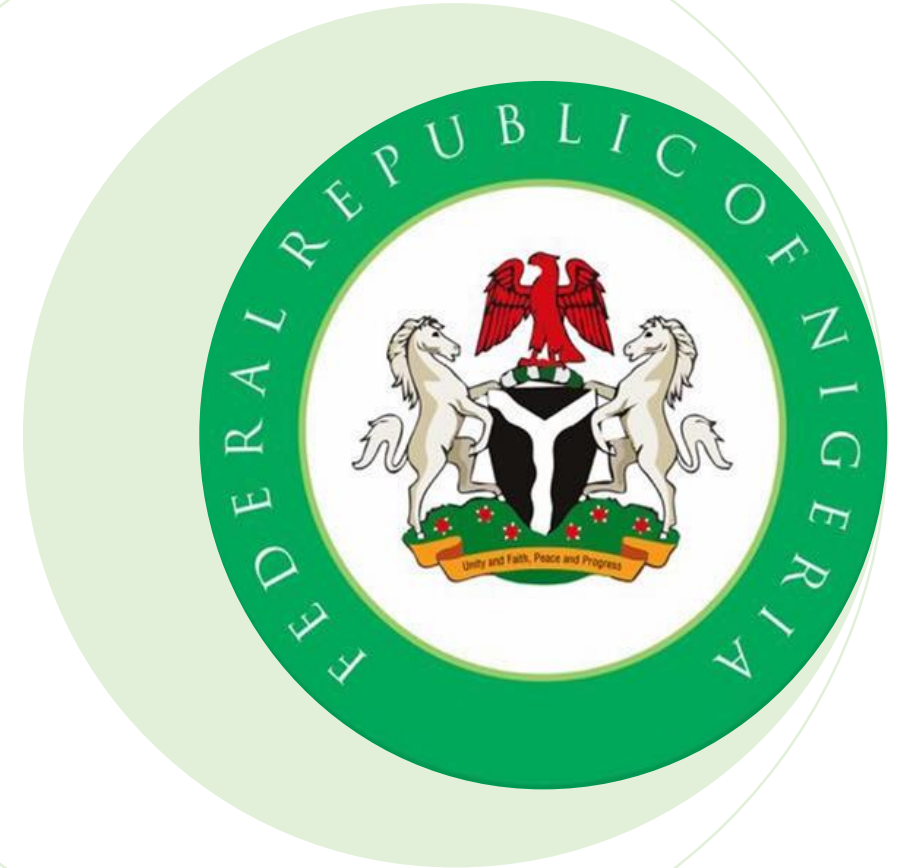


AfCFTA WORKSHOP

Opportunities in Africa

Agricultural Products and Markets



September 2020



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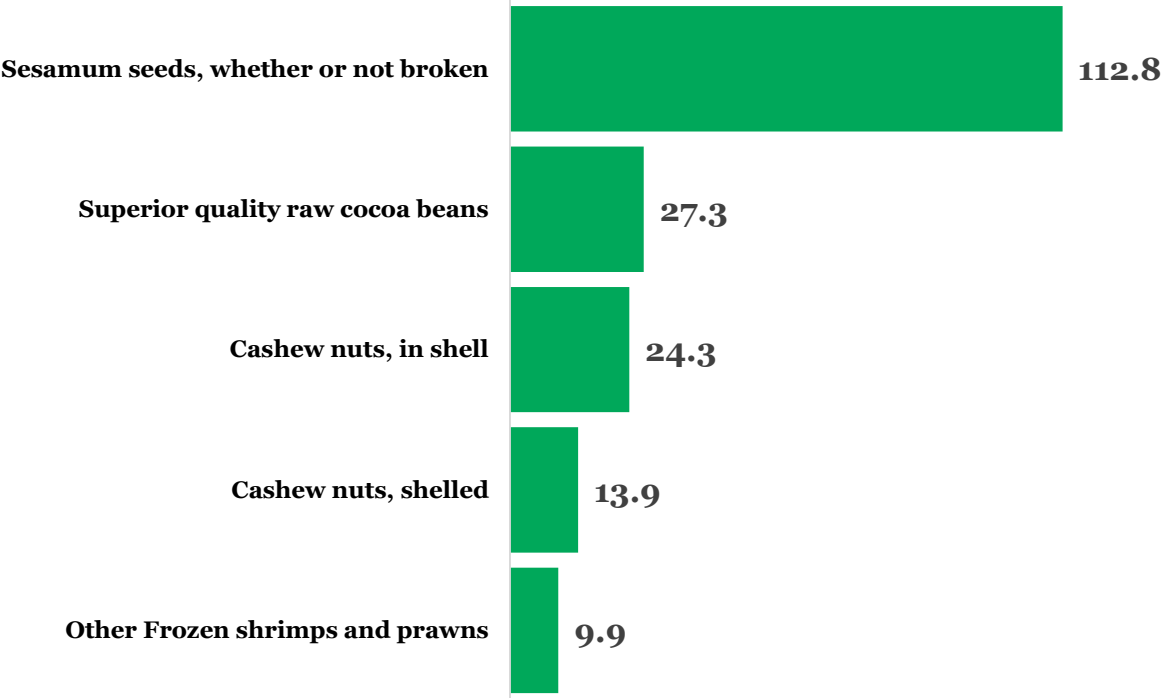


Potentials of Agricultural sector in Nigeria

Nigeria ranks favourably in key crops globally and in African but food exports driven by only three crops – sesame seeds, cocoa beans and cashew nuts

Nigeria is the largest producer of yam globally and the second and third largest producer of sorghum and sweet potatoes respectively. In Africa, the country is ranked first in the production of yams, oil palm, rice, sorghum and cereals. Despite being the largest producer of these crops, their exports are significantly low.

