



THE TONY ELUMELU
FOUNDATION

Unleashing Africa's Agricultural Entrepreneurs:

Improving the Enabling Environment for Agriculture



February 2016

“ Young entrepreneurs and those they inspire are the lifeblood of Africa’s rise. ”

- **Tony O. Elumelu, CON**

As quoted in *The Economist*, “The World in 2015: The Rise of Africapitalism”

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EXECUTIVE SUMMARY

Agriculture is the future

The agriculture sector represents Africa's greatest opportunity to drive inclusive, sustainable growth, and the only sector with the potential to lift millions out of poverty and forever change the continent's path to development. But in order to achieve this, there must be a deliberate widespread shift from basic subsistence agriculture that is prevalent on the continent to more productive farming business operations that leverage functions in information and communications technology (ICT), processing, manufacturing and industry. In 2006, the dawn of Africa's "green revolution", a substantial international, multi-stakeholder effort to dramatically improve the prospects of the agriculture sector was initiated. Now, nearly a decade later, the entrepreneurial energy and innovation in agriculture emerging from the ground up is changing the perception of the market, and further influencing policy, capital flows, and the level of interest in Africa's vast, untapped potential to feed itself and the world.

Agriculture accounts for 32 per cent of Africa's gross domestic product, and employs over 65 per cent of its labour force. Research has shown that increased and sustained investments in agriculture greatly enhances productivity, reducing hunger, inequality, poverty, and food insecurity. It is for these and other reasons that the sector offers the highest potential for sustainable and scalable socioeconomic transformation as growth in agriculture GDP results in a significant increase in income for the lowest income segment of the population employed by the sector. Moreover, according to research conducted by the Tony Elumelu Foundation, agriculture is rapidly becoming a hotbed for entrepreneurs with new ideas for higher-quality products and advanced processes, integrated supply chains, value-added exports, and a variety of other lucrative business opportunities.

At the Tony Elumelu Foundation, we strongly believe that investments to modernise the agriculture and agro-allied sectors on the continent will in addition to transforming the lives of some of the continent's poorest, strengthen Africa's capacity to absorb the new wave of young talent entering the African workforce in the millions. We ascribe to the inclusive economic philosophy of Africapitalism, based on the belief that a vibrant African-led private sector is the key to unlocking Africa's economic and social potential. We are committed to driving African economic growth through the empowering of African entrepreneurship in agriculture and other sectors strategic to the continent's long term development.

The Tony Elumelu Entrepreneurship Programme

In January of 2015, the Tony Elumelu Foundation launched the most comprehensive entrepreneurial ecosystem improvement programme in Africa: the Tony Elumelu Entrepreneurship Programme (TEEP). With a personal financial commitment of US\$100 million over the next decade, Nigeria-based entrepreneur and philanthropist Tony O. Elumelu, CON, pledged to change the entrepreneurial space on the continent.

In the months that followed, more than 20,000 applications – over 8,000 in agriculture – were received from all 54 African countries. Between March and June, following application evaluations by Accenture, and with the help of a pan-African Selection Committee of experts in entrepreneurship and business, 1,000 entrepreneurs – 304 in agriculture and from 51 African countries – were chosen to join the inaugural cycle of the Programme. They then completed a rigorous 12-week online business skills training programme with support from 450 active mentors – more than half of which have deep expertise in agriculture and closely related fields.

In July, these same entrepreneurs participated in the informative TEEP Bootcamp in Ota, Nigeria

– one of the largest of such convenings ever to be held in Africa – where they received additional hands-on training. From August until November, the entrepreneurs submitted their business plans and milestones, and we distributed empowerment capital funding to their business bank accounts. Thirty per cent of those selected are in agriculture, representing – by far – the Programme's largest segment of entrepreneurs. The Programme provides US\$5,000 in seed capital to the 1,000 selected entrepreneurs each year with the potential for an additional US\$5,000 in capital, depending on their initial success.

In addition, we have travelled across Africa with our Founder, Tony Elumelu, to meet with TEEP entrepreneurs in their countries including: Côte d'Ivoire, Mali, Senegal, Zambia, Kenya, Ghana, Uganda, South Africa, Cameroon, Benin Republic, Congo, Gabon, Egypt, and Zimbabwe as well in Nigerian cities: Lagos, Calabar, Port Harcourt, Abuja, and Kaduna.

Following completion of the formal programme, the entrepreneurs stay connected to the Programme and to each other through their lifetime membership in the TEEP Alumni Network. We have set up Alumni Country Chapters and Networks in 51 African countries to support our entrepreneurs as they grow and expand their businesses. In addition, we are forging strategic partnerships with other bodies committed to entrepreneurship and economic development and also within specific sector ecosystems, to build on our research and insight capabilities to offer focused recommendations to policymakers eager to support entrepreneurship in their countries and constituencies.

Tony Elumelu Agriculture Entrepreneurs

There is no better part of the TEEP 2015 story than the Tony Elumelu Entrepreneurs themselves.

There is Calleb Otieno from Kenya who through greenhouse technology is able to produce at least two types of crops per year, even in the dry season when prices are high and farmers suffer from food insecurity. His business strategy focuses on improved production, post-harvest handling technologies, market accessibility, financial services, and capacity building. His crops include onions, cabbage, tomato, French beans, maize, kale, chillies, okra, snow peas, and bananas.

There is also Benedicte Mundele Kuvuna a 22-year old agri-business entrepreneur from the Democratic Republic of Congo (DRC). Benedicte is the founder of Surprise Tropical, a company that produces and sells chips (plantain, taro, coconut, and ginger), juice, and paste (safou and avocado) in the suburbs of Kinshasa. Surprise Tropical empowers its partner farmers by training them on sustainable agricultural practices and techniques to minimise waste during harvest in order to ensure higher incomes for farmers and greater food stability in the DRC. Benedicte's goal is to reduce her country's over dependence on imported food because according to her, "When we import foodstuff that can be produced locally, we are indirectly exporting jobs."

Finally, there is Mongezi Chief Zulu from the kingdom of Swaziland in southern Africa. Mongezi is a small-holder vegetable farmer whose TEEP business idea tackles common problems facing rural farmers like unavailability of fencing for farmland, poor access to irrigation, and lack of access to processing activities. Mongezi works closely with the local Ministry of Agriculture to implement policies that address these pressing challenges to create more wealth in his community.

These are but three out of over 300 Tony Elumelu Entrepreneurs in Agriculture who are leading the drive to revolutionise and advance the agricultural landscape on the continent to offer more productive opportunities across the agricultural value chain and related sectors including manufacturing, processing, and ICT. Extensive profiling of some of these entrepreneurs are featured in this report.

Report highlights

In light of the high level of interest in agriculture among African entrepreneurs and the sector's importance to Africa's future, the Foundation conducted an in-depth analysis of how Tony Elumelu Entrepreneurs are pursuing these opportunities along the agricultural value chain.

The Tony Elumelu Foundation recognises that one of the key challenges facing Africa's entrepreneurs is the state of the overall enabling environment in which they operate. Therefore, in addition to providing direct support to select African entrepreneurs, the Foundation's policy research and advocacy arm – engaged the over 300 Tony Elumelu Entrepreneurs in agriculture to ascertain the key challenges they face, and along with agriculture experts, develop solutions to improve their competitiveness.

We deployed a survey for these entrepreneurs that posed a series of questions on a range of issues related to the process and costs associated with starting and running an agricultural business; business operations; access to early-stage financing; revenues and costs of core inputs; access to market; and financials including job creation efforts and business strategy. The entrepreneurs were also asked about their business alignment with the United Nation's Sustainable Development Goals (SDGs).

A few of the highlights from this analysis are as follows:

- ▶ Entrepreneurs are competing head-on with existing, imported products with **higher-quality, locally-made** ones of their own
- ▶ Their business strategies emphasise **modern techniques** in consumer-facing activities such as marketing, branding, and sales
- ▶ There exists a strong **culture of innovation** with respect to the products they will offer and the processes employed to create them
- ▶ Their businesses are built to include **integrated, value-adding supply chains**
- ▶ Core investments in **ICT and advanced management techniques** are being employed as enablers in developing an integrated supply chain
- ▶ They are focusing on local markets first, but with plans to **expand nationally and even internationally** within and outside of Africa
- ▶ Input unavailability, lack of access to finance, an unsupportive enabling environment, unavailability of suitable technology, inefficient access to output markets, and the unavailability of quality extension, advisory, and training services remain existing challenges to growth.

Recommendations

This report analyses the business approach being taken and the operational challenges faced by agriculture entrepreneurs across Africa using information gathered from Tony Elumelu Entrepreneurs and includes policy recommendations for country officials eager to create an enabling environment for agricultural entrepreneurs to thrive.

Over the last several decades, the international development and global philanthropic communities have considered the agriculture sector a key point of intervention through aid and subsidies, targeting primarily poor, rural, subsistence farmers. Although this support has been welcome, to change Africa's path to development, this approach needs to change from viewing farming as merely an aid programme, to capitalising on agriculture as a lucrative business.

Some of our proposed recommendations addressed include:

- 1 Training:** Over 20 per cent of our entrepreneurs desire some form of training in farm operation management and farming techniques. Zoravar Singh, who leads Equity Bank in Kenya's efforts to build the capacity of small-holder farmers, advocates for more agriculture training schools and the need for these schools to be more focused on the practical issues farmers face.
- 2 Access to finance:** The biggest challenge to many agricultural entrepreneurs by far is funding and financing. David Jeromin from Golden Mean Capital believes that lending to the agriculture sector requires a unique approach since the traditional funding model will not work for agriculture entrepreneurs in Africa as many African banks are uncertain about how to lend to African agriculture businesses. One way to address this is to put in place risk mitigation products for banks to lower the cost of capital.
- 3 Fractured value chains:** According to Makida Tsegaye of Grow Africa, "Fragmented value chains are the single biggest impediment to the commercialisation of agriculture across the continent. Every node of the value chain is inter-linked. If one node is missing, the whole value chain is threatened." To counter fragmentation and the isolation of different elements of the value chain, stakeholders, including government and development institutions, must implement multi-stage engagement across the chain, e.g., supply chain, government investment, taxes, access to markets, access to land, and research.
- 4 Government investment:** Jeff Dykstra of Partners in Food Solutions, emphasised that the processing capacity among small and medium-sized enterprises (SMEs) is critical to food security and sufficiency. African governments should invest in strengthening the processing sector by specifically targeting a network of traditional and industrial processing businesses which source supplies locally.

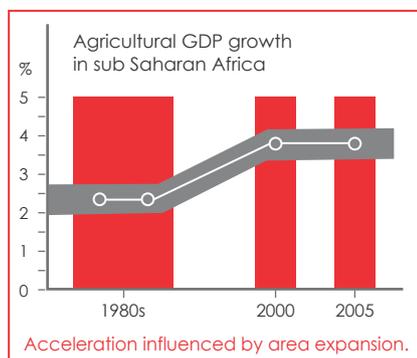
INTRODUCTION

INTRODUCTION

Following the release of *Unleashing Africa's Entrepreneurs* – a comprehensive analysis of Africa's entrepreneurial ecosystem based on surveys administered to over 20,000 Tony Elumelu Entrepreneurs across 53 African countries – the Foundation conducted an in-depth study on the more than 300 Tony Elumelu Entrepreneurs in the agriculture sector to understand the unique challenges facing African start-ups along the agricultural value chain.

Our emphasis on agriculture is not only based on the popularity of the sector among the pool of entrepreneurs selected in the inaugural year of TEEP (over 30 per cent of this class are in agriculture) but on the vast potential the sector holds for the continent's socioeconomic development. Accounting for 32 percent of Africa's gross domestic product, and employing over 65 percent of its labour force,¹ agriculture is by far the continent's most inclusive sector. Increased investments in agriculture results in reduction in hunger, poverty and increase in agricultural productivity.²

The sector offers the highest potential for sustainable and scalable socioeconomic transformation, as growth in agriculture GDP results in a significant increase in income for the lower income segment of the population employed by the agriculture sector. A one per cent rise in agricultural GDP results in a six per cent rise in income growth for the lowest income decile of the population – every ten per cent increase in farm yields results in a seven per cent reduction in poverty.³ Due to the importance of agriculture in Africa, growth of its GDP has a highly correlated relationship to GDP growth of national economies. Thus, it is nearly impossible to overstate the importance of agriculture with respect to Africa's economic potential since the sector presents tremendous opportunity to achieving most of the continent's development goals.



