



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

SESSION N°10

Successes in export markets from SMEs and entrepreneurs

6 July 2022, 12:00-14:00 (GMT)

Online ([Zoom](#))

English-French interpretation available

1. Context

Small and Medium Enterprises (SMEs) are the backbone of the world economy, accounting for most businesses across nearly every region. In the developing world, SMEs make up 90% of the private sector and create more than 50% of jobs in their corresponding economies. In Africa, SMEs provide an estimated 80% of jobs across the continent (many to women and youth), representing an important driver of economic growth and poverty reduction. Sub-Saharan Africa (SSA) alone has 44 million Micro, Small, and Medium Enterprises (MSMEs), almost all of which are micro.¹ Women's formal ownership of SMEs throughout Africa makes up a third of all registered SMEs.

The African continent needs to generate jobs and sustainable incomes for the rapidly growing African labour force and MSMEs and other businesses play a key role. In 2020, 26 million African women and men will enter the labour force, and the number will rise to 33 million per year by 2030. Between 2020 and 2050, some 800 million people are projected to enter the African workforce, accounting for 76% of the increase in the global workforce.² Every year, roughly 11 million young Africans enter the labour force, but at best, only a quarter of these new workers will find paying jobs over the next decade.³ According to the World Bank by 2035, 350 million new jobs will be needed. Africa's population is growing faster than jobs

¹ Center for Strategic and International Studies. CSIS Briefs. Daniel F. Runde, Conor M. Savoy, and Janina Staguhn. [Supporting Small and Medium Enterprises in Sub-Saharan Africa through Blended Finance](#). July 2021.

² EC. [An Africa-Europe Agenda for Rural Transformation](#). Report by the Task Force Rural Africa. 2019.

³ FAO e-agriculture. [The future of Africa's Agriculture rests with the youth](#). 2018.



are created.⁴ Reaping the benefits of the demographic dividend depends on investments in job creation and human capital development.⁵

Entrepreneurs, SMEs and businesses will be a key employer in the agrifood sector directly and through multiple services generated around the development of global and local agricultural value-chains.

Helping more SMEs connect to international markets would ensure that the gains from trade are broadly distributed across the economy and workers.

The COVID-19 pandemic has caused supply chain problems, increased freight rates and labour shortages that disrupted global trade and affected the African continent exports. The conflict in Ukraine is also negatively affecting African countries trade and supply chains which rely on Russia and Ukraine for a significant percentage of their wheat, fertilizer, or vegetable oils imports. The war disrupts global commodity markets and trade flows to Africa, increasing already high food prices in the region.

2. The EU remains an attractive market for African agrifood exports

The European Union (EU) remains the biggest market for African exports, but emerging markets, particularly China, and Africa itself have become increasingly important markets for African products, eating into the EU's share of African exports.⁶ For African countries, the EU market is still a very important market for agricultural exports⁷ (31% in 2017), but Asian export destinations have increased in importance in recent years (30% in 2017) and imports. For SSA exports to the EU, exports of cocoa beans, cocoa butter and cocoa paste and powder constitute about 39% of agrifood exports, showing that export diversification is still limited.⁸ EU agrifood exports to Sub-Saharan Africa, in value terms, are mostly wheat, infant and other dry processed food, poultry meat, milk powder, food preparations and spirits and liquors.

The EU is the historical export market for fruit and vegetables from SSA and remains an attractive export market for conventional and organic farming products as it has been growing steadily for several years, is profitable and diversified.⁹

Historically, the main exporters from SSA to the EU are Côte d'Ivoire and Cameroon, with bananas traditionally being the first fruit traded. They are followed by countries such as Kenya, Ghana and Senegal, which export a more diversified range of fresh and processed products. If bananas are excluded, Kenya becomes the main exporter to the EU in terms of volume. Côte d'Ivoire is still in second place, but Cameroon is no longer in the top 10.