Top 5 agriculture commodity exports (N’ billions), 2019



Source: NBS

Nigeria’s ranking by Agric product (in tonnes 2018)

Agriculture product	Production	Global rank	Africa rank
Yam	47,532,615	1 st	1 st
Maize	10,155,027	14 th	2 nd
Sorghum	6,862,343	2 nd	1 st
Rice	6,809,327	14 th	1 st
Sweet potatoes	4,029,909	3 rd	2 nd
Millet	2,240,744	4 th	3 rd
Oil palm	1,050,000	6 th	1 st
Soybean	758,033	15 th	2 nd
Sesame seed	572,761	4 th	2 nd
Cocoa beans	332,927	4 th	3 rd
Cashew nuts	97,863	12 th	7 th

Source: FAOSTAT

● First
 ● Second
 ● Third



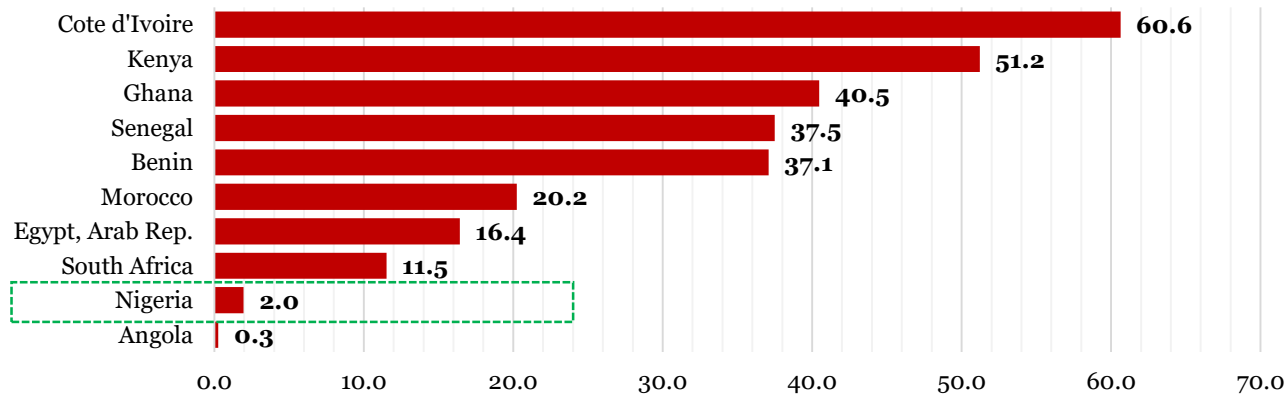
However, food exports account for small proportion of merchandise export – the lowest in Africa...Local production also unable to cover consumption

Nigeria's key agricultural products: Production vs consumption, 2019

Agric. product	Production	Consumption
Wheat	60	5,260
Maize	10,500	10,700
Rice	7,389	7,100
Sorghum	6,930	6,830

Source: USAID; figures are in thousands of tonnes

Share of food export in total merchandise export across selected African countries (%), 2018



Source: World Bank

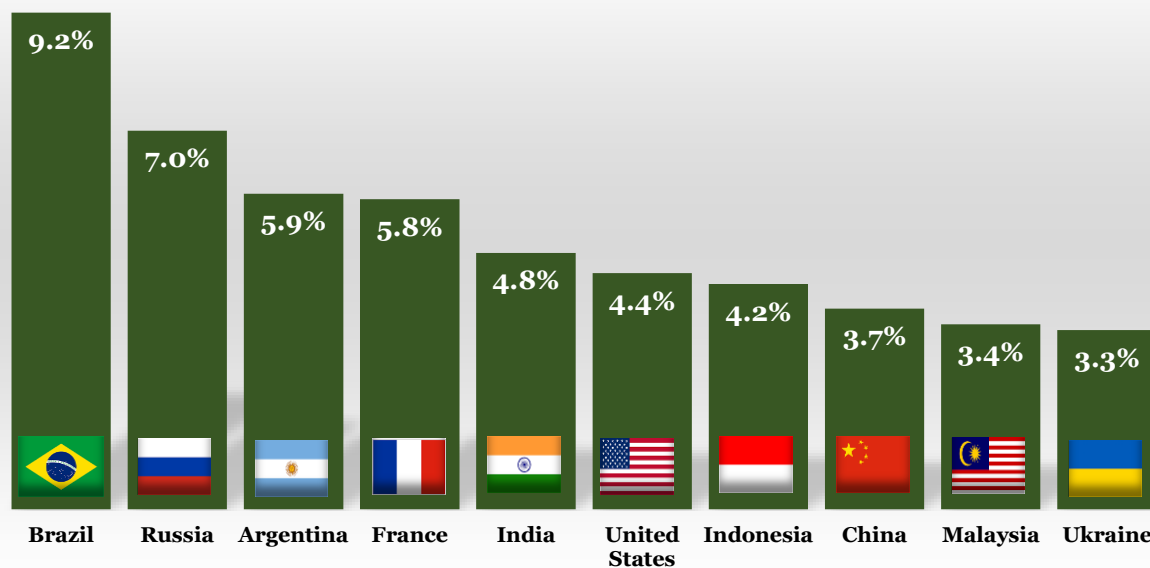
Total merchandise export shows the free on board (f.o.b) value of a country's goods provided to the rest of the world.