The World Bank estimates that agricultural GDP growth in sub-Saharan Africa has accelerated, mostly based on expansion of cultivated land, from 2.3 per cent per year in the 1980s to 3.8 per cent per year from 2000 to 2005. Additional research by International Food Policy Research Institute (IFPRI) reveals



Agriculture sector represents **30%** of the inaugural class of TEEP



Agriculture accounts for 32 percent of Africa's gross domestic product



Agriculture is Africa's most inclusive sector, employing over

65%
Labor Force



¹ <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0,,contentMDK:21935583~pagePK:146736~piPK:146830~theSitePK:258644,00.html>

² <http://www.un.org/en/africa/osaa/pdf/pubs/2013africanagricultures.pdf>

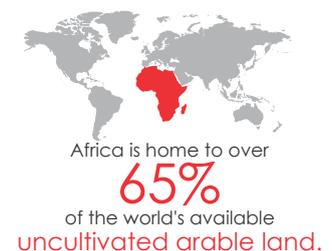
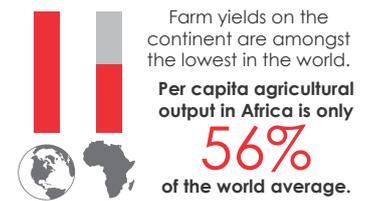
³ <http://mortenjerven.com/wp-content/uploads/2013/04/Panel-3-Carletto.pdf>

⁴ Nin-Pratt, Alejandro. 2015. Inputs, productivity, and agricultural growth in Africa South of the Sahara. IFPRI Discussion Paper 1432. Washington, D.C.: International Food Policy Research Institute (IFPRI). <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/129095>

that since 2005 the sector has maintained a real growth rate of 3.4 per cent per year.⁴ However, some countries have performed better than others. For example, countries such as Kenya, Ghana, Tanzania, Mali, Uganda, and Zambia have agricultural production indices that have shown steady improvements. But as per hectare productivity declines and the adoption of new technology has yet to gain significant traction, this growth rate appears unsustainable without extensive reform of the sector.

The African Development Bank reports that per capita agricultural output in Africa is only 56 per cent of the world average.⁵ This means that farm yields on the continent are amongst the lowest in the world (even though almost identical to Latin America, said yields pale in comparison to developing economies in Asia). The United States Department of Agriculture attributes this to poor soil quality and poor management of soil nutrients, and water level, exacerbated by harmful traditional farming practices, in particular the “low-input” method - low fertiliser use, inadequate irrigation, and limited mechanisation. In addition, there is need for increased investment by African states in agriculture research and development to create the right type of technology that takes into account the peculiar needs of tropical crops.⁶ Existing technology is based on a focus on farming and crop conditions in temperate regions, leading to mismatched outcomes when such technology is applied in the African setting.

According to the African Union, Africa has gone from being food self-sufficient in the 1960s to becoming a net importer of cereals with agriculture imports accounting for 1.7 times the value of exports. However, countries like Zambia, which has recently become a net exporter of maize, soya bean, and wheat, show that there is enormous potential for Africa in the global food markets, especially since the continent is home to over 65 per cent of the world's available, uncultivated, arable land. Furthermore, as national incomes and public agriculture expenditure (PAE) continue to rise, more countries have begun to explore additional opportunities in downstream subsectors like processing. A concerted effort by African policymakers – supported by the private sector and development partners – to prioritise and industrialise agriculture will lead to continental food security as opposed to the current dependency on countries outside the continent. Focused and sustained investments in the agriculture sector will eventually lead to diversified and resilient national economic structures in Africa that are more closely integrated with one another. As global commodity prices fluctuate and China's demand (growth) falters, it is essential for African nations to embrace sophisticated mechanisation and modernisation of agriculture in order to build economies with less exposure to external shocks.



⁵ <http://www.infrastructureafrica.org/key-msg/sector/africa%E2%80%99s-agricultural-productivity-lowest-world>
⁶ <http://www.ifpri.org/publication/updated-look-recovery-agricultural-productivity-sub-saharan-africa>

Small-holder farmers account for over 80 per cent of the agricultural output on the continent and hold the greatest potential for inclusive development. The United Nation estimates that the number of Africans involved in agriculture (agriculture population) will rise from 530 million to 580 million by 2020. It is therefore imperative that any significant reform of the sector include ways to modernise and scale-up these farmers. Improving the productivity of entrepreneurs working in and along the agriculture value chain will drive inclusive and long-lasting prosperity; greater agricultural efficiency will contribute to higher earnings across the value chain, which will in turn intensify demand for goods and services in non-agriculture sectors. And, eventually, the spillover effects of increased agriculture competitiveness will boost incomes of those in non-agriculture sectors as well.

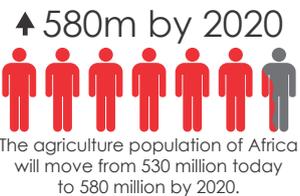
This report analyses the business approach being taken and the operational challenges faced by agriculture entrepreneurs across Africa using information gathered from TEEP Entrepreneurs. At the Tony Elumelu Foundation, we strongly believe that agriculture and agro-allied sectors on the continent have the capacity to absorb the new wave of young talent entering the workforce in the millions. In this study, we outline that to fully utilise this capacity, there must be land ownership reforms; strong state institutions; democratised access to markets, finance and support services; and significant investments in reliable infrastructure to lower operational and processing costs for all African entrepreneurs in this space. In a survey sent to over 20,000 entrepreneurs in our TEEP network, nearly 70 per cent of start-ups urged government to improve the quality of general infrastructure (roads, rails, ports, markets, etc.) as this was one of the major bottlenecks that threatened their businesses.

Historically, agriculture is known to employ the vast majority of Africa's working class and it continues to offer significant prospects for creating the wealth and jobs needed to combat inequality, vulnerability, instability, and food insecurity. Policymakers and all African stakeholders must pay close attention to data from this sector to inform strategic policies that support small-holder farmers and agribusinesses to thrive.

Tony Elumelu Entrepreneurs have reported in their TEEP narrative reports that access to seed financing, active mentoring, and specialised training from our programme have led to revenue growth and improved business performance. Direct engagement with our TEEP Entrepreneurs in agriculture in focus groups highlights that input availability, access to finance, a supportive enabling environment, the availability of suitable technology, efficient access to output markets, and the availability of quality extension, advisory, and training services will sustain an equitable food supply



Smallholder Farmers
account for over
80%
of the agriculture output
on the continent.



About 70% of startups are urging
government to improve on general
infrastructure
being one of the major bottlenecks
that threatened their businesses.

chain and expand activities across the agriculture sector. A deliberate strengthening of farmer organisations by targeted policy frameworks will also lead to broader success in the sector. Building strong, direct linkages between agriculture and other sectors including ICT and manufacturing, for example, will support more diversified and sustainable economic development.

The President of the African Development Bank (AfDB), Dr. Akin Adesina, who is the immediate past Minister of Agriculture in Nigeria, has often reiterated since his assumption of office in September 2015 that it is time we Africans start to see agriculture as a business. Inevitably as more farmers and members of the agribusiness supply chain enjoy broader access to technology, national and regional markets, and support services, the increased value-added productivity of the sector will naturally follow. There is great opportunity to boost output from more complex processes – cereal, dairy products, fish, meats, and milk – as urban demand for processed and standardised products in Africa is driven by a burgeoning middle class. Meanwhile, global demand for food products is becoming increasingly diversified (e.g., higher consumption of animal protein and demand for raw materials for energy purposes), presenting additional avenues to take advantage of new market possibilities.



Our TEEP Entrepreneurs in agriculture demonstrate the new wave of process integration and value-addition across the sector and its subsectors, as they incorporate advanced aspects of processing to their operations. The deliberate focus on adopting such high level processes structurally and sustainably strengthen the competitiveness of African agriculture.

The Foundation, supported by our TEEP findings, urges Africa's public sector leaders to encourage entrepreneurship in agriculture by focusing on strategic public goods that will specifically enhance the viability of rural and advanced agriculture-oriented business, such as core infrastructure, access to irrigation and other water assets, efficient transport networks, reliable and affordable energy, easier access to quality inputs, research support, and extension and professional training services. Others areas in need of greater public sector focus includes gender equitable land rights, access to long-term credit and insurance, fair rule of law, provision of social policies and safety nets that enhance resilience of small-holder farmers, investments in upstream and downstream aspects of the value chain, and

INTRODUCTION

stakeholder access to national and regional markets. To achieve this, it's essential that both government and the private sector provide support for links in the value chain that go beyond production.

The Tony Elumelu Foundation seeks to identify and address gaps that inhibit the necessary increase in agricultural productivity. It is encouraging to see that certain part of Africa have demonstrated considerable progress in the adoption of innovative agriculture techniques, such as Rwanda and its focus on moving coffee and tea production further up the value chain, Kenya's great strides in building a lucrative horticultural industry that has a created a robust and growing global market for exported cut flowers, and Uganda's impressive strides in aquaculture and organic farming. These examples are beacons of hope for burgeoning entrepreneurs and public leaders alike who are seeking methods to transform agriculture in ways that will lead Africa's economic transformation.

The Foundation's role is to provide unique insight using TEEP data to complement existing research in agriculture in order to bring about additional improvement in agricultural policies and practices.



Rwanda
focuses on moving higher in the value chain for coffee and tea



Kenya
great strides in horticultural industry and cut flower export



Uganda
focuses on aquaculture and organic farming.



THE TONY ELUMELU ENTREPRENEURSHIP PROGRAMME

The Tony Elumelu Entrepreneurship Programme (TEEP) – the Foundation's flagship initiative – was launched on Dec 1, 2014. TEEP is funded through a personal financial commitment of US\$100 million from our founder, and over the next decade will provide 10,000 entrepreneurs across Africa with training, funding, mentoring, and networking to empower the next generation of African entrepreneurs.

The Programme aims to create one million new jobs and US\$10 billion in revenue growth across Africa within the next decade. In its inaugural year, TEEP selected 1,000 entrepreneurs out of over 20,000 applicants from 54 different African countries. The Programme has provided US\$5,000 in seed capital to each entrepreneur with the potential for an additional US\$5,000, depending on their initial success. However, even more importantly than the financial capital, the current Tony Elumelu Entrepreneurs have gone through a rigorous 12-week online training programme, worked closely with a designated mentor, developed pan-African networks with their peers in TEEP, and received additional hands-on training during a two-day Bootcamp in Ota, Nigeria, that was conducted on July 11 and 12, 2015. Following completion of the formal programme, the entrepreneurs remain connected to the Programme and to each other through their lifetime membership in the TEEP Alumni Network.

The entrepreneurs will be continuously monitored on both a portfolio and individual basis as TEEP evaluates their businesses for potential follow-on funding and beyond. The qualifying entrepreneurs that have progressed their business plans sufficiently will qualify for a second stage seed capital investment of US\$5,000 that will be provided as returnable capital in the form of debt or equity.

The Programme is the first of its kind to be launched by an African philanthropic organisation and is the largest African-sourced philanthropic initiative targeting the entrepreneurial space.



TEEP AT A GLANCE



\$100m

Seed Capital To
Empower African
Startups



10,000

Entrepreneurs
to benefit



\$10bn

Projected Revenue
Across Africa

TEEP AGRICULTURE ENTREPRENEURS

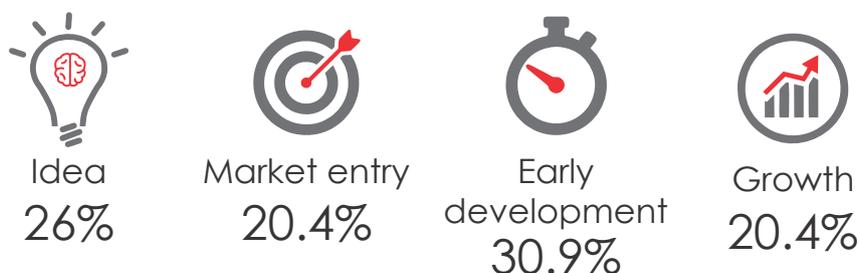
In its first year, **304** out of the 1,000 entrepreneurs selected for TEEP were in agriculture – the top ranking sector in terms of number of applications. The agriculture entrepreneurs come from **34** countries across the continent. Through TEEP, the Foundation invested **US\$1.5 million** – the first tranche of \$5,000 seed capital to each agriculture entrepreneur – in the African agriculture ecosystem in 2015. As we approach the next stage of seed capital disbursement, this figure could ultimately rise to over **US\$3 million**.

TEEP is holistic in its approach towards empowering African start-ups. For example, the rigorous 12-week online learning programme includes a wide-variety of topics designed to assist entrepreneurs with a range of key issues such as defining their products, scoping the market opportunity, and pricing and marketing the product, among several others. Each entrepreneur is also matched with a mentor who has relevant expertise to guide and support the establishment of a thriving business. In addition to mentoring and training, each entrepreneur has access to wide network of key policymakers and other entrepreneurs that they connect and engage with in regular TEEP meetups.

Demographics of TEEP Agriculture Entrepreneurs:



Stage of business:



The empowerment process for TEEP Entrepreneurs is holistic, involving:



TRAINING

Rigorous 3-month online learning programme featuring a wide-variety of topics.



FUNDING

\$5,000 in seed capital to each entrepreneur with the potential for an additional \$5,000, depending on their initial success.



MENTORING

Each entrepreneur is matched with a mentor who has relevant expertise to guide and support the establishment of a thriving business.



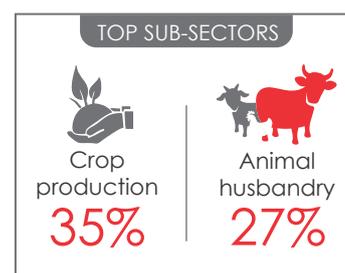
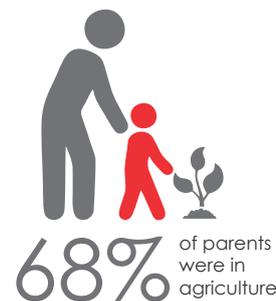
NETWORKING

Each entrepreneur has access to wide network of key policymakers and other entrepreneurs.

