



PAFO-COLEACP INNOVATION SERIES: Innovations and successes of African farmer-led businesses and SMEs

Session N°7 Innovations in the African agroprocessing sector: the key role of SMEs and businesses

18th November 2021, 12:00-14:00 (GMT)

English-French interpretation available

1. Context

Food processing is a significant driver of local economies, creating market linkages for millions of small-scale farmers and increasing rural incomes across Africa. The agro-processing¹ industry plays a pivotal role in the agricultural supply chain by virtue of its upstream and downstream linkages, adds value to local products, boosts industry, creates jobs and positions the agricultural sector at the top end of the value chain.

As population and urbanization rates rapidly increase across Africa, the demand for food is increasing, especially for processed food and ready-to-cook food, driven by urban markets.² The opportunities offered by export markets remain also attractive. The African Continental Free Trade Area (AfCFTA) offers also new opportunities, through reduced tariffs among member countries and harmonized regulatory measures such as sanitary standards and technical barriers to trade, which will reduce the trade related costs for operators.

Food processing (e.g. through milling, cooking, freezing, fermentation or fortification) can increase shelf-life, food palatability and convenience, and nutrient content.

Actors at the processing stage include food processors, which can be businesses of any size ranging from subsistence microprocessors to small/medium and large businesses and targeting local, regional and/or export markets. They create many jobs, especially for women and youth.

With the rapid growth of urban populations and the low nutritional levels of the urban

1 Agro-processing can be defined as the post-harvest activities carried out for the preservation and preparation of raw material for final consumption or other purposes. Food preparation and processing can be defined as «any change that is made to a food to alter its eating quality or shelf life». (FAO). processed food is defined as any raw agricultural commodity that has been subject to washing, cleaning, milling, cutting, chopping, heating, pasteurizing, blanching, cooking, canning, freezing, drying, dehydrating, mixing, packaging or other procedures such as fermentation, fortification...).

2 ACET. 2021. [Food Systems Summit Brief Prepared by Research Partners of the Scientific Group for the Food Systems Summit](#) April 2021.

and peri-urban poor in Africa, there is tremendous scope to increase accessible, safe and nutritious food supplies to ensure food security while safeguarding its sustainable production.

2. SMEs as innovators in the processing sector: Unlocking business opportunities

In Africa, as in many parts of the world, processed food is mainly produced by Small and Medium Enterprises (SMEs), which are involved in the production, processing, and retailing of fruits and vegetables, animal-source foods, and cereals and legumes. SMEs handle around 85% of the total marketed food supply in Sub-Saharan Africa (SSA) and this marketed food supply is in turn 80% of the total food consumption in value terms.³

SMEs involved in processing, wholesale, transportation, and retail currently employ an estimated 20% of the rural and 25% of the urban workforces in Africa. SMEs play also an important role in ensuring the availability and affordability of safe and nutritious foods, particularly for low-income populations. Increased supply of some processed foods (like processed and packaged milk) has improved food safety and helped diversify diets, reducing undernourishment and micronutrient deficiency.⁴

Overall, the flow of products along food value chains demonstrates that SMEs are very important at all value chain stages, including in high-value products. In addition to their importance for production, processing, and retail, SMEs interact considerably with large enterprises as well as micro producers (i.e. smallholder farmers). Hence, SMEs both allow smallholder farmers to sell their produce and provide large enterprises with the inputs they need.⁵

In addition to guaranteeing access to food for Sub-Saharan Africa (SSA) rapidly expanding population, SMEs are a key source of employment for many in rural and urban areas. Recent work⁶ documents the importance of SMEs in the midstream and downstream of food supply chains for self- and wage-employment across SSA. This includes employment in agrifood processing, wholesale, logistics, retail, and food service.

Through novel processing techniques, losses at the postharvest stage can be reduced, food safety standards improved and demand for nutritious foods unlocked, including demand for indigenous crops that are otherwise at times difficult to process. New technologies, if adapted to local contexts and needs, can result in increased farm incomes, improved livelihoods for smallholder farmers, and new employment opportunities, particularly for women, who continue to dominate the informal food processing and trading sectors.

When equipped with the technical and business skills in food processing best practices, such as manufacturing, food safety, packaging, marketing, budgeting and planning, as well as increased access to inputs, new markets and finance, growing processors and entrepreneurs can play a significant role in providing for the region's food needs.

However, challenges of the African agroprocessing sector continue to be limited access to skills, markets, finance, technology, and infrastructure, including storage. Small processors

3 Reardon, T., Echeverría, R. Berdegué, J.A., Minten, B., Liverpool-Tasie, L.S.O., Tschirley, D., Zilberman, D. (2019). [Rapid transformation of Food Systems in Developing Regions: Highlighting the role of agricultural research & innovations](#). Agricultural Systems.

4 IFPRI. Research Post. Swati Malhotra and Rob Vos. [Africa's processed food revolution and the double burden of malnutrition](#). March 2021.

5 GAIN. Kathrin M. Demmler. Working paper series n. 2. [The role of small and medium sized enterprises in nutritious food supply chains in Africa](#). April 2020.

6 Dolislager, M., Reardon, T., Arslan, A., Fox, L., LiverpoolTasie, L.S.O., Sauer, C., Tschirley, D. (2020). [Youth and adult agrifood system employment in developing regions: Rural \(Peri-urban to hinterland\) vs urban](#). Journal of Development Studies.

often have difficulties producing high-quality affordable and nutritious products that meet food safety standards and regulatory requirements due to a lack of technical and business knowledge and investment.⁷

This is determined in part by the existence of standards and their enforcement but also by the existence of effective demand for safe products. There is an important role for education of SMEs in food safety standards to complement regulation and a role for education of consumers to further increase the effective demand for safe and nutritious foods.