- While significant gains have been made in sorghum and rice output, other agricultural crops (e.g. maize and wheat) have achieved minimal return, as local consumption outpace production.
- Meanwhile, Nigeria's share of food export as a percentage of total merchandise exports remains low (at only 2%) relative to selected African countries such as Kenya, Cote d'Ivoire, Senegal, Egypt, South Africa etc.

Top 10 food and agriculture imports in Africa: mapping opportunities for exports

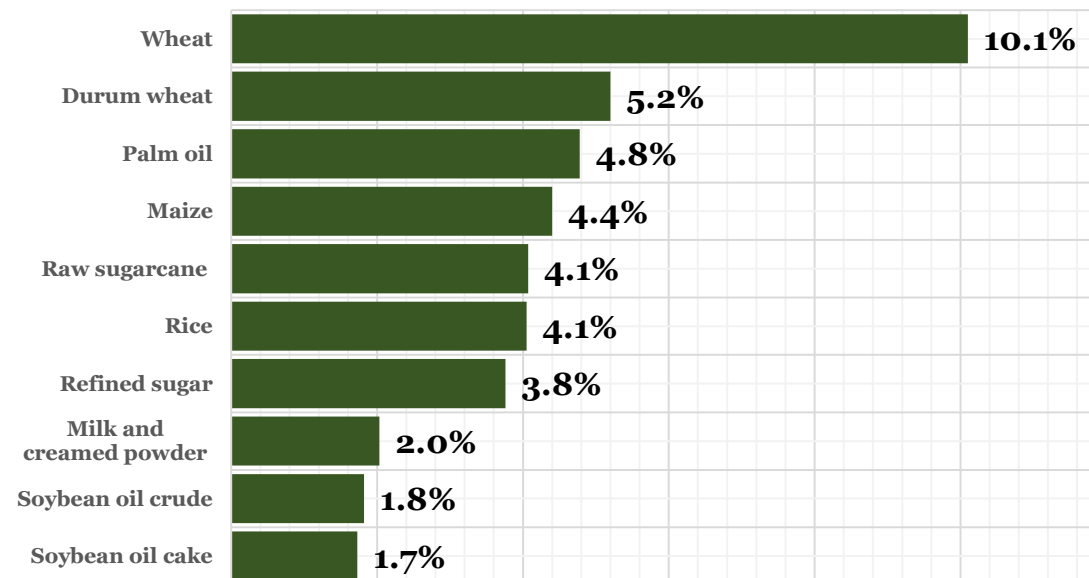
Africa imports a sizeable portion of its agricultural products despite its vast arable land. In 2017, wheat, palm oil and maize accounted for a quarter (25%) of the continent's imported agricultural products. The bulk of these agricultural imports comes from Brazil, Russia, Argentina, France and India. Together, these five countries account for about one-third of Africa's agricultural imports.

Top ten agricultural exporters to Africa and share of total food exports (%), 2017