SHOWCASING TEEP AGRICULTURE ENTREPRENEURS

Key Findings

- They are **young** (the mean age of the entrepreneurs is 34 years old) **but experienced** through exposure via family and on their own (sixty-eight per cent of parents were also in agriculture)
- Their business strategies emphasise **advanced competitive techniques** such as marketing, branding, and sales
- There is a strong **culture of innovation** with respect to the products they offer and the processes employed to create them
- Our entrepreneurs are building businesses that include **integrated, value-adding supply chains**, e.g., from growing crops to processing them as well as related auxiliary business activity such as transport, agribusiness services, and warehousing and storage
- They are investing in **ICT and advanced management techniques** as enablers in developing an integrated supply chain
- Sixty per cent of inputs are **sourced from rural areas**, but half of businesses are located in urban or peri-urban areas, **reflecting rapid urbanisation** across Africa
- They are **not afraid of competition**, as many of them are seeking to create products that would replace existing ones
- They are providing **higher quality products** (80 per cent), focusing on **marketing and branding** as the primary way to achieve a competitive advantage (82 per cent), and emphasising **superior customer service** (70 per cent), all of which reflects increasing brand awareness, media savvy, and consumer sophistication
- TEEP Agriculture Entrepreneurs are **aggressive, ambitious, and confident**, as 83 percent intend to be active at a national level and 61 percent intend to achieve break-even within two years
- "Basic," low-tech functions such as crop production (35 per cent) and animal husbandry (27 per cent) are the top subsectors, but are being **modernised and brought to scale**
- TEEP Agriculture Entrepreneurs need roughly US\$7 million in start-up capital and have received US\$1.5 million via the first round of TEEP seed capital which equals a 21 percent of the average total need. If the entrepreneurs qualify for a second round, TEEP capital will represent just under half of the average total capital need
- For around 40 percent of entrepreneurs, the first round of TEEP capital (US\$5,000) ranges **between 25 and 100 per cent** of the total start-up capital need
- The **cost of machinery and equipment** (70 per cent) and **quality inputs** (50 per cent) were the two biggest challenges, indicating government intervention should focus on incentivising new business development locally in these two areas



SELECTED TEEP AGRICULTURE ENTREPRENEUR PROFILE



NAME

Ugwu Patience Chinasa

COUNTRY OF ORIGIN

NIGERIA (WEST AFRICA)



GENDER
FEMALE



AGE
32



LIVES IN
NIGERIA

SUBSECTOR

Animal farming and
feed formulation

BUSINESS IDEA

Poultry breeding
and processing

STAGE OF BUSINESS

Market entry



What are the biggest challenges you face?

My major challenge is the presence of fierce competition in the industry and the fact that the business is very capital intensive and needs a lot of working capital – which I currently do not have enough of.



What do you know now that you wish you had known when you were starting your business?

I learned a lot of things during the TEEP 12-week training. I got to know that good customer relationships can move my business to greater heights and also good record keeping can't be over emphasised.



What was the most fulfilling part of the Tony Elumelu Entrepreneurship Programme for you?

The most fulfilling aspect of the Tony Elumelu Entrepreneurship programme was the networking that was an integral part of the TEEP bootcamp last July in Lagos. I got to meet a lot of people – 1000 entrepreneurs across Africa. It was really an amazing experience.



What advice do you have for other entrepreneurs who are thinking about starting a business in agriculture?

My advice is that for you to go far in whatever you are doing especially as an entrepreneur, you really have to be open to learning; go for trainings and try to mix with people who share the similar ideas as you. They will surely be a source of much-needed motivation for you.

SELECTED TEEP AGRICULTURE ENTREPRENEUR PROFILE



NAME

Ombick Essome Manfred Olivier

COUNTRY OF ORIGIN

CAMEROON (CENTRAL AFRICA)



SUBSECTOR

Processing

SNAPSHOT OF BUSINESS IDEA

Implementation of an automatic production unit of plantain chips, banana chips, and potato chips with 70 kg/hour capacity.



What are the biggest challenges you face?

The lack of infrastructure is an obstacle to the development of agriculture in Cameroon. In rainy seasons the farmers record [significant] losses because the farms are far from roads. Consequentially, the cost of transport increases, and [a large percentage of] harvests are lost. I think the government should build the country's roads first and foremost. Even if African countries commit 10% of their budgets to the agricultural sector the present state of infrastructure will prevent the sector from growing.



What do you know now that you wish you had known when you were starting your business?

The business model form featured in the TEEP 12-week online learning programme helped me understand how to write a concise business plan. Market studies shared on the TEEP online resource library also helped me better understand consumers' expectations.



What was the most fulfilling part of the Tony Elumelu Entrepreneurship Programme for you?

The Bootcamp was the most important part of the programme because it allowed all of us entrepreneurs to share our experiences and establish business contacts with each other. These partnerships have given us the opportunity to develop our products and sell it at the continental level as we access different markets through each other. We may have the most beautiful projects in the world; however, without the integration of the African market, it will be difficult for African entrepreneurs to be competitive at the international level.



What advice do you have for other entrepreneurs who are thinking about starting a business in agriculture?

First of all, think about identifying the risks of your project through engaging with key stakeholders (experts, your partners, distribution networks, etc.). Never invest in the agricultural domain expecting to be rich as quickly as the second business year. Even if you have enough capital, you should start small in order to retain control of the project (human resources, operating costs, logistic, knowledge of the market).

SELECTED TEEP AGRICULTURE ENTREPRENEUR PROFILE



NAME

Mavis Nduchwa

COUNTRY OF ORIGIN

BOTSWANA (SOUTHERN AFRICA)



GENDER
FEMALE



AGE
33



LIVES IN
BOTSWANA

SUBSECTOR

Poultry farming

SNAPSHOT OF BUSINESS IDEA

I do integrated farming. I am the founder of Chabana Farms. We have a poultry and supply businesses with eggs and chicken.



Why did you want to be an entrepreneur?

I wanted to be an entrepreneur to help create jobs for women in my community – women are disproportionately afflicted by unemployment in my country. I also want to do my part to support Africa's hope for food security in my generation.



What are the biggest challenges you face?

Lack of land and lack of funding locally are the two biggest obstacles to doing business. The agriculture supply chain I operate in is male dominated, so as a young female farmer, I have to work much harder to make people believe that I have the capability.



What do you know now that you wish you had known when you were starting your business?

I wish I had known a lot of the information that I learned through the TEEP 12-week online learning programme before launching my business. Aspects of running a business like identifying problems, effectively solving them, the importance of market research and insight, branding and packaging my products, and building networks. I did not know any of these prior to my TEEP training.



What was the most fulfilling part of the Tony Elumelu Entrepreneurship Programme for you?

TEEP really opened my eyes. As a result of the training I received, I was able to do market research, expand my business and begin to build a brand. Today I have a website, existing brand collateral and I smile every time I am in a shop and see people carrying my eggs in their trolleys. The feeling is priceless.

The entire programme was fulfilling. I am now part of the TEEP Network so any questions I have I know I can share with fellow farmers on the platform. Because of the exposure I received through TEEP, I was nominated on a number of platforms such as Ampion Venture Bus SA 2015, Global Youth Summit in Bangladesh (youth in Agriculture), and I am now a member of Lioness of Africa (a network of women in Africa that are making a difference in their communities).

SELECTED TEEP AGRICULTURE ENTREPRENEUR PROFILE



NAME
Joyce Kyalema

COUNTRY OF ORIGIN
UGANDA (EAST AFRICA)


GENDER
FEMALE


AGE
30


LIVES IN
UGANDA

SUBSECTOR
Agro-Processing

SNAPSHOT OF BUSINESS IDEA
I offer a variety of organic high quality pumpkin products that are durable and easy to access in national and international markets. A sample of these products include pumpkin wine, pumpkin leaves powder, pumpkin roasted seeds, pumpkin roasted seeds powder, pumpkin flour, and pumpkin tea spices.

All these products contain nutritional supplements vital for achieving good health and immunisation boosting.



What are the biggest challenges you face?

Changes in climatic conditions that affect the [yield] of pumpkin crops. Secondly, limited availability of modern equipment and machinery that can be used to increase production to meet the demands of customers.



What do you know now that you wish you had known when you were starting your business?

I wish when starting my business, I knew how to create strategic partners, especially for business development and funding opportunities.



What was the most fulfilling part of the Tony Elumelu Entrepreneurship Programme for you?

My most fulfilling part of the programme remains the opportunity I now have to forge business partnerships across the continent with the other TEEP Entrepreneurs. I also greatly appreciate the assistance given to me in refining my business plan via the 12-week learning programme. This programme has been so good. When I started this, I didn't know how to think about my customers. I didn't know how to manage my workers. I didn't know how to get partners. So TEEP has helped me so much in all of that to understand what I should do in my business.



What advice do you have for other entrepreneurs who are thinking about starting a business in agriculture?

- ▶ Understand your competitors and properly investigate the risks involved in the business to come up with appropriate mitigation measures for the sustainability of your enterprise.
- ▶ Improve the quality of your products and do more research on product upgrades so that you can tap both local and international markets.
- ▶ Add value to your agricultural produce since it's one way of increasing income.
- ▶ Go organic in whatever you grow.
- ▶ I recommend all youth entrepreneurs to have confidence, passion, and determination in whatever business they are doing.

SELECTED TEEP AGRICULTURE ENTREPRENEUR PROFILE



NAME
Badjie Modou Lamin

COUNTRY OF RESIDENCE
MOROCCO (NORTH AFRICA)


GENDER
MALE


AGE
26

SUBSECTOR
Poultry farming

SNAPSHOT OF BUSINESS IDEA
We focus on small scale poultry farming activities. We bring in new, innovative solutions to our farm and provide Africa-wide consultancy and advisory services on poultry farming.



Why did you want to be an entrepreneur?

I wanted to be an entrepreneur for the following reasons:

- To empower families in order for them to be financially independent;
- To improve the health condition and standard of living in Africa;
- Reduce the unemployment rate via job creation (women folks > 50 per cent);
- Protect the ecosystem and enhance the food chain;
- To promote economic development.



What are the biggest challenges you face?

Accessing capital, Taxation and Operational cost.



What do you know now that you wish you had known when you were starting your business?

It's a lonely venture, and no one seems to believe in you. Less helpers and rising operating costs. There is also high interest rates. The business is labour intensive.



What was the most fulfilling part of the Tony Elumelu Entrepreneurship Programme for you?

The most fulfilling parts in the maiden edition of Tony Elumelu Entrepreneurship Programme (TEEP) were the online live-learning support, web mentoring, resource library, bootcamp, and seed funding, and membership of the alumni network. These aforementioned elements provide a unique ecosystem of intensive and effective support for start-ups. The end outcome of this initiative being the setting-up of strong viable businesses, which goes on to creating new jobs, generating more revenue and ultimately enlarging Africa's private business sector.



What advice do you have for other entrepreneurs who are thinking about starting a business in agriculture?

They should look for unique ideas and know the ABCs of this sector. The entrepreneur should try to zero-in on specific agricultural problems and how s/he can bring meaningful, lasting solutions as an answer to the recurrent problems in that sector. Cognizant of the fact that young entrepreneurs should identify problems and bring about meaningful solutions to solve them in order to make a difference.

Finally, I will exclusively leave a final word to my fellow entrepreneurs to leverage technology for research and innovation. Also, they should try to brainstorm ideas, know how to write a business plan, [be familiar with the] steps in registering a business and opening a business bank account which comes in handy.

TEEP Agriculture
Entrepreneurs

In Action



- ① Deborah Ntawigirira (Burundi) imports coffee from Burundi to Canada. Photo shows her first shipment in Ottawa, Canada.
- ② Calleb Otieno (Kenya) uses greenhouse and on farm production to produce horticultural crops even in time of food insecurity.
- ③ James Kariuki (Kenya) showcases clean cooker that uses biofuel from corn/ethanol.
- ④ Said Twahir (Kenya) Kencoco manufactures Eco-friendly charcoal briquettes from agricultural waste.

More pictures of
TEEP Agriculture
Entrepreneurs
in action



5



6



7

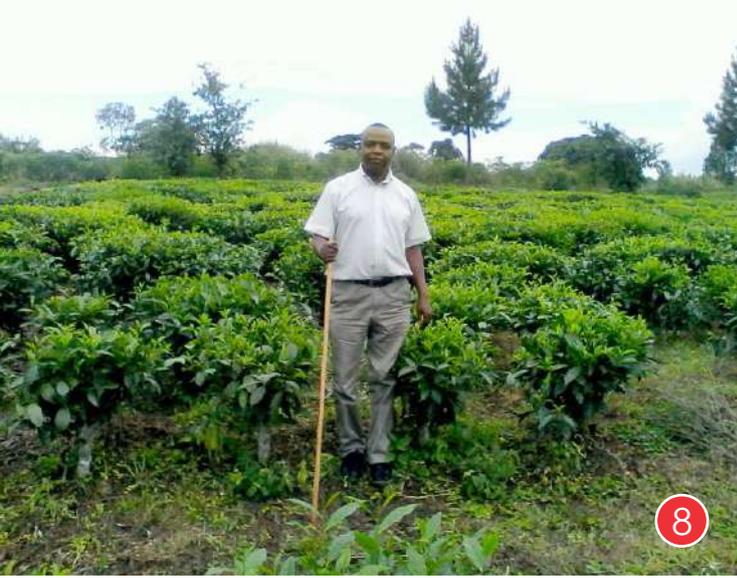


6



7

- ⑤ Murithi T. Mutugi (Kenya) working in his sericulture farm – production of silk and rearing of silkworms for this purpose.
- ⑥ Peter Onyango (Kenya) purchased an animal feed manufacturing machine (top) and constructed a prefabricated factory infrastructure (bottom) at the Yellow Oleander Enterprises at Nyakasumbi-Sinapanga Road, Bondo, Kenya.
- ⑦ Eliud Simfukwe (Tanzania) and wheat growers on the farm.



