

African agribusiness partnerships driving growth on the continent

Africa's dynamic agribusinesses are rapidly developing new markets for African food products across the continent through organic growth and global partnerships. Despite coming relatively late to large-scale food production and export, the continent has a number of advantages driving its ability to boost food production and access new global markets.



Junaid Jadwat, Executive, Agribusiness Sector, Consumer Client Coverage at Standard Bank.

The world's population is growing even as incomes are increasing. This is changing diets, driving the demand for food globally. Africa's population and income are also growing, with increases in the volume and variety of foods consumed tracking middle-class formation in key regions across the continent. All this is happening at a time of investment in transport and logistics infrastructure supported by legislation alive to the benefits of developing competitive trade within Africa.

This is also all happening on a continent with 60% of the world's unused arable land.

"Africa's agriculture sector is undergoing rapid change. Advances in the scale of aggregation and investment in processing and associated industries is promoting the large-scale accumulation and movement of African commodities like grains, cocoa, pulses, sugar and edible oils amongst others, within African countries, between African regions and even globally," says Junaid Jadwat, executive, agribusiness sector, consumer client coverage at Standard Bank.

Family-owned agribusinesses expanding

These changes are being driven by local family-owned agribusinesses expanding their processing, warehousing and distribution capabilities into neighbouring territories, or across regions. "Local companies like Bakhresa Group, Bidco Group, Export Trading Group, Mohammed Enterprises Tanzania Limited and Willowton, with local expertise and strong distribution capabilities, are expanding across borders in their home regions and diversifying across the consumer value chain into higher value FMCG processing," adds Jadwat.

"The resilience and growing strength of Africa's family-owned agribusinesses point to their strategic advantage in local knowledge and established relationships," explains Jadwat.

Standard Bank, present in 20 African markets has worked with many of these family-owned businesses, often for generations, and shares many similarities with them. Standard Bank is focused on driving growth on the African continent, which they call home. The bank has people on the ground who understand their markets, the detail of their client's businesses as well as the conditions under which they operate. Standard Bank also understands local legislation, along with the challenges of moving goods, managing money and providing liquidity across the continent.

Most importantly, however, Standard Bank along with many of its African agribusiness clients, "can see the opportunity that the continent presents for agribusiness and agri-trade – while providing the global infrastructure to leverage this opportunity," says Jadwat.



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Global agribusinesses partnering with local players

One of these opportunities is the growth potential increasingly realised through partnerships between global agribusiness companies and local or regional players. Established global agribusiness players like Louis Dreyfus Company, Olam, and Wilmar have partnered and are continually looking to partner with locals to pursue opportunities for expansion across the continent, bringing skills, global standards/benchmarks, as well as a strong supply network and scale. “It would be exceedingly difficult for a newly arrived global agribusiness to access these networks without working with a local partner”, explains Jadwat.

“At the same time, many African commodities businesses are at that stage in their development where they are increasingly seeking access to the international trading and distribution networks that the global FMCG multinationals have - if they are to expand volumes and access a wider footprint of global consumers and a larger basket of consumer goods,” he adds.

For more than 20 years, Land O’Lakes has been supporting dairy farmers in Africa by administering funds for US Aid in addition to providing access to markets and technical assistance to improve farmers’ yields and competitiveness. In 2015 Standard Bank was lead debt arranger for Land O’Lakes acquisition of a 52.5 percent stake in Villa Crop Protection, a leading crop protection company based in South Africa. Land O’Lakes is the second largest cooperative in the United States with 2016 net sales of \$13.2b and a clear vision for accessing the African agricultural market.

The synergy provides Land O’Lakes access to a continental agricultural network while providing vital chemical and fertiliser inputs. It also provides Villa Crop Protection’s clients with an alternative and expanded global market for their produce. More recently, Land O’Lakes completed a joint venture in Kenya with the Bidco Group, called Bidco Land O’Lakes Ltd, on their animal feeds business, further expanding their African footprint.

Having worked with many of these businesses for decades, Standard Bank is increasingly providing advisory, debt, trade finance, and global markets solutions that not only underpin the expansion of daily trading operations but also support the evolution and drive the earnings of Africa’s entire agricultural sector. Since the sector employs 70% of sub-Saharan Africa’s labour force and contributes 30% towards its GDP, “investing in and supporting the growth, health and dynamism of African agribusiness is central to the future growth and prosperity of the continent that we call home,” says Jadwat.