

# Agribusiness CEOs recognise impact of global megatrends

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Global megatrends are changing the way business and society operate, including the agribusiness sector.

African agribusiness CEOs see demographic shifts, climate change and resource scarcity, technological changes, accelerating urbanisation, and the shift in economic power as the main trends that will transform their businesses over the coming years. This is one of the findings of PwC's latest Agribusinesses Insights Survey 2015. Furthermore, access to existing and new markets allows agribusinesses to broaden their reach and increase their potential to sell products and services to more customers.

Definition of Megatrends - "Megatrends are global, sustained and macroeconomics forces of development that impact business, economies, societies, cultures and personal lives. They thereby define our future world, and keep changing it at an increasing pace."



Agribusiness CEOs are very positive towards the possibility of expansion into African countries outside their own, with 72.7% indicating that they would pursue such opportunities. African CEOs identified the following as countries where they are planning to invest: Ethiopia, Angola, DRC, South Africa, Zambia, Zimbabwe, Mozambique, Lesotho, Botswana, and Tanzania.

Africa is becoming an increasingly attractive hub for foreign investors in the light of various economic, political and social reforms, resulting in an improved business environment that is conducive to foreign direct investment. As obstacles to boosting agricultural output in Africa are overcome and agricultural output is increased, there will be ample opportunity for the manufacturing and marketing of agricultural products such as fertilisers, pesticides and seeds, as well as a demand for food-processing services such as grain refining.

## Biggest challenges

The biggest challenges to business growth cited by CEOs were the scarcity of natural resources, access to technology and climate change. Other concerns raised by businesses were access to finance, labour unrest, regulatory restrictions, and energy costs.



African agribusinesses also feel that there is a long way to go towards better support from government in the sector. For instance, businesses are of the view that government does not offer sufficient tax incentives to ensure international competitiveness. Furthermore, they say government is not doing enough to improve infrastructure. It is, however, encouraging to note that the South African Government has recently included "revitalising agriculture" as one of its nine strategic priorities to be pursued this year. To take the African agricultural sector with its enormous potential to the next level, public-private partnerships throughout the value chain as a whole are key.

Agribusinesses also indicated that they have maintained focus on risk management, with the majority of business leaders (83.3%) periodically conducting a formal risk assessment. It is also encouraging to note that the majority of business leaders (62.5%) prepare an integrated report that includes sustainability reporting.

CEOs indicated that employee turnover, internal HR capacity, labour unrest, and communication between employees and management were the most challenging human resource matters. To address these challenges the agricultural sector experience and to proactively address future concerns, both the private and public sectors have to make an effort to develop appropriate strategies.

Climate change is getting closer to home as it starts to directly influence the essential natural resources that agribusinesses need to operate sustainably. Furthermore, the scarcity of natural resources poses a significant challenge to agribusinesses. Almost half of participating agribusiness leaders (45.5%) indicated that they have already invested in renewable energy while the balance intends to investigate this option. The main forms of renewable energy that agribusinesses have invested in are solar energy and biogas.

## Renewable energy – where do we stand?

Investment in renewable energy:

Yes **45.5%**

Investigating **54.5%**

Types of renewable energy invested in:



Solar **50%**



bio Biogas **45.5%**

## Rapid technological change

To remain competitive, agribusinesses need to be aware of and respond effectively to the rapid pace of technological change in the agricultural sector globally. Farm-level data and precision farming have played an important role in their operations over the past ten years. Furthermore, in the last three years precision farming principles have been integrated with new technologies such as cloud computing, data mining, modelling, and neural networks, all of which can be applied very effectively to agriculture on a new and higher level of artificial intelligence (AI) farming.

### Opportunities for technological innovation



## Food security

Another report released by PwC in December 2015, indicates that food security in Africa is set to become a major investment theme. Across many emerging economies, rapid industrialisation and urbanisation is placing strains on the world's food resources. For example, as the Chinese diet changes towards including more meat and moves towards parity (in calorific and compositional terms) with diets of developed countries, an area the size of the UK will need to be farmed, just to cope with the demand.

Developed markets are unlikely to provide the solution. There are no significant under-farmed areas to develop in these markets. Yields have been maximised, improvements will be marginal or, at the minimum, will take decades to make a material difference. This presents a once in a lifetime opportunity for Africa, where the PwC report outlines how the collapse in oil prices, a US\$35bn continent-wide, structural food deficit and huge potential to lift output and productivity, have forced food security and agricultural development to the top of the political and economic agenda.

The megatrends may be perceived as being far removed from us here in Africa, but their significance should not be underestimated. They will define our future and we will do well to pre-empt their impact rather than sit back and wait for the results.

*The survey can be downloaded by scanning the following QR code:*



## ABOUT THE AUTHOR

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