8



9



10



- ⑧ Vincent Kazooba (Uganda) at his cultivated tea estate.
- ⑨ Brian Muchiri (Kenya) showcases product – Home Comforts Tea.
- ⑩ Joyce Kyalema (Uganda) 3 acre pumpkin garden (top-right); Showing how she dries the pumpkins (top-left); Preparing pumpkin leaves for drying (left); and showing some of the final pumpkin products (right).

MENTOR PROFILE

MENTORING

The importance of mentoring cannot be overemphasised, especially for early stage startups. They are a vital part of the Tony Elumelu Entrepreneurship Programme (TEEP) and are selected for their expertise, passion and alignment to the programme vision and mission. TEEP assembles world class mentors from across Africa and internationally who faced similar challenges and can steer TEEP startups along this tumultuous path.

From the onset, TEEP start-ups are assigned a TEEP mentor who dedicates time and shares their business experiences, listens to their mentee's goals and expectations and provides guidance and support throughout the programme. They keep the startups on track to complete their business plans and to help them build businesses with a solid foundation.

Mentors will also benefit from collaborative learning and by helping start-ups, they may be inspired with new ideas, new business strategies and learn more about the realities of doing business in Africa from African startups.

In a survey undertaken by the Foundation last year to our Tony Elumelu Entrepreneurs, **90%** of all respondents stated that having a mentor to guide their business was "helpful". In another survey to business incubators across the continent, we found that a **majority** of them were founded to provide "much needed mentoring" to entrepreneurs. Mentoring is especially valuable in assisting entrepreneurs navigate the often difficult startup terrain.

SELECTED TEEP AGRICULTURE MENTOR PROFILE



NAME

Chandra P. Singh

COUNTRY OF ORIGIN: INDIA

GENDER: MALE

AGE: 42

LIVES IN: INDIA

- 1** **Briefly describe your business:**

As a Business Head, I am setting up one of the largest commercial farming venture with Food Processing units run by micro and small entrepreneurs.
- 2** **Why did you decide to be a TEEP mentor?**

I have worked in various parts of Africa like Uganda, Tanzania, Cameroon and Nigeria, and TEEP Mentorship is a good platform to help the entrepreneurship amongst youth of Africa. I have been a firm believer in the food and agribusiness potential of Africa, and having built my own venture in Nigeria few years back, this is best way to give back to the society I have been a part of.

- 3** What do you think are the biggest challenges for entrepreneurs in agriculture?
Market and Financial Access are the key challenges. Besides this it requires lot of hard work and had longer gestation period unlike other businesses. Policy environment in developing country also can be a big challenge where the general view is more towards self-sufficiency and sustainability rather than 'agriculture-for-business' orientation.
- 4** What is the easiest aspect for entrepreneurs in agriculture?
The agriculture as a business is always relevant and has a potential for value chain expansion.
- 5** Where do you see TEEP agric entrepreneurs in 5 years?
I see them being a major catalyst for change in agriculture in Africa, tackling food availability and inflation. I would like to see the entrepreneurs employing atleast 1.0 million people directly and indirectly and a business revenue of \$500 Million in next 5 years.
- 6** What is your most important advice to TEEP agric entrepreneurs with young businesses?
Stay focused, get your feet wet, do good for the farming community, design solutions - Business will be just an outcome then.
- 7** What policy recommendations do you have for policymakers across Africa to enable agric entrepreneurs thrive?
Have single-window clearance mechanism for these entrepreneurs, enhance accessibility to banking, provide softer terms on duties/income taxes, policy around viability gap funding for ventures addressing key challenges of the country.
- 8** Most fulfilling part of the Tony Elumelu Entrepreneurship Program for you?
contributing to the journey of the aspiring entrepreneurs, able to structure their thought process, as well as engaging with them to look at the bigger picture.
- 9** What advice do you have for entrepreneurs starting out in the agriculture sector?
Focus on inclusive businesses with farmers, consumers, employees and government as key constituent.
- 10** What advice do you have for TEEP 2016 mentors?
Deep belief and engagement is the key.
- 11** Message To The Founder, Mr. Tony Elumelu?
Mr. Elumelu, you are a true philanthropist, a real change maker, Africa owes a lot to you. My best wishes for this and your future initiatives.

SURVEY PROCESS

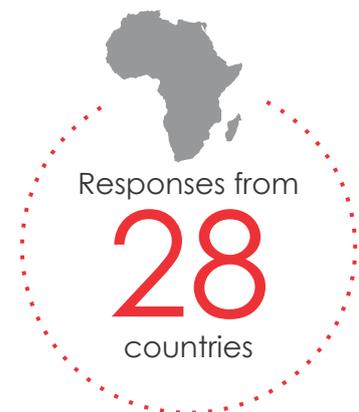
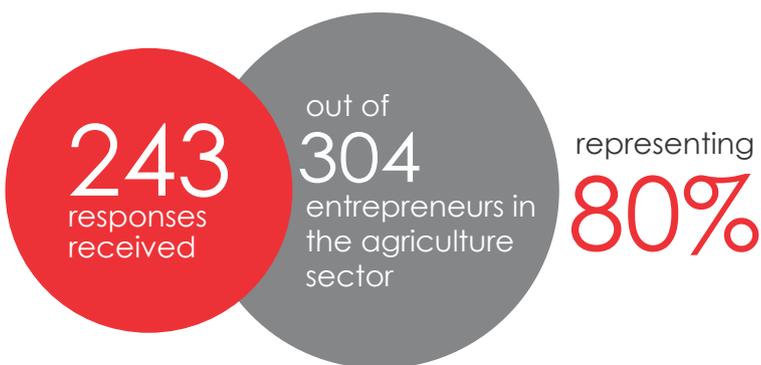
This report is based on results from a series of extensive engagement with the African agriculture entrepreneurs in the inaugural class of the Tony Elumelu Entrepreneurship Programme (TEEP), which includes more than 300 members from across 34 countries in Africa. The survey we sent to this group posed a series of specific about the conditions in their respective enabling environments. The results of the surveys were presented to various experts across the agriculture value chain – agribusiness lenders, financiers, equity managers, processors, development experts, and entrepreneurs – and further discussed in focus groups comprised of the entrepreneurs who participated in the surveys.

This report is unique in that the data is drawn from surveys and further engagement with small and emerging entrepreneurs from across each region in Africa. Likewise, the proposed solutions included in the report are derived primarily from the entrepreneurs themselves with additional suggestions from experts on the African agricultural ecosystem. One of the main objectives of this focused analysis of Africa's agricultural ecosystem for small entrepreneurs is to establish a baseline from which subsequent studies will be based and the data compared in order to track changes over the life of the Tony Elumelu Entrepreneurship Programme.

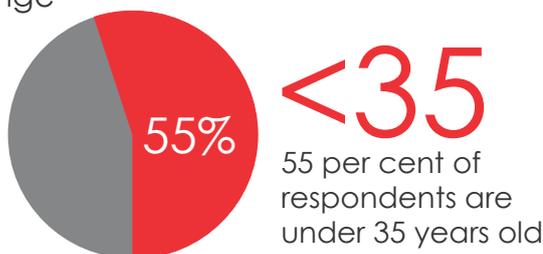
The survey and the accompanying focus group posed a series of questions to our agriculture entrepreneurs on a range of issues related to the process and costs associated with starting and operating their business, gaining access to early-stage financing, the cost of core inputs like machinery and land, the impact of taxes, efficiency of the supply and value chains, among others.

TEEP AGRICULTURE SURVEY STATS

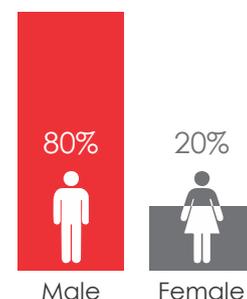
Number of Respondents



Age Range

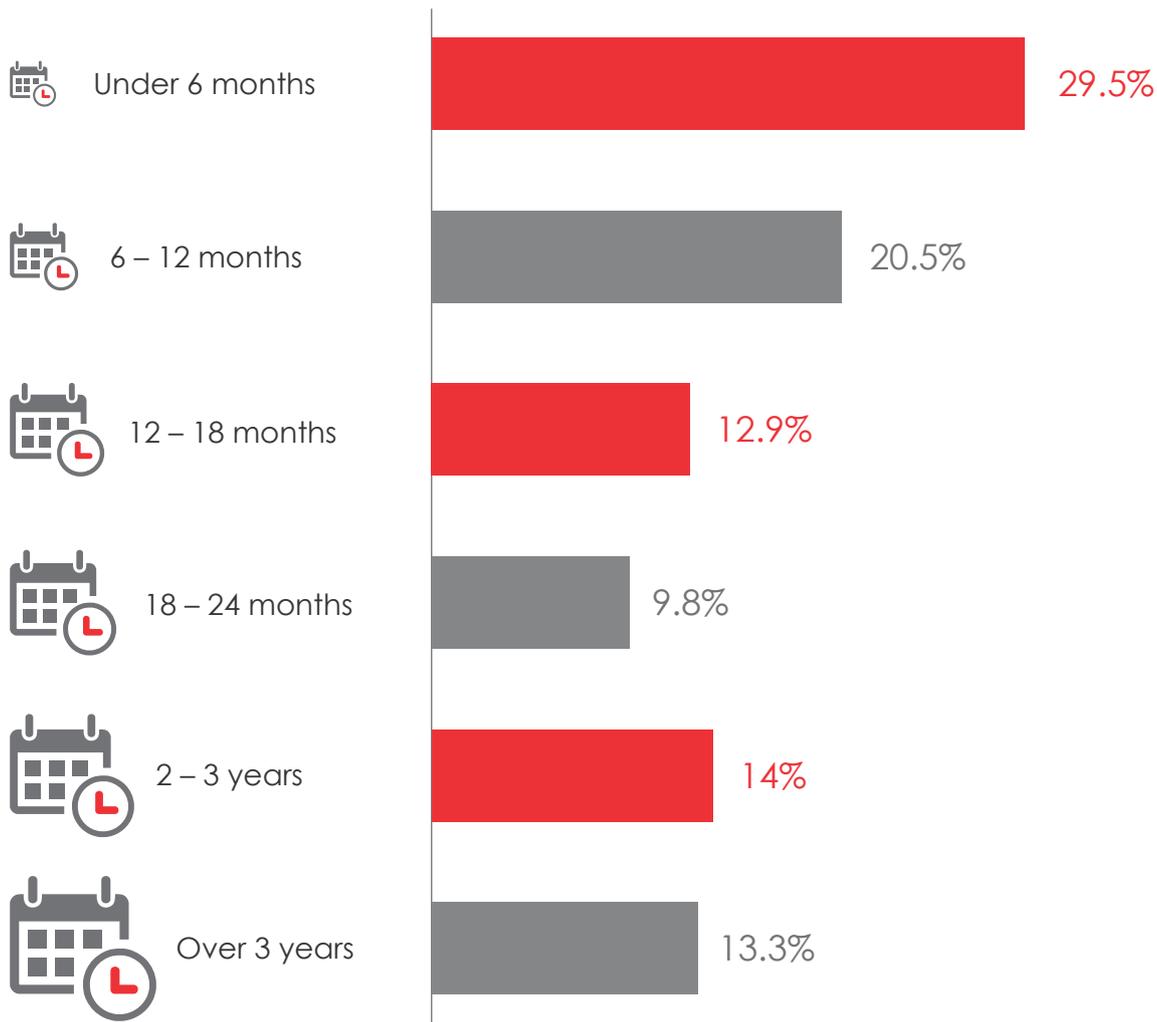


Gender Distribution





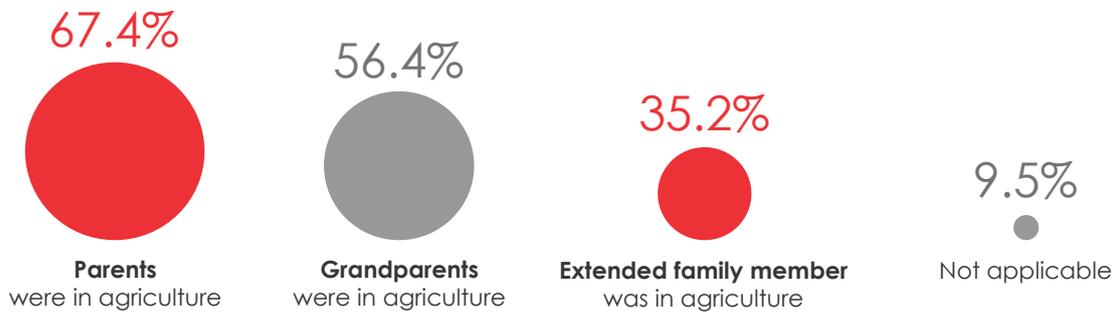
Years of business operation:



SURVEY ANALYSIS

1 Ninety per cent have a family member working or who has worked in the sector.

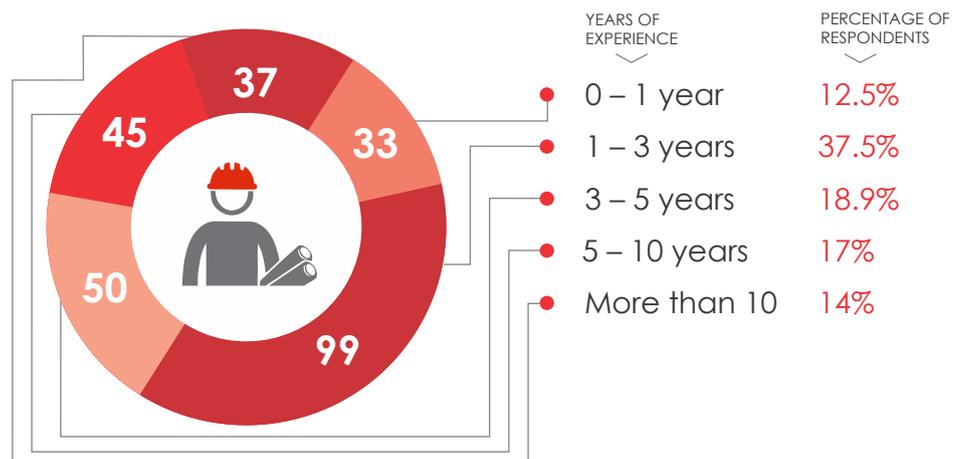
TEEP Entrepreneurs in agriculture have a long history of involvement in the sector. Over 67 per cent of entrepreneurs have parents in agriculture, while over 56 per cent have grandparents that have worked in the sector. Over 35 per cent of all surveyed entrepreneurs have at least an extended member in the agriculture industry. Early exposure to agriculture imparts future entrepreneurs with insights and experiences that compel and assist them in starting their own businesses in the sector. Kenya's James Kariuki explains, "When you are born and brought up in agriculture, you identify problems and opportunities more readily than you would in other ecosystems." Another entrepreneur, Orga Ritdimwa of Nigeria, learnt the art of basic agro-processing and preservation from her mother and aunt, for example.



2 Entrepreneurs are **young but experienced**, with many of them achieving degrees in agriculture from formal education.

More and more entrepreneurs have gone on to pursue formal agriculture training in academic settings. According to Peter Kimaru of Kenya, "Agriculture is what I have grown seeing all my life, and I even went to school to study the same. It's in my DNA." Eric Gwamaka of Tanzania was raised in a family heavily dependent on farming, influencing his decision to pursue it as a business after he graduated from university with a degree in agribusiness. **Fifty per cent** have an average of five years' prior experience working in the sector and 14 per cent of entrepreneurs surveyed have over 10 years' experience.

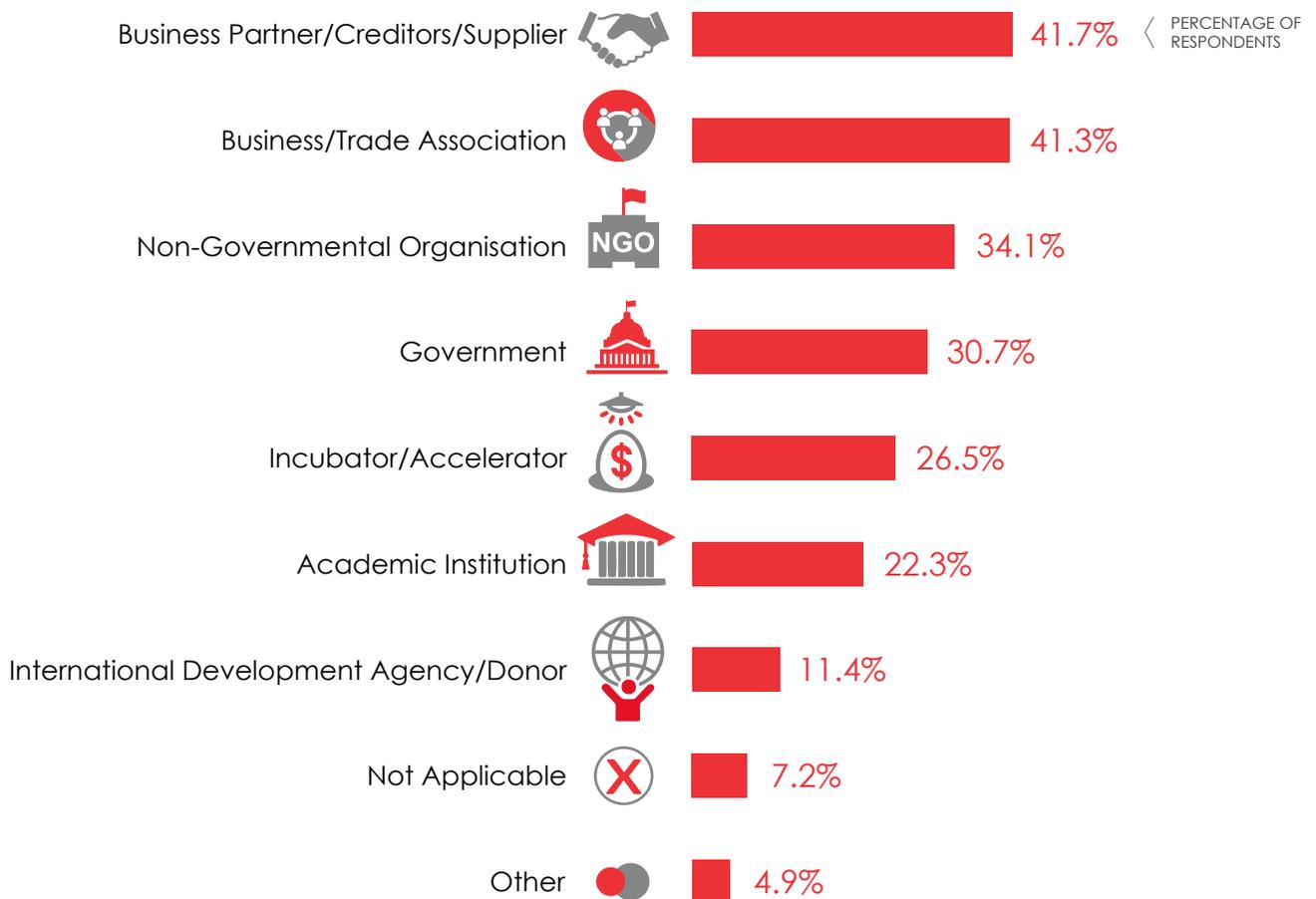
Experience in the Sector:



3 Over 33% of our entrepreneurs belong to a cooperative.

An entrepreneur in Tanzania credits being in a cooperative for his ability to access market information for his products. Another Entrepreneur, Danladi Dau describes his experience of being in a cooperative: “The benefits of being in a cooperative is very high especially for Nigerian farmer. Governments in Nigeria prefer to deal with cooperatives than individual farmer especially.” Cooperative/business associations also form an important source of non-financial support for entrepreneurs.

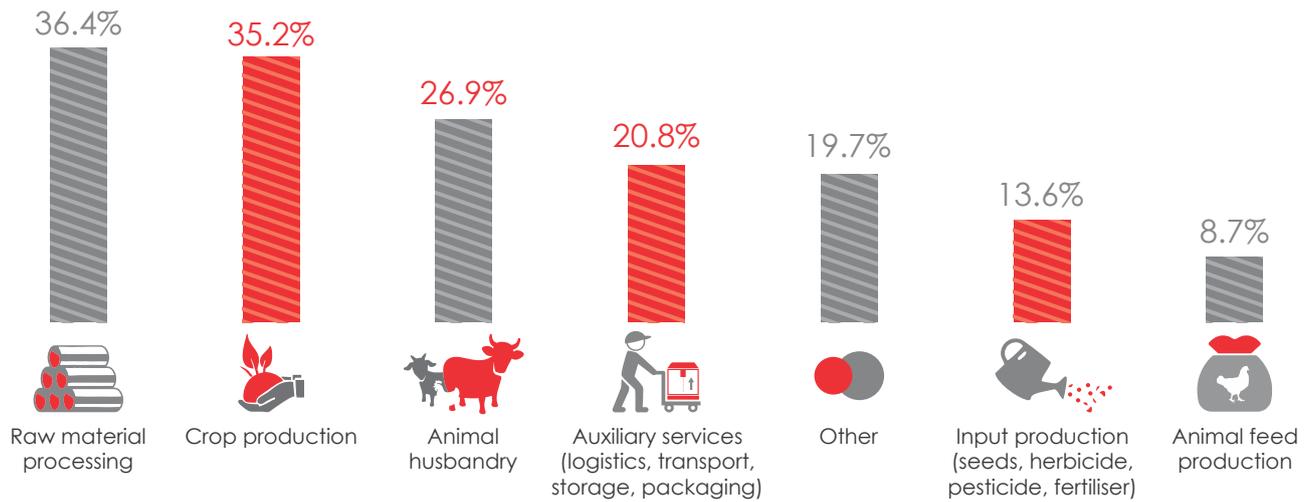
Sources of non-financial support:



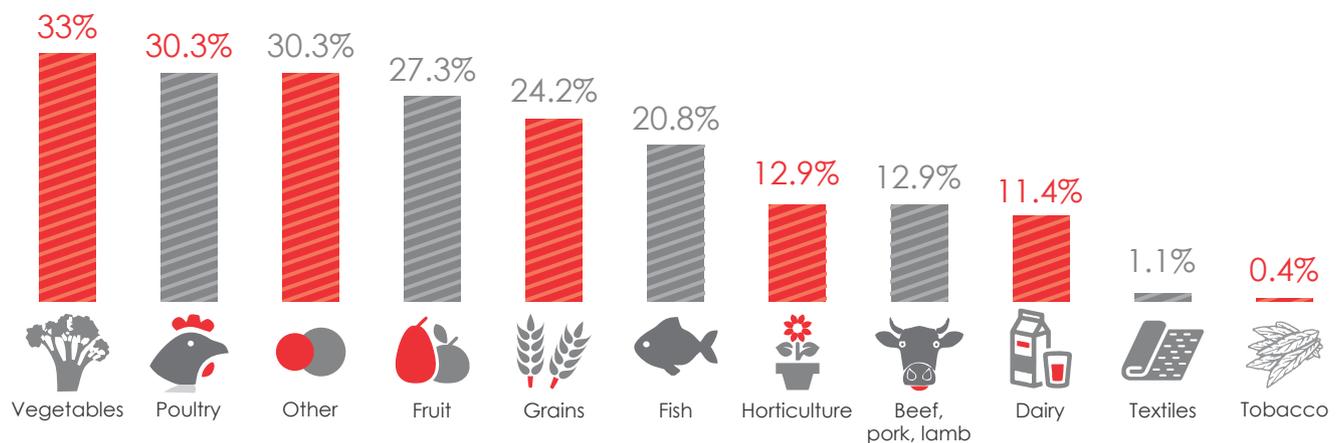
4 'Basic', low-tech functions such as crop production (35 per cent) and animal husbandry (27 per cent) are among the top subsectors, but are being **modernised and brought to scale**.

The top two primary subsectors are crop production (35 per cent) and raw material processing (36 per cent). Twenty-seven per cent of the surveyed entrepreneurs grow fruit, 33 per cent cultivate vegetable and 24 per cent specialise in grains.

Below is the breakdown of the thriving subsectors:



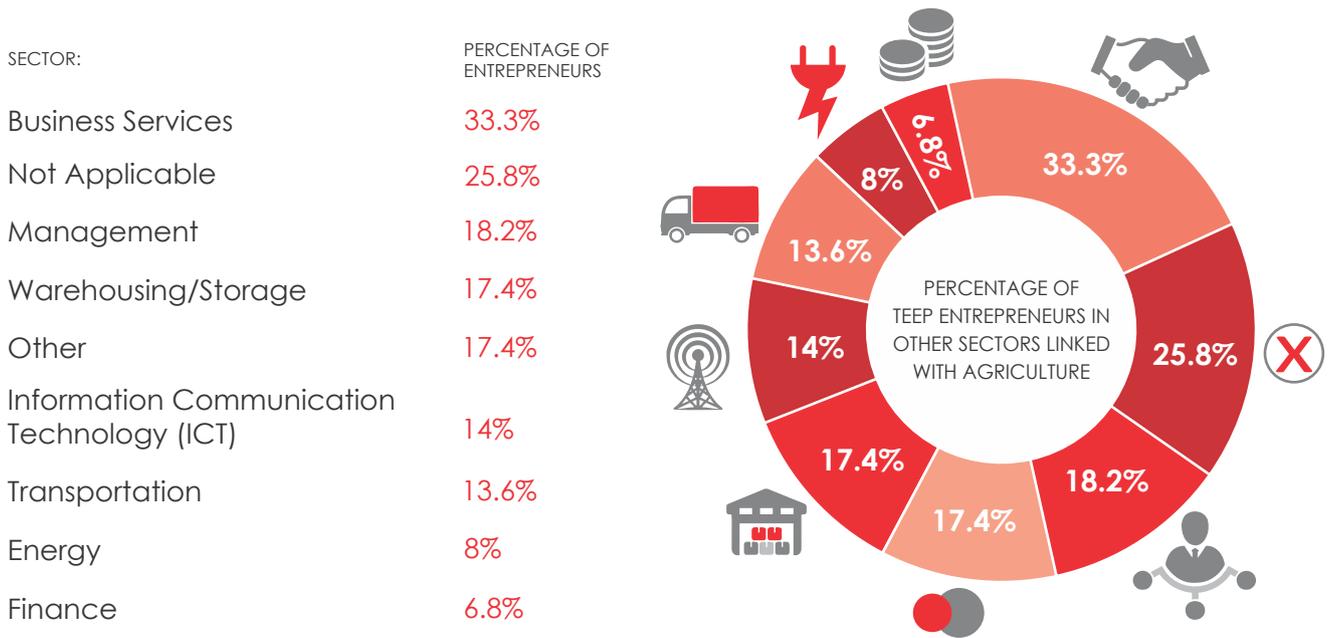
Breakdown by type of produce:



5 There is a strong culture of innovation with respect to the products entrepreneurs will offer and the processes employed to create them.