Source: COMTRADE, 2019

Share of Africa's top ten imported agricultural products, 2017

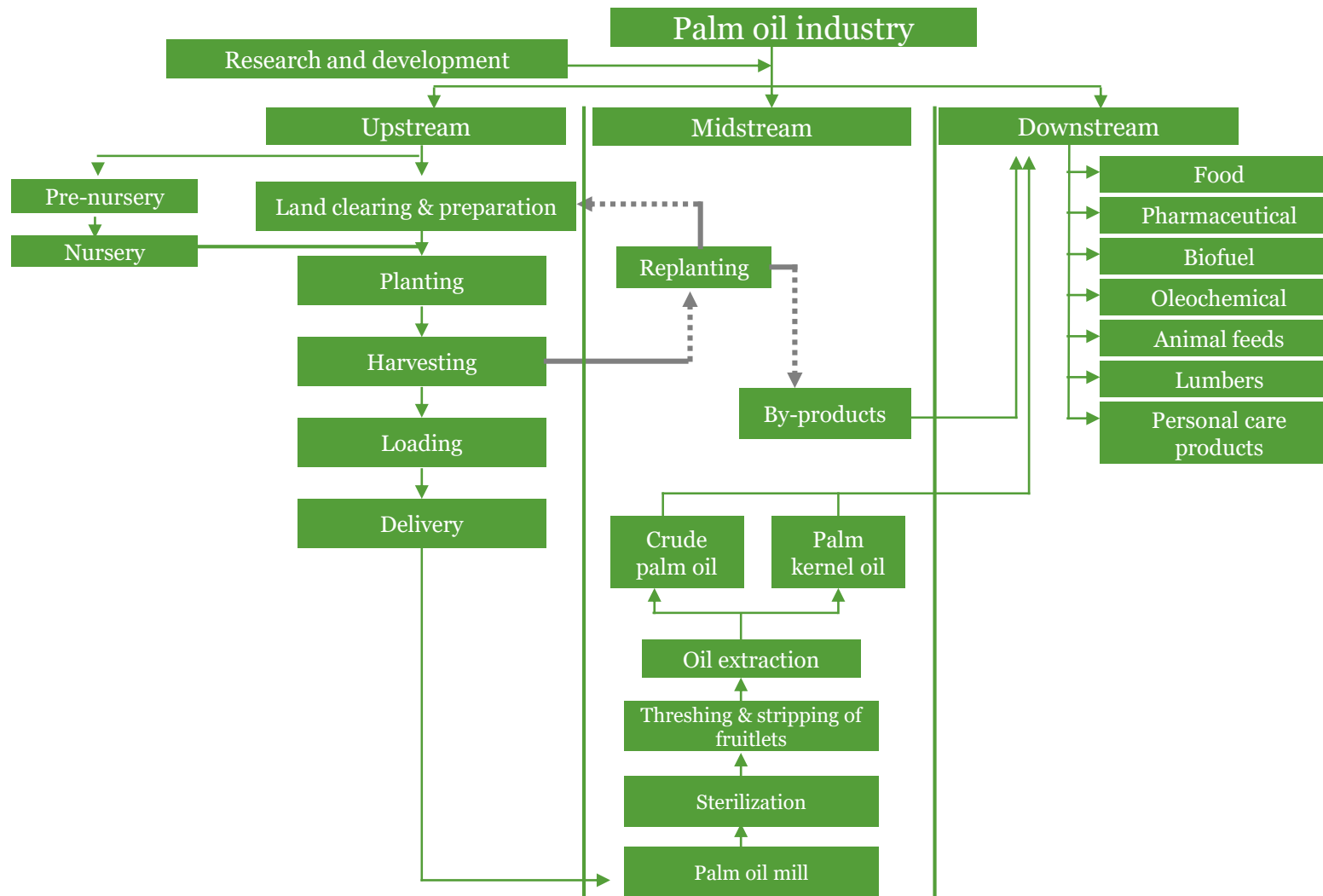


Source: COMTRADE, 2019



Opportunities through value-addition

Africa imports US\$3.9 billion worth of crude palm oil and refined oil, this portends opportunity for Nigeria



Import of processed palm oil product

Refined Palm Oil (RPO)

US\$2.8 billion for RPO imports with 89.2% from other continents

Crude Palm Kernel Oil (CPKO)

US\$20 million for CKPO imports with 69.9% from other continents

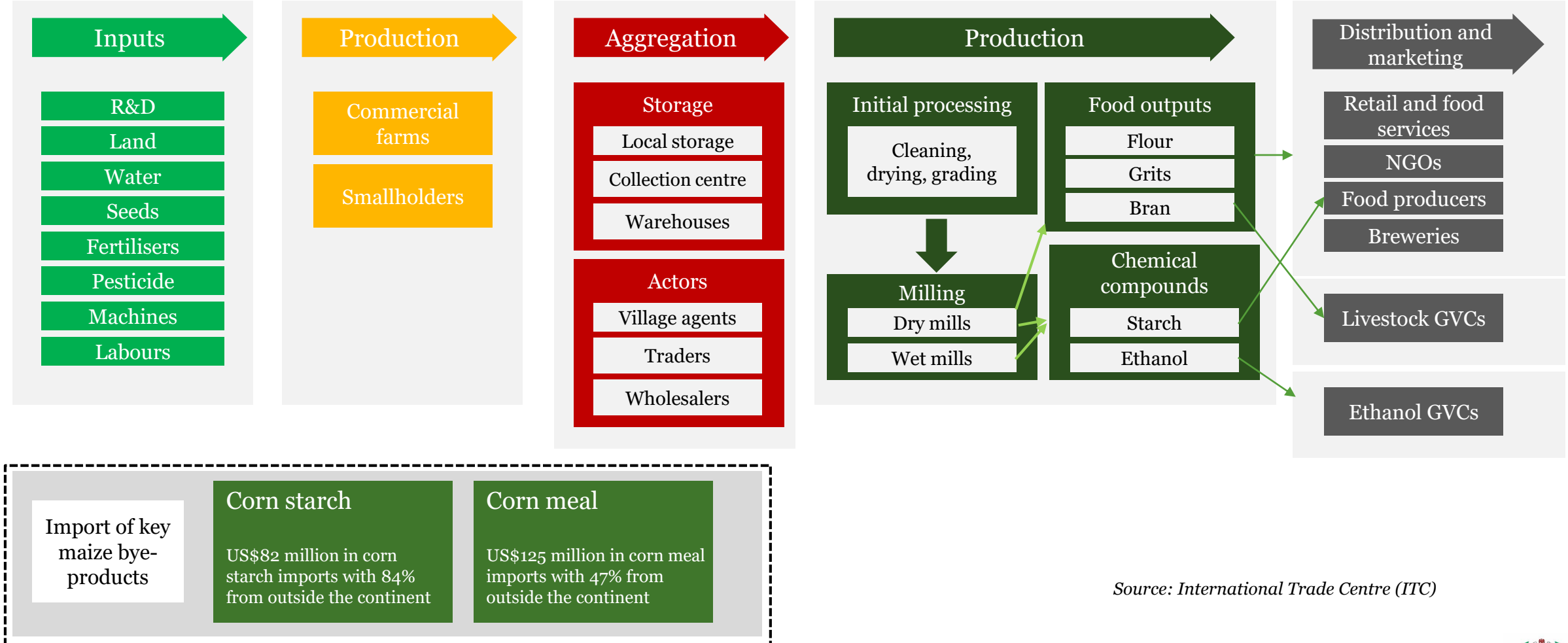
Refined Palm Kernel Oil (RPKO)

