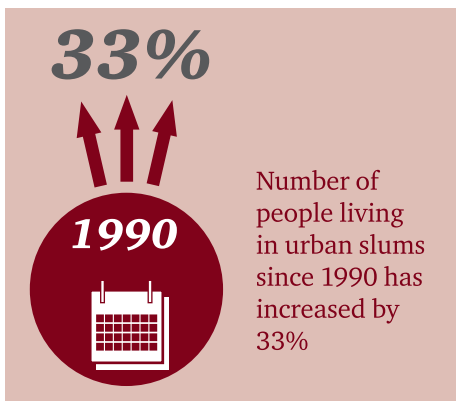
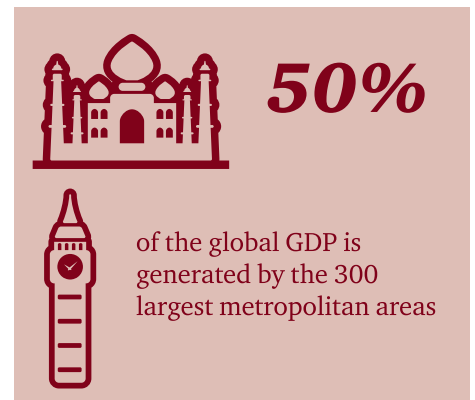
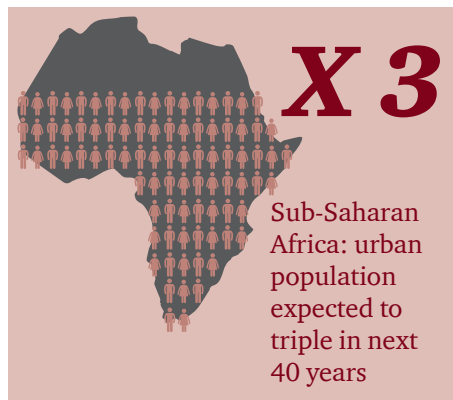
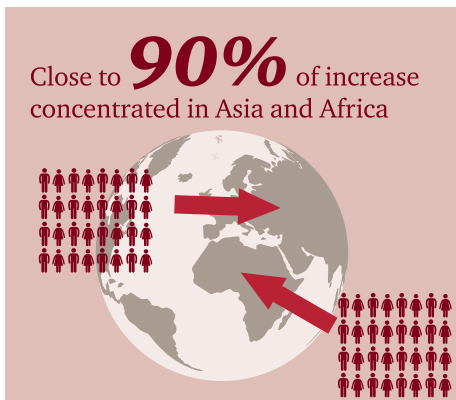
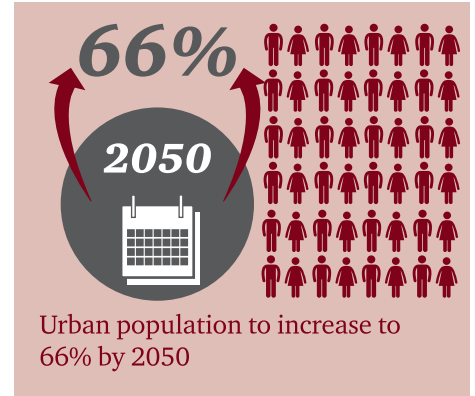
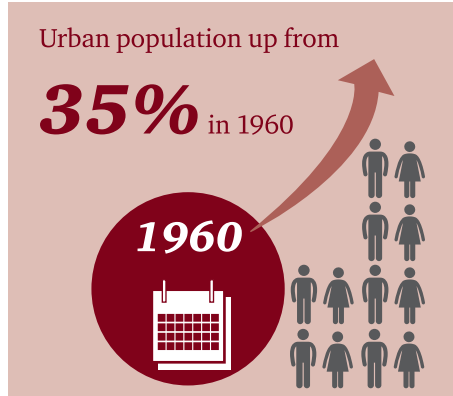


We also requested survey respondents to share their perception of potential solutions to food security. Below are the results in order of importance.



Accelerating urbanisation

Did you know?