Tony Elumelu Entrepreneurs are forming new links between agriculture and other sectors like ICT, transport, management, and business services. Ekiawan Kizito grew up in the agricultural space in rural Cameroon. He was raised by farmer parents who worked hard but had poor earnings restricted by rudimentary farming practices and being focused solely on production of raw materials. Over the years, he found that adding more value to raw materials resulted in more income and increased wealth. He narrates his drive, "At the end of every year they are still empty, begging, and borrowing, and no matter what support they get, it can't get them through, so this has been so close to my heart to expose and assist this situation starting from Cameroon." Ekiawan now bridges agriculture and technology as he works on digital applications for agric. Nigerian entrepreneur Colif Isabor decided to go into agriculture as a result of his early exposure to food farming and carpentry. Now, in addition to carpentry, he is heavily involved in value-add procedures including wood processing. According to Colif, "I am a first mover in my space, processing sawdust and wood waste into biomass material for power plants to generate electricity."

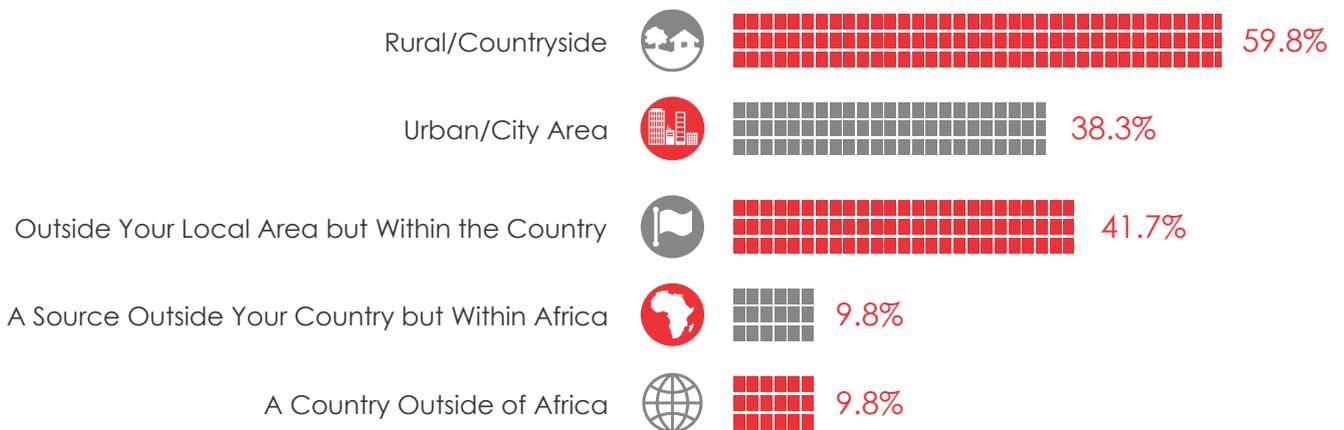
TEEP Entrepreneurs in other sectors linked with agriculture:



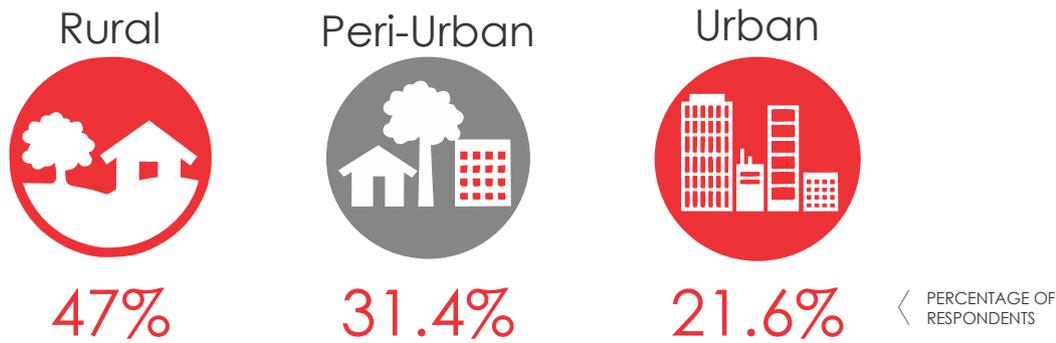
6 Sixty per cent of inputs are **sourced from rural areas**, but half of businesses are located in urban or peri-urban areas, **reflecting rapid urbanisation** across Africa.

As agriculture processes become more sophisticated, there is a shift from operations based mostly in rural areas to cities and urban areas. Inputs sourced from rural/countryside areas are raw materials used for processing, while machinery and heavy equipment are sourced from outside local areas and outside the country and Africa.

Where inputs are sourced:



Place of operation:



7 Entrepreneurs are **not afraid of competition** as many of them are working to create products that seek to replace an existing one.

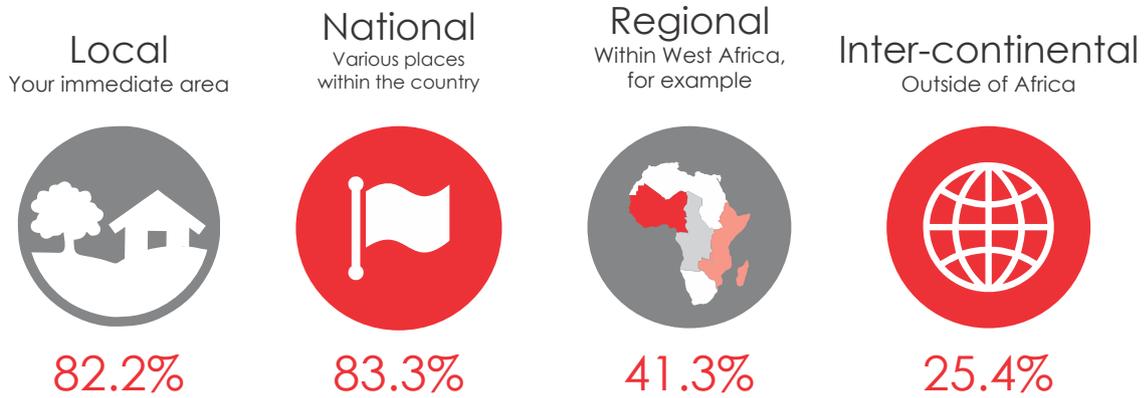
Entrepreneurs are in business for a multitude of reasons, including the desire to provide higher quality products to the market. According to TEEP Entrepreneur Eric Gwamaka, "I selected vegetable production due to a shortage of them also the quality in the region is still poor." Eric continues, "The products I offer are found in the market, but I intend to produce at a superior quality by use of modern farming techniques, value-added processing, and cold chain logistics." Another entrepreneur, Tom Omuor from Kenya, chose to focus on fresh fruits and vegetables because mangoes from major foreign suppliers came to the market rotten.

Business motive:



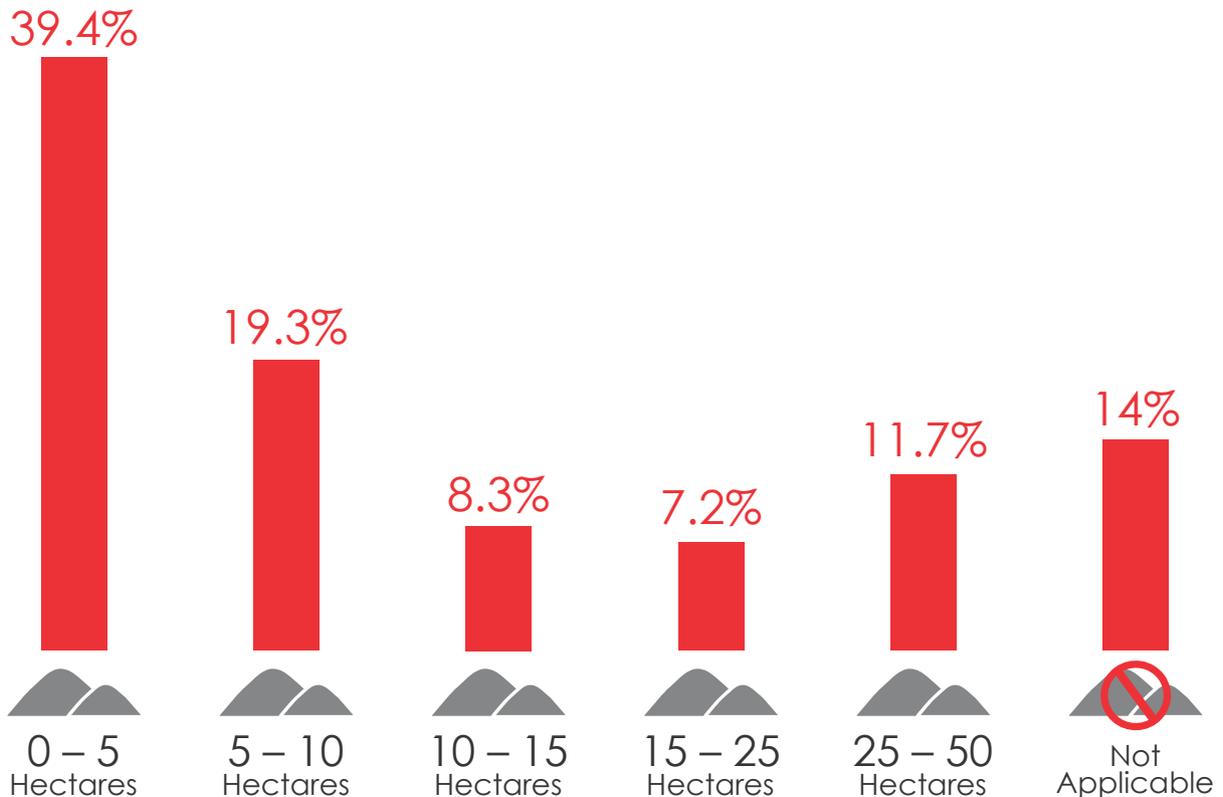
8 Entrepreneurs are **aggressive, ambitious, and confident** as 83 per cent intend to be active at a national level and 61 per cent intend to achieve break-even status within two years.

Projected market area:



9 Entrepreneurs are expanding their operations to larger hectares of land.

Hectares of Land:



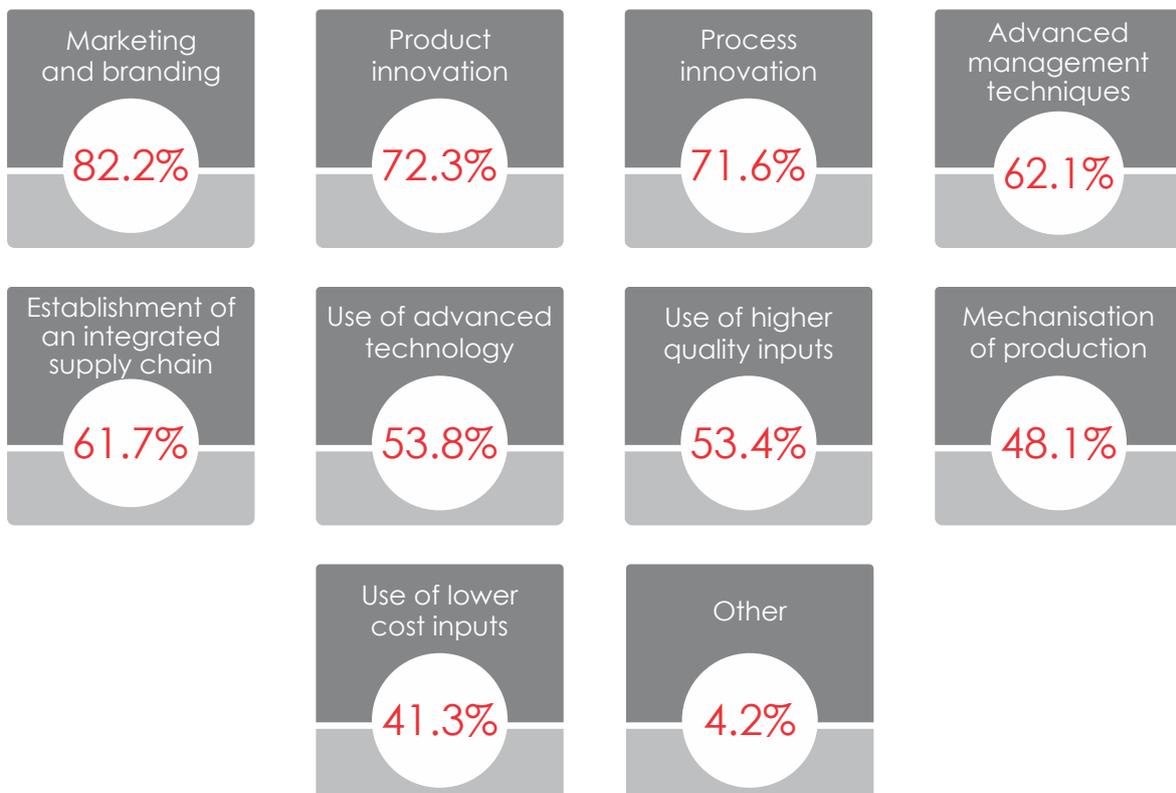
10 TEEP Entrepreneurs are providing **higher quality products** (80 per cent), focusing on **marketing and branding** as the primary way to achieve a competitive advantage (82 per cent), and emphasising **superior customer service** (70 per cent), all of which reflects increasing brand awareness, media savvy, and consumer sophistication.