US\$47 million for RKPO imports with 98.5% from other continents

Source: International Trade Centre (ITC)

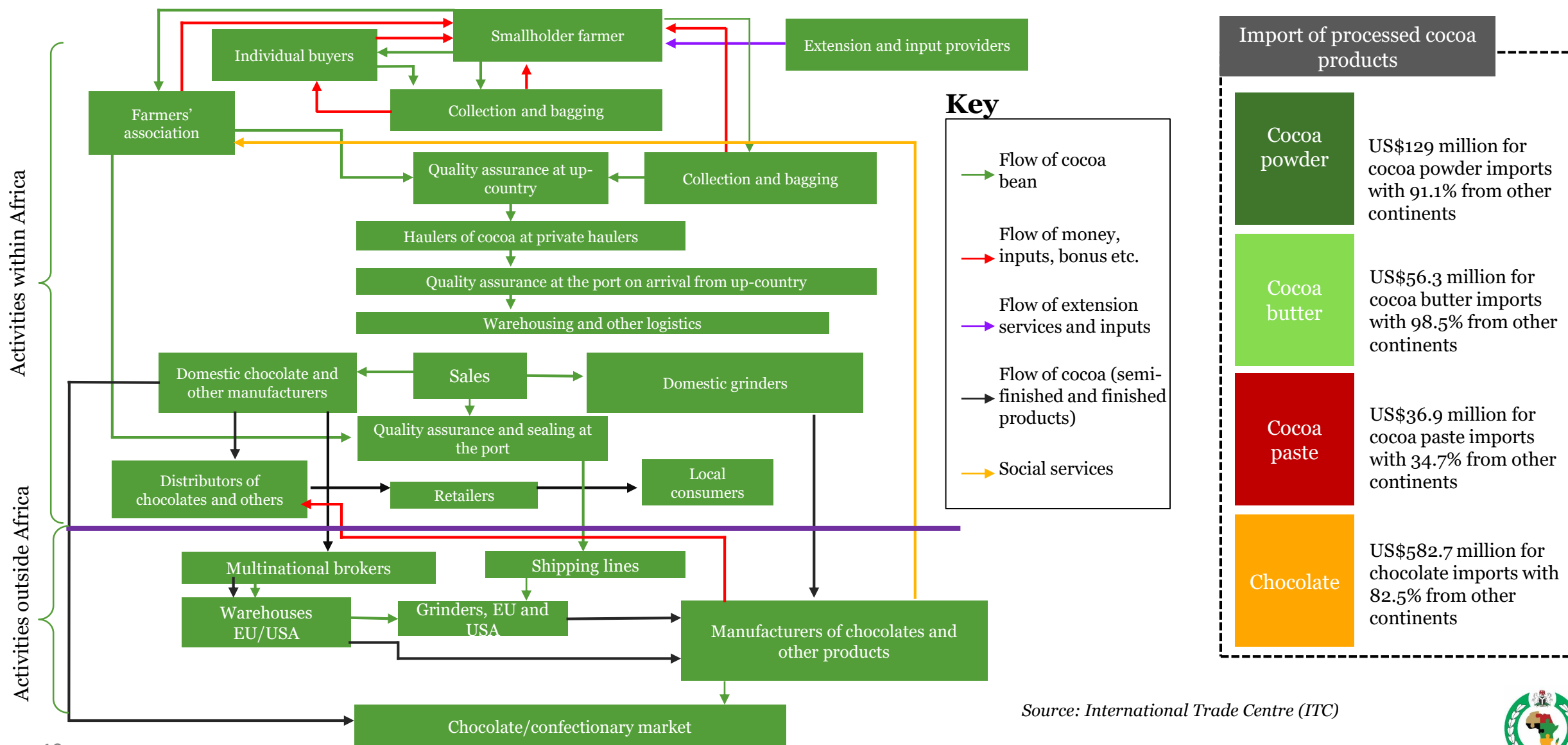
Africa imports approximately US\$4 billion worth of maize and other value-added products at the minimum, this portends export opportunity for Nigeria

Maize value chain



Source: International Trade Centre (ITC)