Compliance to standards remains challenging and costly. It is key to bring agroprocessing facilities close to farmers and link better production zones to markets. Adoption of technology is key to move on the agroprocessing sector and local innovations could reduce the cost.

Macro challenges include poor road and rail infrastructure or limited supply of electricity that significantly increase the costs of operation as well as policies (e.g., multiple taxation, bureaucratic and unclear processes) that make it difficult for SMEs to be established or formalized. Investments in hard infrastructure such as road, rail and electricity can reduce SMEs' costs of operation. Investments in soft infrastructure (improved regulations, ease of business registration, less duplication of taxes and lower fees etc.) can reduce the transaction costs for SMEs' start-up and operations. Efforts to educate SMEs in food safety standards can complement food safety regulation while educating consumers can increase consumer effective demand for safe and nutritious foods.⁸

A favourable ecosystem is critical for entrepreneurs in food processing. Building relationships with policy, research, finance and developing linkages with market actors. Support from government policy with private sector investments is essential to drive agroprocessing which in turn will increase economic prospects for the country and the value chain stakeholders.

3. Supporting the sustainability of the food sector

By processing agricultural products, farmers and SMEs potentially add value to the product, increase their incomes and reduce the post-harvest losses. In Sub-Saharan Africa, food loss and waste due to poor harvesting practices, post-harvest losses, and inadequate packaging and processing account for about one third of all food produced.⁹

To contribute to a more sustainable agrifood sector, the value chain actors need to innovate to minimize food production's environmental impact, reduce food losses and promote circular economy, developing by products from products which would have been wasted. Innovations include locally-developed technologies and the use of smart farming.

The sustainability of the processing sector will entail developments to more eco-friendly packaging to minimise the use of plastic and pollution.¹⁰ The reduction of food waste along the chain is a priority, notably through improved processes and management systems, use of technologies and storage equipment. Processing already significantly reduces food waste but food processing and manufacturing are energy and water¹¹ intensive and need a better management towards increased efficiency. Processing can source sustainable ingredients which comply with environmental and social standards.

7 [Food Processing in Sub-Saharan Africa- Solutions for African Food Enterprises](#). Final Report. Technoserve. 2017.

8 PEGNet Policy Brief. Lenis Saweda O. Liverpool-Tasie & Thomas Reardon. [Can the expansion of SMEs along Africa's food supply chains improve food and nutrition security? Kiel Institute for the world economy](#). September 2021.

9 GAIN. Kathrin M. Demmler. Working paper series n. 2. [The role of small and medium sized enterprises in nutritious food supply chains in Africa](#). April 2020.

10 A growing number of manufacturers are opting for wood, paper-based alternatives, seaweed, crops and even fish skin

11 Water is used as an ingredient but also in various industrial processes (e.g. cleaning, sanitizing, cooling, cooking).

It is critical to support and strengthen the **linkages between smallholder farmers and food processors**, strengthening direct relationships to access inputs, advice and logistics that benefit them in terms of quality product and market opportunities for smallholder farmers.

Recent evidence demonstrates that SMEs in the midstream of output value chains help small farmers' incomes directly and indirectly. Similarly, recent research¹² found a positive association between small-scale producers' selling output to, as well as receiving training or purchasing inputs from medium-scale farms (who often serve as SMEs engaged in crop aggregation for food and feed companies) and their welfare (higher income and lower experience with poverty). These effects appear to be driven by higher marketing opportunities that the SMEs provide. SMEs along food supply chains also appear to indirectly support farmers via their provision of complementary services to farmers. These services include logistics, physical inputs, as well as credit and training.¹³

Adapted finance is much needed for the food processing industry, in the form of competitive and attractive lending and equity financing to the food processing sector.

Research, new product development and marketing are also necessary to respond to changing needs and expectations from consumers. In this context, adequate skills and continuous reskilling allow businesses to remain competitive in a much dynamic sector.

4. Key points for discussion on promoting food processing among SMEs and businesses

- What are the drivers of success of African SMEs in the food processing segments (what innovations, technologies, knowledge and finance do they attract)?
- What obstacles do they face? What support do they need?
- What incentives can be provided to attract SMEs and smallholders in value-addition in local and export markets?

12 Liverpool-Tasie, L.S.O., Wineman, A., Young, S., Tambo, J., Vargas, C., Reardon, T., Adjognon, G.S., Porciello, J., Gathoni, N., Bizikova, L., Galiè, A., Celestin, A. (2020b). [A scoping review of market links between value chain actors and small-scale producers in developing regions](#). Nature Sustainability.

13 PEGNet Policy Brief. Lenis Saweda O. Liverpool-Tasie & Thomas Reardon. [Can the expansion of SMEs along Africa's food supply chains improve food and nutrition security? Kiel Institute for the world economy](#). September 2021.

PROGRAMME

18 November 2021 (12:00-14:00 GMT)

12:00-12:10 Introduction

Welcome:

- Fatma Ben Rejeb, CEO, PAFO

Moderator: Isolina Boto, Head of Networks and Alliances, COLEACP

12:10-13:00 Panel: Successes of businesses

- Eric Medji, Founder, OTHENTIKS, Benin
- Elmine Kouyaté, Founder and Director, Axxiom Group, Côte d'Ivoire
- Adama Mbaye, CEO, Baonane, Senegal
- Jane Maigua, Managing Director, EXOTIC EPZ, Kenya
- Euphrasie Dassoundo, Director General, Agro Express, Benin

13:00-13:20 Discussants

- Yves Komaclo, Regional Manager, Oikocredit, Côte d'Ivoire
- Willi Schulz-Greve, Head of Unit, DG Agriculture, European Commission

13:20-13:50 Debate

13:50-14:00 Key takeaways and conclusion

- Jeremy Knops, General Delegate, COLEACP