As previously stated, an increasing larger percentage of entrepreneurs are adding more value to their farm products by engaging in related activities such as product and process innovation, logistics, marketing, and packaging and branding.

Primary competitive advantage:



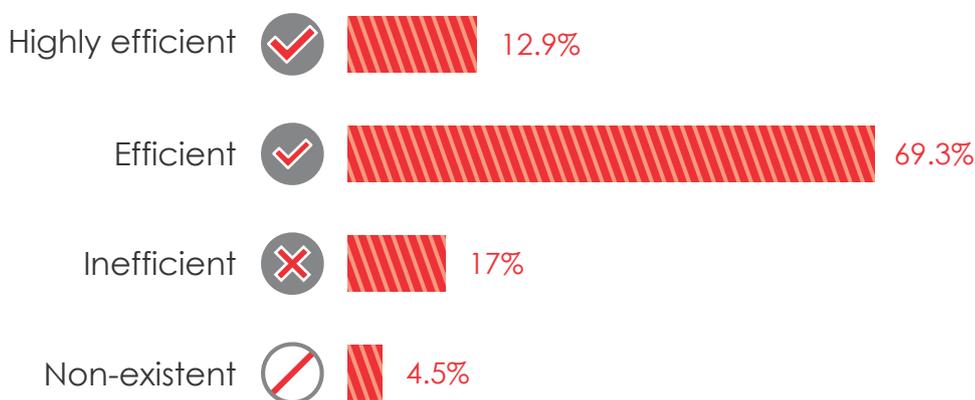
How will you develop competitive advantage?:



- 11 Entrepreneurs are building businesses that include **integrated, value-adding supply chains**, e.g., from growing crops to processing them as well as related auxiliary business activity such as transport, agribusiness services, and warehousing and storage.

TEEP Entrepreneurs deal with multiple facets of the supply chain which, on average, they rate as “efficient”. Unlike well-developed markets, agricultural value chains in Africa are often fragmented and suffer from gaps that limit the efficiency, competitiveness, and productivity of related businesses. This makes the entrepreneurs' engagement in various elements in the chain essential. By expanding to cover multiple elements, entrepreneurs are filling a gap(s) that threaten the overall viability of their business. TEEP Entrepreneur Ritdimwa indicates: “The only challenge I foresee with my supply chain is the annual spike in cost of raw materials during the annual off season.” Another TEEP Entrepreneur Tom Omuwor said, “For me, my main problem lies in getting reliable partners who will purchase my fresh produce and pay in time.” Entrepreneurs are investing in ICT and advanced management techniques as enablers in developing an integrated supply chain.

Efficiency of supply chain:



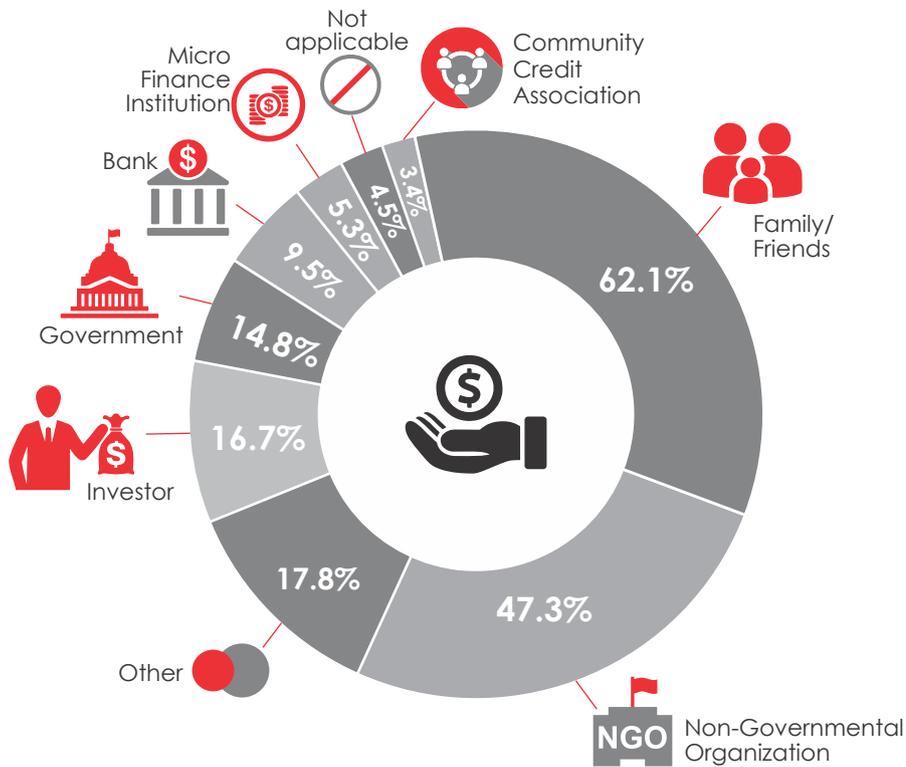
- 12 TEEP Entrepreneurs in agriculture need roughly US\$7 million in start-up capital and have received \$1.5 million via the first round of TEEP seed capital (21 per cent of total need).

For those TEEP Entrepreneurs that qualify for a second round of funding, TEEP capital will represent, on average, just under half of total capital need. For roughly 40 per cent of entrepreneurs, the first round of TEEP capital (\$5,000) ranges **between 25 and 100 per cent** of their total capital need. Thus far, 86 per cent of TEEP Entrepreneurs' financing has come from grants and only 15 per cent from loans, primarily provided by family, friends, and NGOs. The value of resources received is on average between US\$5,000 - US\$10,000, while the total capital required for the typical entrepreneur surveyed is just over US\$20,000. Ugandan TEEP Entrepreneur Rwakijuma Vincent thanks his government for the grants it has provided for entrepreneurs to offset some of their operational costs.

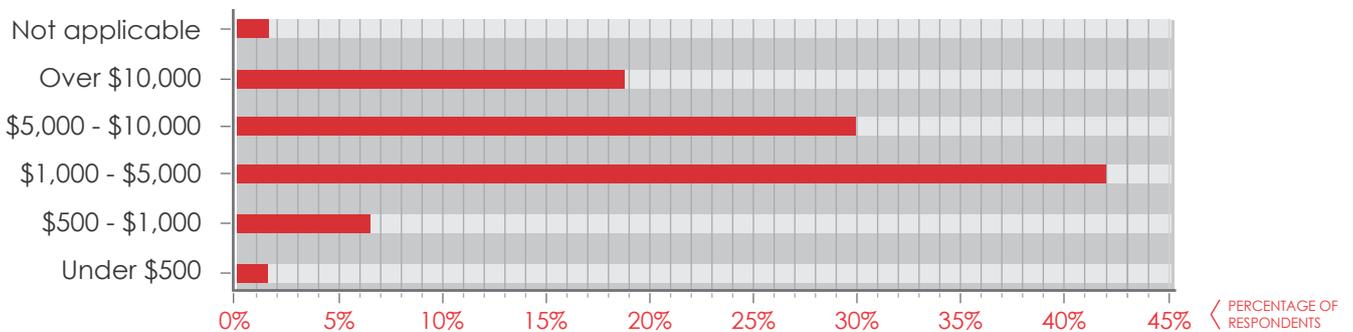
Mode of financial resource:



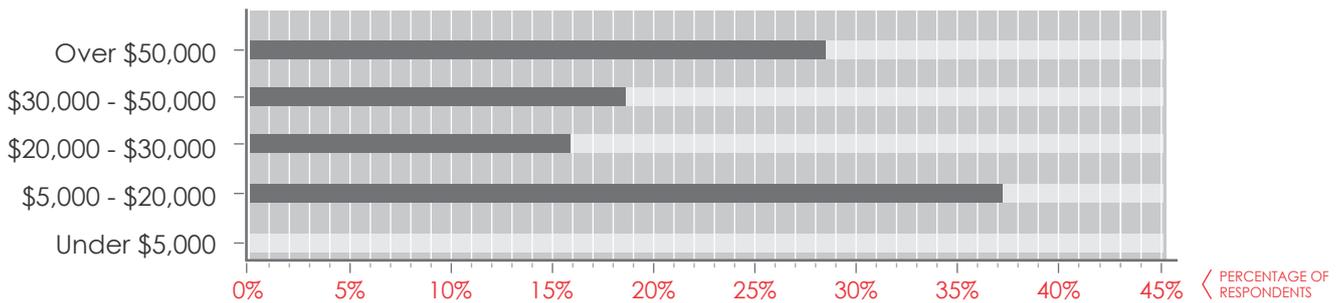
Source of financial resource:



Value of resources received so far:



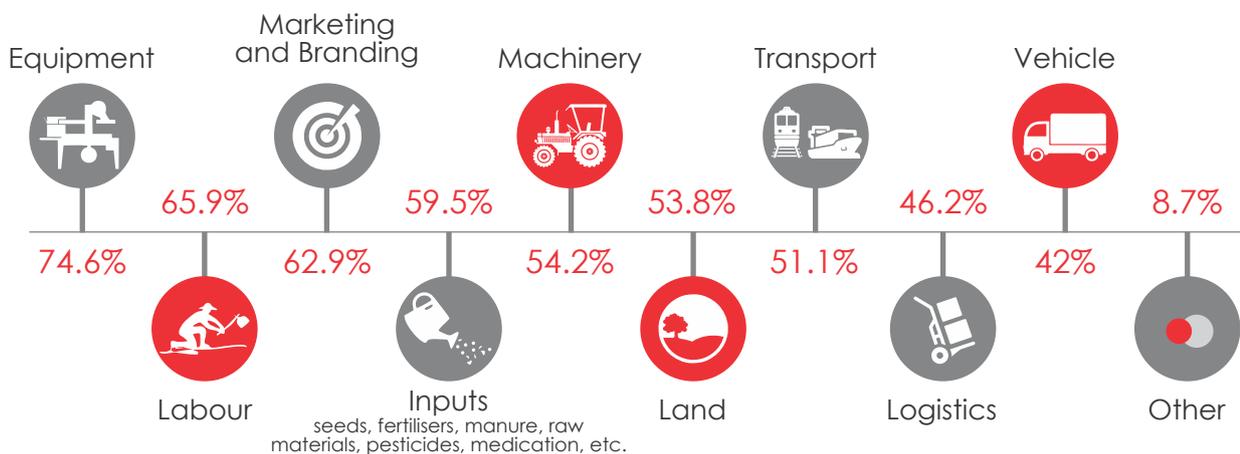
Total capital required:



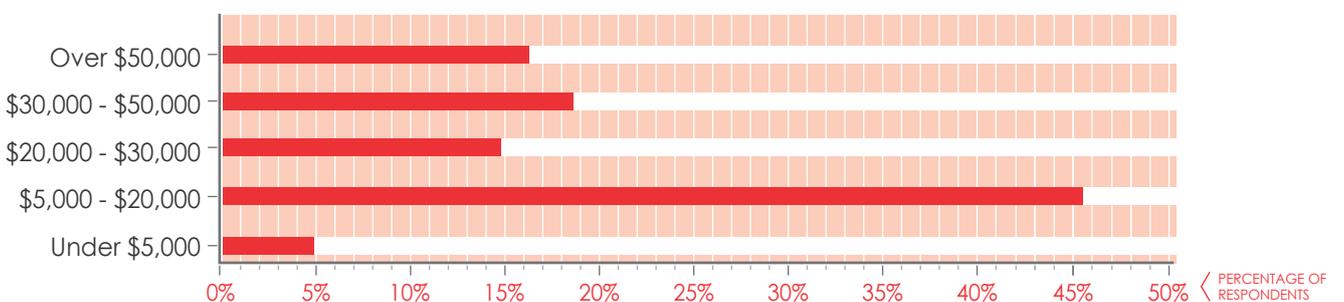
13 Expenses:

The **cost of machinery and equipment** (70 per cent) and **quality inputs** (50 per cent) were the two biggest challenges. The results speak to the large percentage of entrepreneurs that are planning to engage in mechanized agricultural production but that challenges outside their control inhibit their capacity to achieve it. This presents an opportunity for governments and donor agencies to identify ways in which they can incentivise, for example, local assembly of machinery and equipment manufactured outside the country and a subsidised or government guaranteed lease-to-own programme targeted to entrepreneurs and SMEs. This indicates that government intervention should focus on incentivising new business development locally in these two areas.

