

FROM CRISIS TO OPPORTUNITY

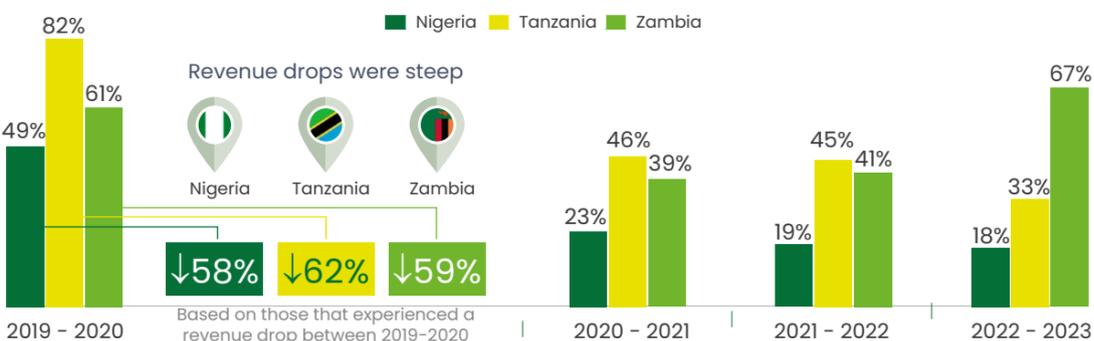
The 2023 Agribusiness Outlook



IMPACT: The Triple Crisis has been hard hitting on Agribusiness, with CEOs reporting revenue declines

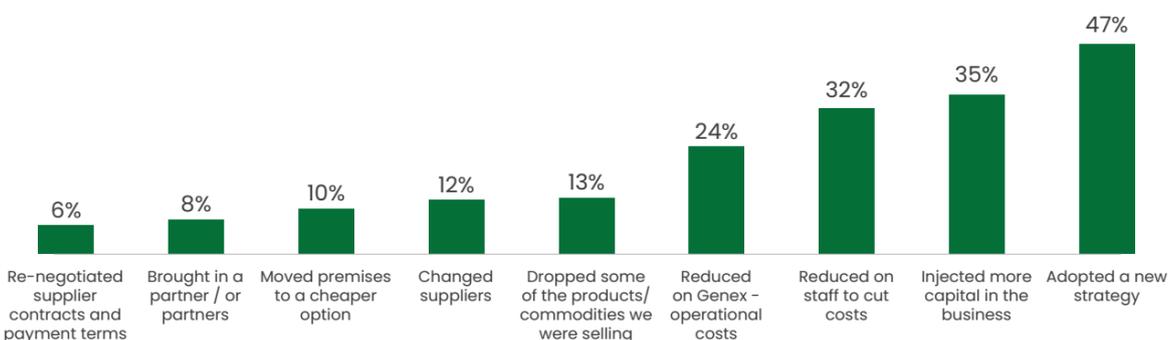
POSITIVE OUTLOOK AS AGRIBUSINESSES RECOVER

% of SMEs claiming a revenue drop year on year



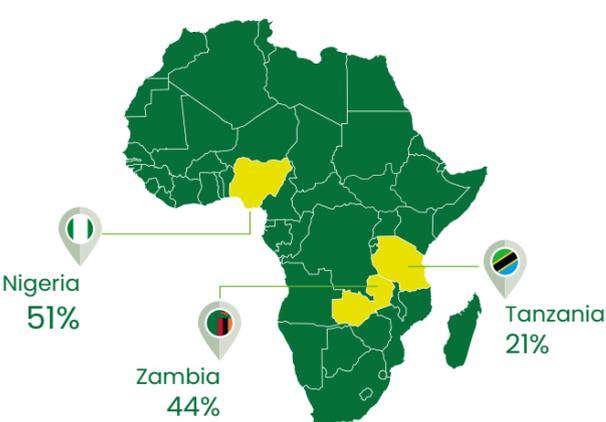
CEO'S TAKE ACTION TO SURVIVE

Agribusinesses rejected costly finance options in the market, with only 15% taking on commercial capital and the rest sourcing from friends, family and their business savings