For fruit, since 2010, there has been a steady growth in banana exports in volume terms, and a strong development of other exports such as mangoes, avocado, coconut, melon and watermelon (the main fruits exported in 2018), which compensated for the fall in pineapple

⁴ *Ibid*

⁵ African Development Bank. [Jobs for Youth in Africa Strategy for Creating 25 Million Jobs and Equipping 50 Million Youth 2016-2025](#).

⁶ OECD/WTO (2019), [Aid for Trade at a Glance 2019: Economic Diversification and Empowerment](#), OECD Publishing, Paris.

⁷ Food and manufactured products account for 51% of Africa's exports to the EU in 2016 (16% food and beverages and 35% manufactures) whereas raw materials accounted for 49%. Exports of food and manufactured products from Africa to the EU increased constantly since 2013, respectively by +23% and +17%. Africa's exports of raw materials to the EU decreased in recent years, due to decrease in oil prices. EC. [EU trade policy and Africa's exports](#). 2017.

⁸ EC. [An Africa-Europe Agenda for Rural Transformation](#). Report by the Task Force Rural Africa. 2019.

⁹ Market study of fruit and vegetables from sub-Saharan Africa, June 2020, COLEACP.



exports due to the explosion of exports of the MD2 variety from Central America to the EU²⁸. The volumes of pineapple and orange still exported come mainly from Côte d'Ivoire/ Ghana and Zimbabwe/Eswatini, respectively.

The EU market continues to be attractive to vegetable exporters from SSA, not only for historical exporters such as Kenya, but also for others that have emerged in recent years such as Senegal (in volume terms) and more recently smaller exporters such as Rwanda. Fresh "ethnic" vegetables (okra, bitter melon, African spinach, etc.) and fresh roots and tubers (yam, cocoyam, orchid tubers, Jerusalem artichokes, etc.) are also increasingly exported to the EU. This is linked both to demand from the African diaspora, and the growing interest in ethnic foods in Europe.

The total quantity of fruit, vegetables, and processed fruit and vegetable products exported from SSA to the EU has increased by an average of 1% per year since 2002, a total growth of 19% over 17 years, and a compound annual growth rate (CAGR5) of 1.1%. Over the period 2002–2018, export volumes of SSA bananas to the EU grew relatively faster than for other fruits and vegetables. Since 2008, non-banana fruit and vegetable exports to the EU have been growing steadily. As with other fresh ethnic vegetables, export volumes of ethnic roots and tubers to the EU from sub-Saharan Africa have doubled in the past 10 years.

The total value of fruit, vegetables, and processed fruit and vegetable products exported from SSA to the EU has increased by an average of 3% per year since 2002. The total value has increased from €927 million in 2002 to €1.5 billion in 2018, a total growth rate of 66% over 17 years, with a CAGR of 3%. However, these growth rates are only indicative, as comparisons between total values in current prices are not adjusted for inflation. Alongside the marketing of large volumes of bananas and cashew nuts to the EU and East Asia, respectively, avocado, mango, coconut, fresh and dried vegetables, roots and tubers, and melons and watermelons are all promising market segments for major exports.¹⁰

- Favourable conditions to access EU markets

Most African countries enjoy duty-free and quota-free access to the EU market. Access to the EU market is facilitated by preferential arrangements (Generalised Scheme of Preferences, GSP), currently being reviewed, and various trade agreements: association agreements with North African countries, and Economic Partnership Agreements (EPAs) with SSA's blocs of countries (in place or in an ongoing adoption/ratification process) or the Everything-But-Arms (EBA) scheme. Trade exchange between the EU and Africa is, however, imbalanced, in the sense that most EU goods exported to Africa are manufactured goods (68% in 2021), while those represent only 34% of African exports to the EU.¹¹

The EU is likely to remain an important market for African exports, including for niche, higher-value products with potential for value addition and for promoting sustainability.