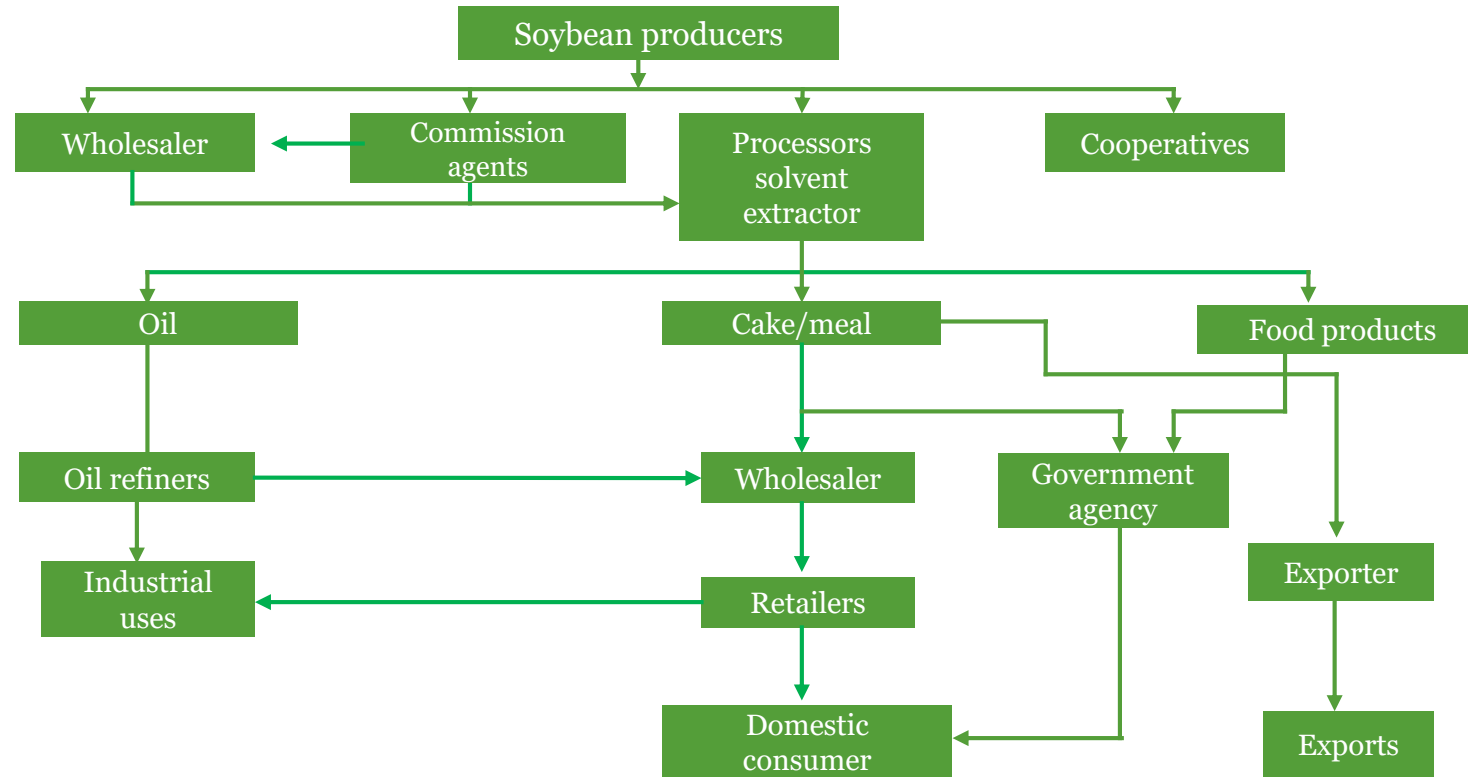
Africa imports a US\$847 million worth of cocoa and other value-added products at the minimum, this portends opportunity for Nigeria



Source: International Trade Centre (ITC)



Africa imports a US\$3.5 billion worth of soybeans and other value-added products at the minimum, this portends opportunity for Nigeria



Imports of processed soybean	
Crude Soybean Oil	\$1.3 billion for crude soybean oil imports with 91.2% from other continents
Refined Soybean Oil	\$1.3 billion for crude soybean oil imports with 91.2% from other continents
Soybean Flour & Meal	US\$240 million for refined soybean oil imports with 77% from other continents.



Source: International Trade Centre (ITC)



Reshaping Nigeria's agribusiness landscape: Medium-term strategies

Reshaping Nigeria's agribusiness landscape: Medium-term strategies

Unlocking productivity through technology

- Deployment of crop sensors for efficient crop management.
- Deployment of big data from remote sensing and GIS-enabled technologies for accurate agro-weather forecasting and analysis.

Radically rethinking government policies

- Shift attention from oil sector to development of agricultural value chain.
- Attract needed investment to boost mechanized farming.
- Incentivise farming inputs.

Spurring the growth of agriculture mechanisation

- Encourage smallholder farmers to co-acquire and co-own farm machines.
- Strengthen domestic and foreign investment in mechanised farming.

Galvanising state-led agriculture revolution and policy linkages

- Create a conducive business environment through strategic policy formulation and infrastructural development.
- Access how best to play in the agriculture sector.

Re-introducing farming clusters to be financed via PPPs

- More than 80% are smallholder farmers (SHFs)
- Farming clusters through public-private partnership could stimulate agglomeration economies.

Encouraging backward and forward integration for agribusiness

- Create a linkage between the farm and agro-allied industries
- Incentivise agro-allied industries that are making investments in backward and forward integration drive.

Boosting investment in research and development for increased yields

- Only N40 billion earmarked for R&D in 2019.
- Increased R&D investment would improve efficiencies of crop and animal production.

Expanding access to finance

- The share of agriculture loan in total loans by commercial banks is still low relative to other sectors.
- More credit should be granted to other sectors not captured by the Anchor's Borrowers Programme (ABP)



Case studies of selected global giants: Lessons for Nigeria

Case studies of selected global giants: Tereos

Profile

The company started as a distillery corporation in **1932** in **France** but morphed to the processing of **sugar** and its related products after 20 years. Initially, Tereos comprised of 10 cooperatives. Today, they have been merged into a single corporation, Tereos SCA.



