



by Matt Holmes, Features editor, Milling & Grain

THE FUTURE OF THE AFRICAN FOOD INDUSTRY

De Wet Boshoff, of the Animal Feed Manufacturers' Association, South Africa, spoke of the opportunities and challenges facing the African continent at the World Nutrition Forum in Cape Town. Mr Boshoff said the African continent is slowly, but surely, starting to perform economically. Ironically, Africa weathered the financial crash of 2007-2008 because it is not fully integrated into the international network.

"The effect of the economic meltdown in 2007-2008 did not have such a negative effect as it had on the developed economies," he said.

"While the developed world struggled to kick-start their economies after 2007-2008, and the majority are not fully functional at pre-2007 levels yet, some developing African economies outranked and, in some cases, still are outranking developed economies, although mindful that in most cases it was from a low economic growth and production basis."

Positive economic growth gives way to an increase in demand, due to an increase in job opportunities, and therefore a higher pool of disposable income which, in turn, leads to an increase in demand for products and services, he said.

This higher demand is determined by a variety of variables all depending on the Living Standard Measure (LSM) group the consumer falls into. In most cases, where economic growth takes place and disposable income per household increases, the consumer moves up to a higher LSM group due to a higher household income (disposable), which causes higher demand due to being able to spend more.

Spending patterns of the LSM groups can differ dramatically with spending on food and food products normally at a considerably higher level in developing or third world economies

than in developed first world economies.

In the higher LSM group places, like the United States, they spend 6.4 percent of their disposable income on food or food products; Singapore 6.7 percent and the UK 8.2 percent, whereas developing nations like Nigeria see as much as 56.4 percent spent on food and food products. Kenya spends 46.7 percent; Pakistan spends 40.9 percent and Algeria 42.5 percent, whilst Canada spends 9.1 percent and Australia 9.8 percent of disposable income on food and food products. Four of the top 20 animal feed producing nations in Africa feature on the list for spending the highest percentages on food and food products.

Colonisation played a big part in the formation of the African continent, with developed countries scrambling to colonise parts of the African continent between the 1800's and 1900's, but the colonisation was slowly reversed during the 1900's.

"In the case of South Africa, South Africa became The Union of South Africa on May 31, 1910, and the independence as a republic came only on May 31, 1961. Thus, except for Egypt, the majority of our top 20 only became independent in the mid 1960's, with some keeping close ties with their former colonial ruler for various reasons."

The African continent is split into different economic blocks and various trade blocks have emerged, such as the South African Development Community (SADC), the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), and the Economic Community of West African States (ECOWAS).

"Measured against the time it took the whole process of the EU being established and fully functional, it is still a daunting task for the African economic blocks to get themselves organised and up and running," said Mr Boshoff.

Some of the economic blocks are starting to work together but they are doing so from a very low base and disposable income remains the main inhibitor. The economic growth shown is an

outstanding indicator of the possibilities but Mr Boshoff voices some hesitancy.

“The fact that there is a demand for your product or service remains one of the top considering factors when investing in production infrastructure and production capacity for feed and food products. This, because you want to have the comfort of knowing that there are consumers using your final product.”

Mr Boshoff, when asked if the value supply chain is working well, said, “it will be senseless to invest in the best equipment and infrastructure if the upstream and downstream value chain partners are non-existent.”

Transport of raw materials into the plant and then transport, to get the feed to farms, are also an important part of the chain.

Being properly prepared can enable you to take advantage of the challenges and turn them into opportunities, said Mr Boshoff. It is important to network, not just nationally but internationally as well.

The South African Animal Feed Manufacturers’ Association (AFMA) has started a process to establish a national feed association in every SADC member state. The SADC initiative would also be driven to make new link ups and contacts with other African structures.

The principles and purpose behind the formation of SAFMA and a national association in each country are the following:

- Better structured, coordinated and informed industry
- Bringing the different feed legislation closer to equivalence
- Promoting training, skills development and feed safety among all members
- Uplifting the internationally accepted manufacturing practices among all
- Cooperation within the region to secure food security and food safety for all

Mr Boshoff concluded by saying South Africa is in an anomalous position – producing feed on a developed world standard while being in a developing economy. The European Partnership Agreement, signed by the EU and the SADC, made free trade a reality. South Africa needs to face the challenges head on.

“The region should get itself well organised in many ways to stand their ground, which would be possible if the cooperation between industries and governments can be brought to a level where they work as a team for their country and their region, moving away from the phenomena of everyone working in their own little silo, with no strategic lateral vision, which is starting to show, but at a too sluggish pace”, Mr Boshoff concluded.