(WHO, 2015; UN, 2015; Regmi, 2014; Brookings Institution, 2012; UN Habitat, State of the World's Cities, 2012/2013)

According to Anita Regmi, Senior Science Officer from the CGIAR Consortium, a global agricultural research partnership, growing urbanisation has 'push' as well as 'pull' factors influencing agriculture. Looking first at the 'push' factors, a greater urban population competes with agriculture for scarce resources that are required for agricultural production, such as land, water and energy. It is thus a high priority for the

agricultural sector to focus on new technologies and improved production systems to increase efficiency with the limited resources available.

A further 'push' factor that cannot be ignored is the availability of farm labour as more and more skilled and unskilled workers make for the city. Greater education opportunities, higher income and more employment

opportunities are attracting talent to migrate from rural to urban areas. It is interesting to note that urban areas generally tend to attract more men than women. Men are more often drawn to the cities and women remain in the rural areas to continue working on farms.

Focusing on the 'pull' factors, because of insufficient rural earnings and a subsequent migration of labour to

urban areas, economies of scale are needed to retain labour. It is seen more and more that farm sizes grow and operations extend to operate on a larger scale. There are clearly more benefits to economies of scale than merely a higher wage level, but these will not be explored for the purposes of this publication.

As mentioned, urban areas are associated with higher earnings, which is one of the main reasons for rural-urban migration. This means that a greater income is available to buy food, leading to significant shifts in the global food demand patterns as well as food supply chains. Consumers are, for instance, demanding greater variety and better quality, which cascades down the value chain to agricultural production as well.

With urbanisation as well as demographic change towards a larger middle class, there is a higher demand for animal products rather than grains. Growing demand for animal-based food diverts grain calories in many communities towards animal feed and not only adds to local food insecurity but has also further contributed to the concerns about global warming and the sustainability of scarce resources.

The bottom line for agriculture is that input-efficient solutions are much needed to contribute to global food and nutrition security, while at the same time enhancing human and environmental health and securing the scarce resources upon which sustainable agriculture depends.




Megatrend 5

Economic power is constantly shifting on a global scale, and businesses that understand the implications of this megatrend will have a definite edge on their competitors.

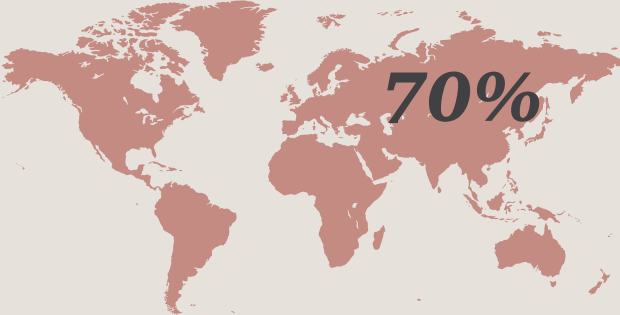
Shift in economic power

Did you know?




Largest economy by 2030

China is likely to replace the US as the world's largest economy by 2030 in market exchange rate terms




70%

2020

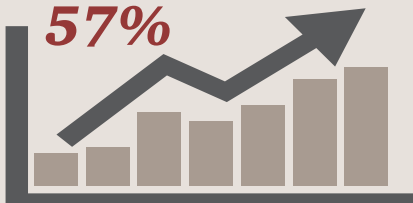


of companies could have at least one global business unit head based in Asia before 2020



2008

Measured in purchasing-power parity, the emerging economies overtook the developed world in 2008 in contribution to global GDP



57%

By 2030, developing countries will account for 57% of global GDP

37%

Developing countries account for 37% of global trade

Over the next five years, acquisitions of foreign companies by Chinese firms are set to double



(PwC World in 2050 Projections, 2013; 2013 Asia Business Outlook Survey - The Economist, 2013; OECD, 2010; Wolf, 2011)

Social impact

The overall social consciousness of businesses and specifically agribusinesses is on the rise. All responding CEOs indicated that their agribusinesses contribute towards corporate social investment (CSI) on an annual basis. The number-one focus area for CSI spend, as seen in the graph below, is farm worker development, followed by educational programmes for children and personal upliftment programmes. On average, participating agribusinesses spend 1.6% of net profit after tax on CSI initiatives. This is above the required 1% that South African businesses for example need to spend in order to achieve full points for the element of socio-economic development on the black economic empowerment scorecard, and it is also in line with global standards for CSI spend.

CSI focus areas



Section 3

Q&A with...







Q&A with...