Strategies

- In 2002, Tereos acquired Béghin-Say, the largest sugar producer in France. The acquisition marked the starting point of Tereos' dominance in the French sugar market. The acquisition of other big players - cooperative group SDHF and PM Déshy - has equally helped Tereos to remain competitive, dynamic and reach larger markets in several regions.
- Tereos has adopted diversification of value creation in products, services and geographical region to mitigate the impact of price volatility on financial performance. The company also ensures it adapts to changes in consumer expectation by creating innovative formulations, and launching new ranges of sweeteners, starch products and plant proteins.
- Sustainability is at the core of the company's operational strategy as it embraces circular economy. Evidently, it transforms agricultural wastages into renewable energy and biofuels, and water is recovered from sugar beets for industrial purposes and irrigation.
- The company introduced the "More than 100 tonnes" in Brazil to enhance agricultural productivity through precision farming and adoption of emerging digital technologies like drone, satellite images and mobile workstation. Technological adoption has helped to ensure quality real time data is made available for useful insight to drive the adoption of optimum production techniques.

Outcomes

- Tereos is the biggest producer of sugar in France and Brazil and the **third largest** producer of sugar globally. It equally maintains significant presence in Europe, Asia, Africa and Indian Ocean and Americas.
- It has marketed about 1.4 million tonnes of sugar in over 60 countries, and its ethanol distribution rose to 1.2 million cubic meter (m³).
- It has **18,000** agricultural partners including **12,000** cooperative farmers and 47 industrial facilities.
- The company uses **48%** renewable energy for its industrial sites, over 60% of its industrial facilities are certified by ISO /FSSC (International Organization for Standardization) /(The Foundation Food Safety System Certification).



Case studies of selected global giants: Bunge Argentina

Profile

- Bunge Argentina is a subsidiary of Bunge Limited, a global agribusiness company. Bunge operations have expanded from its initial focus on agricultural products into other areas like vegetable oil refinery, soybean lecithin and port terminal operations. As Argentina's major manufacturers of nitrogen, phosphate, potassium, and sulfur, it has been able to sufficiently produce fertilizer locally to support its activities.



Strategies

- The company's activities cover grain marketing, reception and storage; industrialization of oilseeds, production of meal with varied content of proteins, vegetation production (crude and refined) etc.
- Bunge Argentina's acquisitions since 2000 till date, including the acquisition of Plata Cereal, Guipeba and PASA Fertilizers, which has helped the agro-giant to consolidate its ability for hoarding, exporting, processing and production activities for items such as fertilizer, oil seeds, livestock, among other products.
- To ensure its businesses are highly integrated with significant global presence, Bunge deliberately spread its operations and sited assets across North and South America, Europe, Asia-Pacific and some African countries with merchandising and distribution offices throughout the world.
- To increase market penetration, Bunge provides trade structure finance and financial risk management services to help agricultural producers and end users to manage risks associated with commodity volatility, among others.

Outcomes

- The company has contributed significantly to employment in the county; it has created 1,600 direct and 15,000 indirect jobs.
- It is the second largest exporter of soybeans and its byproducts globally, and a leader in soybeans processing in Argentina.
- After Bunge increased the number of its sugarcane mills from 5 to 8 in Brazil, the player now operates a massive sugar and bioenergy enterprise with mostly sugar-and ethanol related products.
- The company also leads in the production and marketing of phosphatized and nitrogenated fertilizer nationally.
- The company has reduced non-sustainable waste management by over 40%, far more than its initial projection of 5%.

Case studies: Brazil as the world's largest exporter of sugarcane

Background

- Brazil is the largest producer of sugarcane in the world, harvesting over 600 million metric tons of the agricultural product yearly..
- About 31% of Brazil's total available land is used for agricultural purposes, of which 65% was occupied by smaller farms of less than 20 ha.
- Family farming plays a crucial role in the Brazilian economy. It is projected that reliance on family farmers for agricultural supply would place Brazil as the world's 8th food producer.
- Most farmers in Brazil depend on technology to enhance farm productivity and this has increased the need for more machinery. The Brazilian agricultural machinery market is expected to record a CAGR of 6.7% between 2020 and 2025.

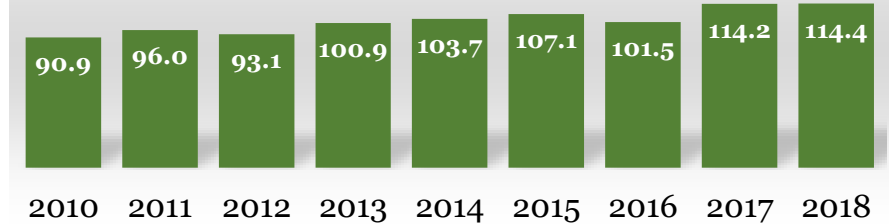
Policies and initiatives

- Increased public investment in agricultural research and encouraged consumption of ethanol as fuel
- Availability of credit for seeds, fertilizers, agrochemicals and machinery equipment
- Use of biotechnology through the development and utilisation of controlled environments such as insects, weeds, soil level, water and sun to produce specific crops, as well as genetically modified crops. The result of this approach has been an increase in output with less resources or input.
- Adoption of mechanisation to boost agricultural production. Brazil intensified the use of more mechanised methods of farming across the agricultural value chain to replace the traditional farming methods. The use of mechanised farming tools such as industrial cotton pickers, combine harvesters etc. has reduced wastage from harvesting.