GOVERNMENTS SUPPORT BUSINESS SURVIVAL

CEO's are positive with an upward recovery outlook



- Tax rebates:** E.g. in Nigeria, The Economic Stimulus Bill 2020 provided 50% tax rebates to registered businesses.
- Input import substitution and input subsidies:** E.g. the scaling up local fertilizer manufacturing, and robust investments in irrigation, and seeds production particularly to mitigate the impacts of climate change.
- Export liberalization:** E.g. in Tanzania, imports and exports freed which helped reduce the local market slump at the beginning of Covid-19, where the price of maize and rice dropped significantly (Nyange & Kongola, 2020).
- Financial interventions:** E.g. Specialized financial products developed by the government of Tanzania resulted in an interest rate drop from around 20% to 9%; The Bank of Zambia's Facility to prompt agribusiness loan relief during Covid 19.
- Policy to incentivize local sourcing:** E.g. in Zambia the government directed all Chain Stores such a Shoprite and Pick N Pay to prioritize local agricultural produce.

SMES PRIORITIZED THEIR SUPPORT NEEDS

Priority 1	Priority 2	Priority 3	Priority 4	Priority 5
<p>Affordable credit</p>	<p>Business enabling environment</p>	<p>Farmer Support</p>	<p>Market transparency & information</p>	<p>Improved warehousing systems</p>
<p>Capital injection was seen as a major strategy that agribusinesses used to survive and it continues to be core to business operation with less than 15% taking on commercial credit finance over the last 3 years due to the cost of credit.</p>	<p>CEOs prioritized an enabling business environment with better policies, reduced regulatory costs and bureaucracies and government support/protection against globally driven constraints – fuel costs and currency devaluations.</p>	<p>Agribusinesses have direct interaction with farmers through sourcing, therefore farmer's productivity have a direct impact on the agribusiness performance and CEOs asked for more focused, tailored, and concerted investment and support to improve quality and quantity of produce at the farmer level.</p>	<p>The provision of market information to highlight market shortages and gluts and the reduction of government intermediation on price subsidies that distort market dynamics is vital for mitigating risks for losses and driving better profitability for SMEs.</p>	<p>Better managed storage facilities with sufficient space, full capacity, safe and secure, running effectively and affordable was necessary for enhancing products quality, reducing post-harvest and production losses and also serves as collateral for a loan.</p>

CALL TO ACTION

Agribusinesses remain positive in their outlook for the sector

CEO's adopted pivotal strategies to remain resilient, these included injecting additional capital into their businesses, reorganization, and redeployment of human capital and in some cases relocation of their businesses. What this critical middle need is concerted effort by the ecosystem to build resilience not just of the businesses but the entire supply chain.

Next level interventions to reduce the cost of commercial capital

The strongest call from agribusiness continues to be finance, in particular the cost of the finance. There has been progress made in improving access to finance through several blended facilities and capacity building of businesses to improve the bankability of agribusinesses. But agribusinesses opted not to access the finance due to its high cost unless there are incentives discounting the strategic minimum reserve requirements of commercial banks that are lending to the sector to drive higher uptake, an example from Tanzania.

Policy review and new incentives targeted at agribusinesses

Reflection from the agribusinesses demonstrated that the most effective actions taken by governments were in reducing the cost of doing business through tax reductions and tax incentives. However, agribusinesses are still facing high operation costs driven by fuel prices and low profit margins driven by currency devaluations and would benefit from improvements in the areas of the less formal non-tariff barriers that increased the cost of business and in strengthening cross-border regulation and facilitation to allow for export trade.

Strengthen agribusiness capacity as a service provider to the smallholder farmer

The relationship between agribusinesses and smallholder farmers is critical and benefits each both ways. Strengthening the capacity of the agribusiness as a service provider to the farmer should be prioritized as they are most invested in the success of the farmer due to the interdependent relationship.

Improved supply chain infrastructure

In supporting the cost efficiency of agribusiness, CEOs prioritized improvements in warehousing. A strong call was made to improve both the hard infrastructure (providing greater storage capacity through construction of warehouses and cold storage houses) and the soft infrastructure (warehouse management systems including finance and quality standards, so they work at full capacity, run efficiently, are secure and facilitating the use of stored product for loan collateral).



Leveraging technology to improve market dynamics

As opportunities continue to emerge for expansion of trade markets through the Africa Continental Free Trade Area and Export Processing Zones, agribusinesses require stronger market visibility systems. Some of the CEO's suggestions included establishment of more digital marketplaces for market expansion, end to end supply chain digital platforms for visibility, e-Finance as a way to reduce cost of transactions, digital extension to improve farmer productivity amongst others.