The European market is also increasingly concerned about **sustainability** issues, leading to the establishment of new standards and norms to among other prevent deforestation, excessive water use, better inclusion of small farmers, decent working conditions, and identification of alternatives to plastic packaging that producers will have to adapt to enter

¹⁰ *ibid*

¹¹ European Parliament. EPRS. European Parliamentary Research Service. [The future of EU-Africa trade relations](#). June 2022. The share of African exports going to the EU decreased, from just over a half in 2001 to around a third in 2018. During this period, the share of African exports going to China and other emerging markets increased substantially, from about 11% to almost a third. Intra-African exports increased too, from 11% to 19%. ECDPM.



this market.¹² The implementation of the EU Farm-to-Fork strategy is expected to reinforce these trends through the establishment of new regulations to comply with for suppliers from EU-partner countries. This can make exporting to the EU harder, especially for smaller firms.¹³ In this context, it is critical to support SMEs compliance through updated information on standards, capacity building, trainings and technical assistance.¹⁴

3. Expanding markets for African SMEs: addressing key constraints

The food industry competitiveness in many African countries is hampered by various factors: lack of infrastructure (high transport costs and limited access to energy), limited finance for investments in processing, storage and cooling, high costs for inputs (such as seeds, fertilisers, machinery, packaging material), lack of value chain organisation, and lack of stakeholder involvement in policy making and public-private dialogue. This makes difficult for Africa's agricultural sectors to add value to export crops, leading them to export them raw to global markets.¹⁵

Few African SMEs export¹⁶ largely due to the difficulties faced in meeting **export requirements** such as acquiring necessary, but costly, certification. More than two-thirds of international trade today is conducted through global value chains (GVCs), and many SMEs engage in 'indirect exports' through GVCs by supplying inputs to locally-based firms which export.¹⁷ However, according to World Trade Organisation (WTO) estimates based on World Bank Enterprise Surveys, both direct and indirect exports by African SMEs through GVCs are low compared to other regions.

The "Enabling the Business of Agriculture 2017"¹⁸ report points out that SSA has less than half of the **regulatory good practices** identified as beneficial for agribusiness development. The process of exporting is long and burdensome, and more costly than in other countries. Quality control, market regulations and regulations for entry into the market are less efficient and operational than in other countries.

High-quality infrastructure (roads, ports and telecommunications, water and energy) is an important driver of SME performance and growth and needed for the development of efficient logistics services.

Transport costs can make up one-third of the farm gate price in some SSA countries and can prevent farmers from specialising in the goods where they have a competitive advantage. In addition to transport, improving access to reliable and affordable information and communication technology (ICT) services is vital to a global food and agriculture system that can achieve its potential.¹⁹

¹² Supermarkets are constantly changing their packaging, replacing plastic trays with cardboard or biodegradable packaging made of different components, such as sugarcane bagasse which is entirely biodegradable and compostable at home.

¹³ ECDPM. [The future for Africa's trade with Europe: factors affecting the long-term relevance of the European market for african exports](#). DISCUSSION PAPER No. 306. 2021.

¹⁴ Organisations such as COLEACP provide those services to SMEs in a holistic way. www.coleacp.org.

¹⁵ OECD/WTO (2019), [Aid for Trade at a Glance 2019: Economic Diversification and Empowerment](#), OECD Publishing, Paris.

¹⁶ There is limited available data on African SME exports, only a small proportion of them (13%) export. International Trade Centre: [Promoting SME competitiveness in Africa: Data for de-risking investment](#). 2018.

¹⁷ [Financing SMEs and Entrepreneurs: An OECD Scoreboard](#). 2018.

¹⁸ World Bank. 2017. [Enabling the Business of Agriculture 2017](#). Washington, DC: World Bank.

¹⁹ *ibid.*



Diversification in export markets is key. From mostly export of cash crops such as cocoa, tea, coffee, cotton, cashew nut and sugar, the African continent has diversified towards citrus (oranges – dried and fresh), fresh grapes, legumes and pulses, sesame seeds, tomatoes as export products. The main destinations for these products include Europe, which accounted for 36% of Africa's export between 2016 and 2018, declining from 45% in 2005- 2007.²⁰

Meeting standards and acquiring certifications are essential to access foreign markets and become part of the global value chain implies additional costs and investments in skills development. The standards and certifications often required include Food Safety Management System (ISO 22000), Food Safety System Certification (FSSC 22000), Hazard Analysis and Critical Control Point (HACCP), British Retail Consortium (BRC), Good Manufacturing Practices (GMP), Good Agricultural Practices (GAP), depending on the prospective destination export markets.