Johan van Rooyen

Director, Standard Bank Centre for Agribusiness Leadership & Mentorship Development at Stellenbosch University and president elect of IFAMA

1. Why and how would IFAMA support agriculture as an industry?

Food production, distribution and consumption are and will remain vital and vibrant components of wellbeing for all of us, and these aspects are fundamentally related to agriculture as an economic sector. IFAMA shares this view and engages with agricultural activities from a value chain/network perspective. The focus is therefore on all activities in the agri-food value chain, and IFAMA's 'point of entrance' is that all such activities require a coherent set of business intelligence and human resource capacities to optimise the flow of food (and fibre) from producers to consumers.

Farming or agriculture can thus not be viewed as an isolated and production-orientated set of activities; rather, it is an integrated sub-set of the full agri-food value chain. IFAMA supports all components of the agri-food value chain, performing actions vitally important for societal wellbeing. Topics such as food security; food safety; developing and serving different markets; value chain management, linking farmers to the value chain – including small farmers; sustainability from a social and environmental viewpoint; technology and governance; funding strategies and the like are all part of the IFAMA agenda. All these are viewed with one important question in mind: 'How do we develop the required human talent to serve these activities appropriately – now and in the future?' Remember, 'people feed the world', and this is the IFAMA focus.

To play its role effectively and give content to this unique value proposition, IFAMA strives to bring together a network of relevant role players and opinion makers, i.e. to bring executive-level and leading agri-food industry players together with academia, skills developers and trainers to consider matters related to the present and future agri-food system. Matters that dominate these

discussions are related to business intelligence requirements and systems as well as the talent/human resources requirements to position and manage the agri-food system and all the challenges associated with feeding the world.

A constant thread or ‘cross-cutting’ runs through all IFAMA activities and strengthens the link between academia and industry to facilitate the development of the required talent and business intelligence for the future. With many students attending, IFAMA is also becoming somewhat of a ‘young talent recruitment’ forum.

2. What do you consider as the main opportunities and challenges for food and agribusinesses in Africa? Any advice to agribusinesses?

Food provision needs to increase by over 70% over the next 35 years to feed the world. The opportunities in the agri-food chain for the next 30 years will be massive, and agribusiness will define a large part of the future of Africa! Africa is now, together with Latin America, generally viewed as the most important producer of food to feed the future world – and an important reason for this is the abundance of natural resources on the continent. The natural resource base alone will, however, not ‘do the trick’. Institutions, good governance, human capacity development, infrastructure, technology and intelligence will be required. Agribusiness will largely be called upon to ‘spearhead’ the ‘unlocking’ of Africa’s latent resources (see, for example, the 2013 World Bank Report on this topic). One of the key challenges in the African context for agribusinesses will be setting up value chain networks – net-chains – to serve agriculture. These will include production and input supply systems, transportation, storage, trade and food safety certifications. Short food value chains to serve exploding urban populations on the

African continent will provide major opportunities, as will the linking of African farming to growing global markets, i.e. structuring and participating in new global value chains. Agri-food value chain management will be a key challenge of this opportunity.

Another key challenge will be the long-term securing of access to natural resources – land, water – for agricultural production purposes. Land access remains a complex topic; the participation of African governments and local communities will be very important. Community-focused agricultural investment models will have to be considered in order to:

- Promote (large-scale) farming linked to small-scale contract and out-growers;
- Provide for matters such as training and employment security; and
- Contribute to the provision of community services, medical care and education.

Some interesting examples are already emerging in countries such as Zambia, Malawi and South Africa (Chapter 6 of the National Development Plan). Partnerships between the private and public sectors in such models will be vital to make African agriculture happen.

The mobilising of talent to drive these ‘complex and challenging’ initiatives will be important. This will require not only a well trained individual but a personality with a pioneering and adventurous spirit. IFAMA, with its global and regional programmes and networks, could provide an interesting platform in this regard.

My advice to any agribusiness with its sights set on playing a role in this exciting future phase in Africa is to prepare well before just ‘jumping in’. Study the entirety of the proposed intervention carefully, develop informative

scenarios and invest time and knowledge in developing sound strategic intelligence networks – and do include locals in such networks. Roman historian Pliny the Elder remarked as long as 2000 years ago: ‘There is always something new out of Africa.’ Make sure you capture such Africa-exclusive wisdoms brought by local participation.

