



# Building Agribusiness Value Chains in Africa in pursuit of the Sustainable Development Goals

## Seeking Collaborative Solutions

Reflections from a business roundtable held in London on 25th April 2016



### Rationale for the roundtable

In February 2016, KPMG and the UN Global Compact published the SDG Industry Matrix for Food, Beverage and Consumer Goods. The SDG Industry Matrix aims to inspire and inform greater private sector action to drive inclusive, sustainable prosperity. It provides industry specific ideas for action and industry specific practical examples for all 17 Sustainable Development Goals. The Matrix focuses only on opportunities which are expected to create shared value through the coming together of market potential, societal demands and policy action.

One of the biggest opportunities KPMG and the UN Global Compact identified for the food, beverage and consumer goods industry to advance sustainable development in emerging economies is to increase the participation of small and medium sized agribusinesses in value chains. Whilst we were encouraged by some company examples of leading practice, we were struck by how much less priority this opportunity seems to be receiving when compared to environmental challenges. For example, out of 21 good practice principles and initiatives included in the Matrix, Fairtrade is the only one which focuses on farmers rather than the environment. Similarly, out of 17 global multi-stakeholder partnerships, only two focus on agriculture as a driver of socio-economic development.

**“People are incredibly inventive so if you give them an opportunity they will find a way to deliver”**

Jeff Van der Eems, former Chief Executive Officer, United Biscuits

### An opportunity worth pursuing

Roundtable participants unanimously believe it is worth identifying opportunities to collaborate to build agribusiness value chains in Africa, because of both the economic and social benefits which could arise. These benefits include improved nutrition which is a prerequisite for Africa achieving its potential. (N.b. In Nigeria alone, 37 percent of children are stunted i.e. their physical and mental development is irreversibly impaired due to inadequate nutrition in the first 1,000 days of their life.) There is great cause for optimism. African market demand is rising with population growth, income growth and urbanisation. On the supply side, there remains vast untapped potential; two thirds of the world's untilled fertile land is in Africa, farm productivity is amongst the lowest in the world, and there is abundant supply of labour. Also, in recent years there have been big improvements in enabling infrastructure including an inventive finance sector and transportation networks.

In recent years, businesses and civil society have been learning effective ways to collaborate to start overcoming the multiple challenges which have thus far limited the agribusiness sector. For example, Farm Africa is helping smallholders to increase production, improve quality, develop their business skills and form co-operatives so they can enter into collective agreements with large companies. These models of success can form the foundation for developing and delivering a larger scale vision.



## The good news – capital and contracts searching for supply...

Finance will flow if only it can find reliable agribusiness investment opportunities of sufficient scale.

Private equity investors are looking for opportunities to expand their investment portfolios. Insurers are finding innovative mechanisms to extend insurance coverage, such as through parametric weather index schemes. Lenders will provide credit if producers can offer sales contracts as collateral. Multinational food companies are keen to increase local sourcing, particularly for the African market.

### Ideas for collaboration:

#### 1. Aggregating supply

- **Issue:** Current levels of aggregation are too low to attract investors and significant purchasers.
- **Idea:** There is great potential for civil society organisations to help create additional local collection centres and rural trading centres to link farmers to markets.

#### 2. Reconnecting buyers with smallholders and intermediary traders

- **Issue:** Many multinational food companies have lost sight of the smallholders and layers of traders within their extended supply chain, thus limiting the potential for them to optimise their supply chain support.
- **Idea:** Civil society organisations can help large food companies regain transparency of the various actors within their supply chains to then help broker collaborations which improve the quality, productivity and reliability of supply. This could see food companies' move from rolling seasonal procurement contracts to more enabling relationships.

#### 3. Blended financing

- **Issue:** High levels of risk and uncertainty, together with inadequate scale, are inhibiting the flow of private sector finance.

- **Idea:** Roundtable participants can convene financiers from across the risk spectrum to develop a blended financing plan which provides the requisite investment in skills, research, technology and infrastructure to catalyse agribusiness growth. Particular consideration should be given to regional agricultural growth corridors. Potential financiers could include the UK Department for International Development, banks, insurers, private equity investors, impact investors and large food companies.

#### 4. Sharing what works

- **Issue:** There are examples of success but they are not widely known and thus not replicated and scaled.
- **Idea:** Large food companies, smaller agribusinesses and civil society organisations could share their successes and failures in order to learn from each other as a basis for replication, scaling, and co-developing new approaches. To start with, this could focus on a particular opportunity such as aggregating supply.

### Who came to the roundtable?

Lord Michael Hastings (KPMG's Global Head of Corporate Citizenship) and Serena Brown (KPMG's Citizenship Lead for the Sustainable Development Goals) convened a select number of senior representatives from KPMG in the UK's agribusiness and development practice; leading food and beverage companies; the Scaling Up Nutrition Business Alliance; the UN Global Compact; and Farm Africa (which is a civil society organisation building agribusiness value chains in Africa).



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