Having access to distribution networks is a crucial component to developing SMEs' business, for diversifying their customers. SMEs must invest time and resources to understand complex public and private standards to be able to invest in complying with these standards, which range from certification to traceability to basic changes in production processes. Fostering linkages with research organisations are also critical for innovation development.

Expanding business networks and skills through membership of business support organisations, commodity groups, value chain platforms allow to keep abreast of developments in policy and market information.

Access to finance is a serious challenge for SMEs. Only between a third and a fifth of SMEs in SSA have a bank loan or line of credit. An estimated 28.3% of firms in the region are fully credit constrained. Alternative finance providers, such as microfinance institutions or digital, can charge even higher rates, as much as 40–50%.²¹ SMEs and businesses must have good financial records and accounting processes which help the financial institutions to assess the investment readiness of SMEs.

4. The way forward

The development of the African food industry needs substantial local and foreign private investments eased by public investments in infrastructure, sound regulatory environment, support to research and innovations, and policy and legal stability.

Selling to EU markets involves market research, developing marketing channels, adapting products and packaging, meeting quality standards and labelling requirement, dealing with changing administrative procedures and regulatory requirements.

Smaller firms have been affected particularly hard in the last two years, given their narrower margins and more limited financial resources. **Building resilience to shocks and crisis** is a priority and expanding the export of value-added agricultural products is critical for economic growth, employment creation and foreign exchange earnings by African countries. The availability of public goods, such as improved roads and communications infrastructure, well-designed legal and regulatory systems and educated labour are a prerequisite to private investment. Increasingly, the private sector is providing mobile technology, post-harvest

²⁰ Brazil, Russia, India and China – the BRIC countries – jointly take up 14% of Africa's agricultural products export between 2016 and 2018, rising from 10% in 2005 – 2007. The United States accounted for about 5% of exports from Africa without any significant change over the years. Intra-African trade in agricultural commodities and products accounted for 20%, while the exports to other emerging economies and fast-growing regions accounted for 25% share, with a 5% increase from 2005 – 2007.

²¹ Center for Strategic and International Studies. CSIS Briefs. Daniel F. Runde, Conor M. Savoy, and Janina Staguhn. [Supporting Small and Medium Enterprises in Sub-Saharan Africa through Blended Finance](#). July 2021.



facilities and processing capacity, and agricultural inputs²² in rural areas. Governments, investors and development partners should create new opportunities for youth in farming, expanding job opportunities in on-farm and off-farm activities.

Key points for discussion on SMEs and businesses exporting to the EU markets

- What are the drivers of success of export-led SMEs in the agrifood sector: what innovations, technologies, knowledge and finance do they attract and need?
- What type of investments are needed for export-led SMEs?
- What incentives can be provided to export-led SMEs and smallholders in fresh and value-added food products?

²² The profitability of farming increasingly depends on the use of purchased inputs, especially when producing for dynamic markets, such as fresh produce for growing cities.



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Agenda

12:00-12:10 Introduction: *Dr. Babafemi Oyewole, CEO, PAFO*

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

12:10-13:00 Panel: successful SMEs and businesses

- *Hasina Ralay, Manager, LYCHEELAND SA, Madagascar*
- *Elizabeth Jebby Bischof, Managing Director, Bdelo, Kenya*
- *Sakina Usengimana, Founder and CEO, Afrifoods, Rwanda*
- *Neville Mchina, CEO, GreenStone Foods (Pvt), Zimbabwe*

13:00-13:20 Discussants

- *Yasmin Ismail, Programme Officer, CUTS International, Switzerland*
- *Koen Vanderhaegen, Market Insights Manager, COLEACP*

13:20-13:50 Debate

13:50-14:00 Key takeaways and conclusion

- *Jeremy Knops, General Delegate, COLEACP*