3. Do you see IFAMA expansion into other African countries?

A clear need was indeed already established for such expansion at the IFAMA 2014 Cape Town conference. A list of interested members is in progress and it is part of my responsibilities as IFAMA President to establish an IFAMA African chapter in 2015. We plan to do this in collaboration with particular role players in the relevant environments – institutions such as Ruforum, representing more than 30 universities on the continent; AgBiz with its connections to agribusinesses active in Africa; Nepad; Jadaffa; big agri-food companies; scientific bodies; and interested governments.

4. Food security – how serious is this issue and why should agribusinesses consider it / do something about it?

Feeding a world population of 9.1 billion in 2050 will be a massive challenge; if we cannot do this, major social disruptions can be expected. Food security is therefore one of the ‘Big Issues’ for IFAMA.

Food security is nowadays also defined much broader than only farm-level production. Aspects such as distribution, access, food safety, nutrition and consumption are of equal relevance. This expanded view, which inter alia deals with matters such as malnutrition and obesity, clearly falls right into IFAMA’s focus on the agri-food system. The target of a 70% increase in food supply, together with the Millennium Goals related to halving the proportion of people who suffer from hunger, in combination with most of the other targets, sets a clear challenge and agenda points for IFAMA.

5. With the 2015 Agribusiness & Food World Forum on the cards for June this year, which global agri-related issues should be addressed by the strategic plans of agribusinesses?

The 2015 Forum will be in the USA, and IFAMA will strategically focus on some of the ‘Big Issues’ that will shape the food and agribusiness industry today and also over the next 35 years. The four Big Issues for IFAMA 2015 are:

- Food security 2050;
- Climate-smart food and agriculture systems;
- Better analytics for a deeper insight – big data systems; and
- The talent flow to serve the future.

The event, through the Scientific Symposium, Global Case Study Competition and World Forum will, in a highly interactive manner, explore solutions to how industry role players can thrive in the future. Topics will include:

- The role of technology in agribusiness value chains;
- The management of agribusiness and food firms in an ever-changing world;
- The evolving role of agribusiness education; and
- The need for talent and how to sustain it.

6. You are the first IFAMA president elect from the African continent. What significance does this hold for agribusiness in Africa as well as the rest of the world?

Yes, it is significant; and yes, it surprised me; and yes, it was totally unexpected when I was ‘the chosen one’ to carry the flag!

Not long ago a strong proposal to stage IFAMA 2011 in South Africa was shot down in flames: ‘good idea but nothing happens in African agriculture; no sponsors will contribute; no one will travel that far; blah blah blah’. Things have changed dramatically since then, and when we were offered the chance in 2013 to stage IFAMA 2014, we jumped at it; established a Pan-African reference committee and mobilised a well represented local organising committee and conference organiser; secured the administrative support of AgBiz with its 70+ SA agribusiness members, including PwC; held weekly teleconferences with relevant role players all over the globe; sourced sufficient sponsorships; and managed to put together an innovative programme, excellent speakers and a unique ‘African feel’ to the Cape Town conference in June 2014. More than 400 professionals from all continents attended, showing a strong interest in ‘Agribusiness in Africa’. A hundred+ senior students in agribusiness also participated, showcasing the future agri-food business leaders.

This performance clearly confirmed interest in African agriculture and the future role of agri-food value chains, and also our ability to stage world-level events in this context. My contribution will be to build on the IFAMA 2014 experience, assist with the creation of an Africa IFAMA Chapter, and expand the IFAMA experience to other ‘new world’ regions such as South America and China, perhaps also Saudi Arabia – all major focus points for innovative agricultural expansion. The support of PwC in this context is highly valued.





Q&A with...

Norman Celliers

CEO, Zeder Investments, an agriculture-orientated investment company based in South Africa

1. Can you briefly describe your role at Zeder?

I am the Chief Executive Officer.

2. In which Africa countries do you have operations?

Through our portfolio investments we have operations in many countries, including South Africa, Namibia, Botswana, Zambia, Zimbabwe, Mozambique, Uganda, Nigeria, DRC and Egypt.

3. What are your main services to these countries?

Zeder is only an investment holding company so we don't offer any direct services. However, through our investee companies we produce, distribute and sell a broad range of agricultural products and services as well as consumer food and beverage products. These range from agricultural seeds to breakfast cereals.