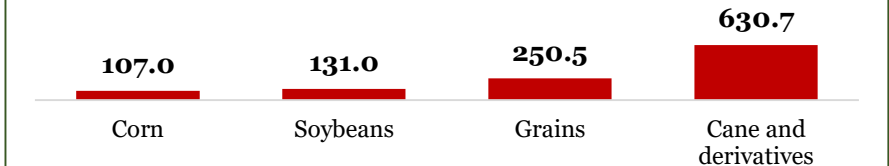
Outcomes

- Sugarcane production increased from 89 million to 696 million metric tons between 1976 and 2010.
- Ethanol production increased from 0.60 billion litres to 25.56 billion litres between 1976 and 2010
- Brazil Exports of Refined Sugar Cane increased from 0.51 USD Million in July 1991. to 99.37 USD Million in June 2020

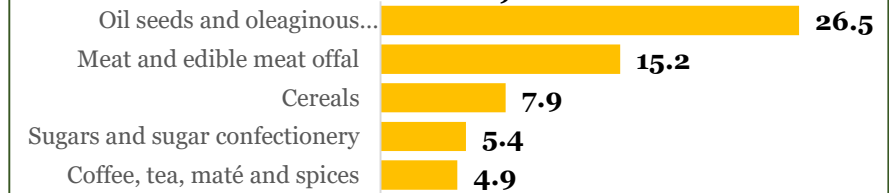
Size of Brazil's agriculture, forestry, and fishing, value added (US\$' billions)



Major Agricultural Products in Brazil (million tons)



Top five agriculture export in Brazil US\$' billions)



Source: World Bank, Trade Map, Feed the Nation

Case studies: How Netherland aims to feed the world

Background

- Netherlands is the second largest exporter of food in the world despite being a small country. As of 2016, Netherlands had only 1.03 million hectares of arable land, yet the Country exported \$111 billion worth of agricultural goods in 2017.
- The Netherlands practices mainly sustainable and innovative agriculture.
- Technological innovations is used majorly in Netherland's agriculture to solve energy and quality problems and boost productivity.
- The country employs geothermal energy to heat its greenhouses, enabling plants to grow with less water and chemical pesticides.
- As at 2019, Netherland's greenhouses covered an area of 14 hectares with the aim to feed almost all the people on earth by 2050.

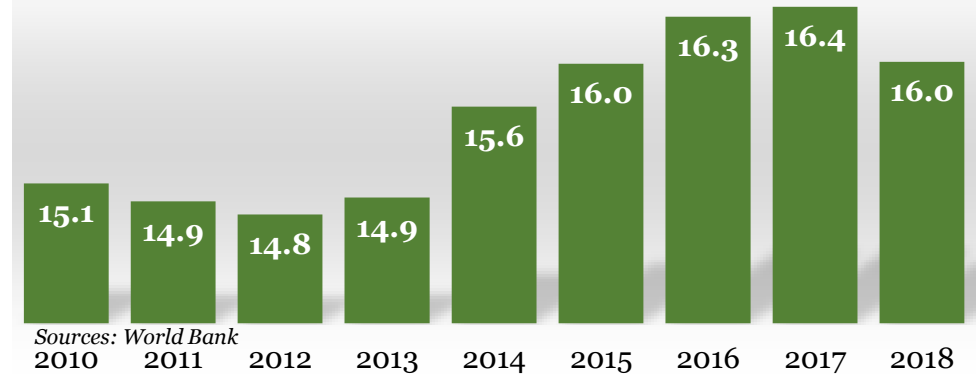
Policies and initiatives

- Investment of more than EUR61 billion in the farming sector with key priorities for jobs, sustainability, modernization, innovation and quality.
- Use of industrial greenhouses covering over 175 acres and above across the country.
- Use of hydroponic systems and geothermal energy to reduce negative effects on the environment while also maximizing yield. The use of this method helps the Dutch to produce roughly 100 million MT tomatoes annually.
- Development of a fully efficient value chain through sophisticated processing, manufacturing, and exportation of food products.
- Use of artificial intelligence with advanced mechanized systems to help in food processing at a faster rate.

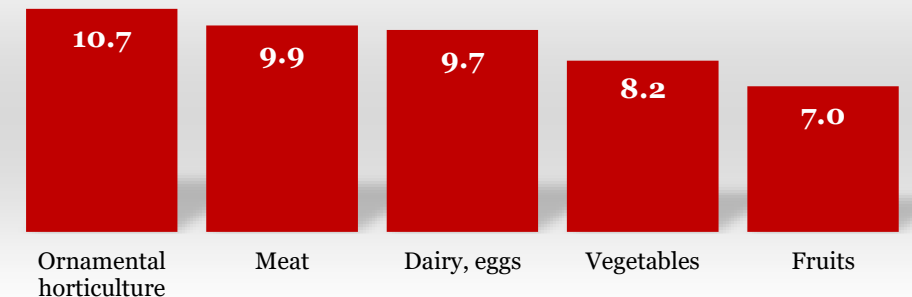
Outcome

- Increased agricultural production
- Netherlands produces more than 20 tons of potatoes per acre, the global average yield of about 9 tons per acre.
- Decline in the use of poultry antibiotics by as much as 60 percent.
- Increase in vegetable yield, decline in energy used, and reduced need for fertilizer

Netherland's agriculture, forestry, and fishing, value added (US\$' billions)



Top five agricultural exports of Netherlands (US\$' billions), 2019**



Sources: Wageningen Economic Research (WUR), Statistics Netherlands (CBS)

** Exchange rate used for conversion is €1 = US\$1.221 as at 31st December 2019 as reported by Business Insider

Thank You