4. What are the challenges that you experience with your agribusiness footprint throughout Africa? What hampers business growth?

It will be very difficult to summarise all the challenges in a short answer. But if I have to focus on a few, I would say that political instability, lack of infrastructure and supply chain inefficiencies pose the greatest challenges.

5. What are the opportunities for you in Africa? Why Africa?

Africa presents one of the largest consumer growth opportunities in the world, albeit off a low base. The emerging consumer is slowly but surely migrating upward in the disposable income bracket and as a result, significant market opportunities are being presented.

6. Why do you feel that Agri is an industry that you would like to be in currently?

Agribusiness, inclusive of agriculture, is a very large industry and has one of the highest conversions into tangible employment. In the African context it is underdeveloped and presents significant sustainable growth opportunities. In a global context, technological innovation and nutritional advancement are driving unprecedented breakthroughs.

7. If you were the president of those African countries in which you do business, what would you have changed?

I would have tried to find a way to allow pure free-market forces to flourish, while addressing the social needs through profits derived from world-class organisations. In the long run you need globally competitive organisations to ensure sustainable employment and progress.

8. Do you prepare an integrated report, including sustainability reporting? Do you prepare this in-house or do you make use of an external service provider?

Zeder as an investment holding company prepares an annual report. The detailed integrated reporting is done at a portfolio level.

9. How important is a relationship with the governments of the countries in which your portfolio companies operate and what do you need from these governments?

It is very important to ensure that our various companies and portfolio organisations are good corporate citizens and comply with the various local requirements. In this regard a healthy and transparent relationship with local governments is encouraged.

10. Do you want to further expand into other African countries? Which countries and why?

We will continue to evaluate African markets and explore new opportunities. At present we favour Zambia, Mozambique, Tanzania, Kenya, Ethiopia, Ghana, Malawi and Uganda. We feel these countries have developed to such an extent that the business environment is reasonably developed and slightly easier to participate in, even though it may not be the largest markets.

11. Are your portfolio companies' operations subject to external audits or reviews required by customers, certification bodies or standard setters, that include sustainability issues, such as energy consumption, water consumption, chemical usage, health and safety?

Most of our portfolio companies have operations that are audited extensively. These include chemical analysis of soils and water for agriculture, energy consumption for carbon taxes, fruit and health audits for export purposes and food safety for formal retail, to name but a few.

12. Will climate change have an effect on the agricultural industry in Africa? Have your portfolio companies considered, or have you done a carbon and/ or water footprint for their organisations or a product?

Yes, climate change will have a big impact on agriculture. Our portfolio companies continuously review and evaluate the potential impact of carbon and aim to reduce their footprints over time.

13. Who do you believe will be the biggest drivers of environmental sustainability considerations in the future: retailers, consumers, regulators, resource scarcity, competitors?

I don't think there will only be one force driving this

change. It will be a combination of forces from all stakeholders. However, the quickest impact will be achieved when/where consumers shift their spending patterns in order to drive alternative resource allocation. For example, if consumers stop buying food that does not comply with their environmental or health objectives, then the retailers, regulators and competitors will respond and follow rapidly.

14. Do you think that an agribusiness has a responsibility to contribute to food security?

Yes, all businesses have a responsibility to their stakeholders.

15. Do your portfolio companies contribute towards any corporate social investment (CSI) programmes or activities? (This may include any initiatives that are aimed at social development and upliftment.) What percentage of net profit after tax do you spend on CSI initiatives on an annual basis?

It is not possible to provide a final quantification of the exact percentage spent but our portfolio companies contribute significantly to corporate and social investment on a daily basis, not necessarily in the exact manner or form as required for CSI reporting. We recently conducted an internal review and the range and quantum of investments and contributions throughout the group was staggering. These ranged from the building of schools, the building of aftercare centres for children, the building and operating of medical clinics, the provision of daily food parcels to children in less privileged schools, the training and certification of emerging farmers, the contribution to removal of alien vegetation in water-scarce areas and the provision of numerous bursary schemes for tertiary education to previously disadvantaged people.

16. Do you have any advice for agribusinesses that would like to expand into other African countries?

Think long-term, be careful, be patient, partner with local teams and be considerate and respectful towards the country and cultures in which you do business.



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