Core inputs as a percentage of total costs:



Total planned expenses in 2016:

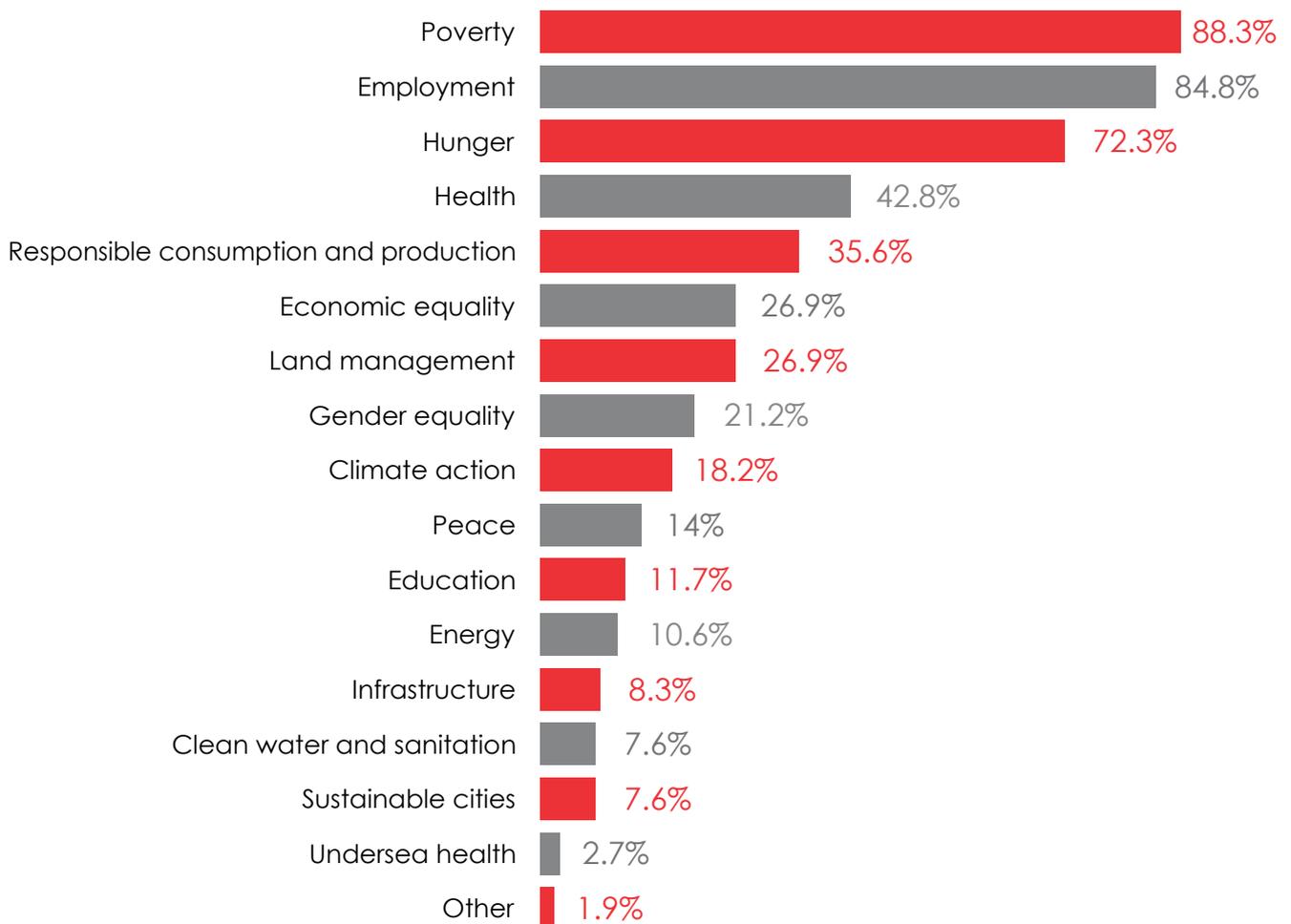


Sustainable Development Goals (SDGs)

At the Sustainable Development Summit on September 25, 2015, the member states of the United Nations (UN) officially adopted the 2030 Agenda for Sustainable Development, which includes a set of 17 Sustainable Development Goals focusing on poverty reduction, food security, human health and education, climate change mitigation, and a range of other objectives across the economic, social, and environmental landscape. The SDGs, which were formulated by the UN, its member states, and a wide range of stakeholders, are intended to galvanise action worldwide through concrete targets for the 2015–2030 period.

Enterprise development is fundamental to poverty alleviation, job creation, economic growth, and human development. It can help the entrepreneur achieve financial security, create jobs and incomes in his or her community; generate tax revenues for governments; and catalyse a range of multiplier effects, from food security to improved nutrition to better access to health care and education for future generations.

TEEP Entrepreneurs in agriculture indicated they are doing work that promotes the achievement of specific SDGs as seen below:



PROPOSED RECOMMENDATIONS

ISSUES

1 ACCESS TO INPUTS



On average, cereal yields in Africa are less than half those obtained in Asia, primarily because the use of fertilisers, pesticides, and more resistant seed varieties remains limited.

Unfortunately, too many entrepreneurs have difficulty accessing quality inputs from within their countries due to scarcity and, where available, costs that are too high. Some entrepreneurs pointed out that locally the main suppliers of agricultural inputs in their communities provide low quality inputs and still at steep prices. A TEEP Entrepreneur explains, "Farm inputs is a major problem for farmers in Nigeria. The quality of inputs like fertilisers and herbicide is very poor, and as a result yield per hectare from our farms is very low." Fifty-five per cent of entrepreneurs revealed that the high cost of inputs was the major challenge they face.

SOLUTIONS



We strongly recommend more intensified use of inputs – fertilisers, pesticide products, improved seedlings, veterinary products, livestock vaccinations, organic manuring – combined with agro-environmental techniques to manage soil fertility and combat erosion by rain and wind.

The private sector and policymakers should partner to provide high-quality inputs at affordable prices for smallholder farmers and other players in the value chain. For example, African governments could develop specific incentives to encourage domestic fertilizer sectors especially in countries that have comparative advantage in natural gas supply (a key component for fertilizer production). Such strategic policy intervention will dramatically increase the quality and volume of inputs, which in turn will lead to higher productivity across the sector.

2 TRAINING



Thirty per cent of our entrepreneurs answered that pests posed a major threat to production and that better training in pest control was relevant to them. Over 20 per cent desired training in farm operation management.

Fifty-four per cent of TEEP Entrepreneurs indicated that have already accessed training funded by government, while an additional 39 per cent have accessed free technical advice. Without access to specialised training providers and technical services, entrepreneurs will be unable to build premium products and move their businesses up the value chain.



Agricultural training should focus on different links in the supply chain including food processing, livestock rearing, poultry, fishing, and forestry value chains. Sustainable techniques such as conservation practices, crop rotation, companion planting, and pest control should be taught to farmers and small agricultural business owners.

Zoravar Singh, who leads Equity Bank's efforts in Kenya to build the capacity of small-holder farmers, advocates for more agriculture training schools and the need for these schools to be more focused on the practical issues farmers face. Dupe Olusola, Teragro CEO, advises that to ensure good quality and consistent supply of raw materials, capacity building and training for farmers on optimal farming practices and harvesting techniques must be emphasised.

ISSUES

3 ACCESS TO FINANCE



The biggest challenge to many agricultural entrepreneurs is finance. Many farmers lack access to credit and the financial resources required for large-scale crop production to supply value-adding processing equipment, even when there is an available market. There is also a challenge when it comes to insurance for small-holder farmers, leaving them more vulnerable to occurrences beyond their control like drought, cyclones, and pestilence.

An expert on agricultural finance, David Jeromin from Golden Mean Capital, adds that lending to the agriculture sector requires a unique approach different from models applied to other sectors like ICT. He explained further by stating, "The traditional funding model will not work for agriculture entrepreneurs in Africa. Many African banks are uncertain about how to lend to African agriculture businesses."

Although 65 per cent of TEEP Entrepreneurs indicated they have received grants from government and donor agencies and 56 per cent have accessed low-interest loans, the funding gap for these entrepreneurs still remains.

SOLUTIONS



Providing agricultural producers with appropriate financial services – such as credit and insurance – will reduce their exposure to risks that threaten production, output, and revenue.

Access to long-term financing will also enable small-holder farmers to invest in equipment to modernise their practices and increase productivity. TEEP Entrepreneurs urged the African Development Bank (AfDB) to run an insurance scheme exclusively for farmers that takes into account the specific risks faced during the cyclical farming season (trade insurance, pre-harvest insurance, etc.).

David Jeromin argues that relevant equity and debt products are essential and that elements of the supply chain, including forward and backward linkages, should be targeted for funding as opposed to merely focusing on specific entrepreneurs. One way to address this is to put in place risk mitigation products for banks to lower the cost of capital.

4 EQUIPMENT



For over 70 per cent of entrepreneurs, the cost of machinery and equipment is the biggest obstacle to growth. Uwineza Clarisse of Rwanda says her most pressing business challenge is that most equipment and machines have to be imported from outside the country at very high costs. Ime Udoko in Nigeria blames the complicated importation procedure for slowing down the initiation of operations, as everything he needs to commence production is dependent on imported equipment. The process has further been delayed by the fluctuation of his local currency, negatively affecting the whole value chain.



Increased private sector participation in operations focused on leasing farming equipment, low import duties and fees on imported equipment, and finally, a deliberate industrialization of African economies to reduce dependency on imports are some recommendations to explore that can offer respite to entrepreneurs in this space.

ISSUES

SOLUTIONS

5 FRACTURED VALUE CHAINS



In an interview, Makida Tsegaye of Grow Africa indicated that the importance of well integrated value chains. She explained, "Fragmented value chains are the single biggest impediment to the commercialisation of agriculture across the continent. Every node of the value chain is interlinked. If one node is missing, the whole value chain is threatened."

Makida added that both backward and forward integration were critical to ensuring continuity and quality of the overall value chain. Information exchange, network building, transaction engagements are all important activities that will ultimately strengthen the value chain. Entrepreneurs in agriculture are particularly dependent upon other local elements and actors in their value chains (e.g. rural-based farmers), making the role of third-party initiators to kick-start value chain integration essential.



To counter fragmentation and the isolation of different elements of the value chain, stakeholders, including government and development institutions, must implement multi-stage and sustained engagement and investments across the chain – from planting and growing to storage, processing and delivery to markets. Such engagement is necessary to build resilience into the chain and mitigate the failure rates of critical nodes (in particular, harvesting, storage and transporting in Africa).

As indicated by Makeda's experience in organising the cassava value chain in Ghana, for example, the process must be driven by the entrepreneurs themselves as it is vital that they have a sense of ownership over the initiative and that there are viable opportunities for business growth.

6 SUPPLY CHAIN



Challenges in the supply chain include annual spikes in the cost of raw materials during off season periods. Additionally, storage and warehousing pose critical challenges for farmers (over 30 per cent of respondents) and suppliers of fresh produce, given that cold rooms are expensive and transport linkages are weak.

Entrepreneurs are also concerned about gaps in the supply chain and attempt to mitigate them by combining additional activities with their core areas of expertise.

On a more positive note, 80 per cent of entrepreneurs perceive the overall supply chain to be "efficient" or "very efficient". And 60 per cent ranked each of the individual supply chain elements (inputs, processing, logistics, transport, warehousing, marketing, packaging and branding, sales) as "efficient" or "very efficient".



There is a need for increased investments in low-cost greenhouse farming to provide cooperatives with tools to grow fresh vegetables throughout the year. To address this, governments must prioritise reintegrating displaced farming communities as an opportunity to stabilise incomes.

A healthy ecosystem means the entrepreneurs can specialise and don't have to rely upon themselves for multiple stages of the chain. This also allows farmers to scale and not dilute their resources in order to ensure they have access to the inputs and downstream services they need to complement their core business.

ISSUES

SOLUTIONS

7 GOVERNMENT INVESTMENT

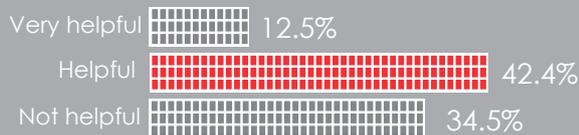


TEEP Entrepreneurs generally rate government involvement in the sector as favourable: 13 per cent said government has been very helpful, compared to 42 per cent that scored government as “helpful” and 34.5 per cent as “not helpful”.

As urban customers, a progressively higher percentage of the population continue to demand products that require at least one processing stage between the field and the shopping basket, sustained investment in processing is crucial. An expert we interviewed, Jeff Dykstra of Partners in Food Solutions, emphasised that the processing capacity among SMEs is critical to food security and sufficiency.

Over 20 per cent of our entrepreneurs face scarcity of water resources.

Government Intervention in Agriculture as perceived by TEEP Entrepreneurs:



Government investment in processing should be specifically targeted to strengthen a network of traditional and industrial processing businesses which source their supplies locally. African federal and state governments should increase agricultural allocation in state and national budgets, given the challenges affecting smallholder farmers – general absence of basic infrastructure from irrigation resources, access to adequate storage facilities and high operating costs, amongst others. We also recommend more government focus on broadening access to farmers' grants, loans, seed subsidies, market research information, tax incentives, training, and technical assistance services.

An enhanced and more effective use of water resources and increased access to irrigation services will require major investment in infrastructure.

8 TAXES



Agricultural entrepreneurs in Uganda complain about high taxes that “strangle their small businesses”.

Thirty-four per cent of TEEP Entrepreneurs are currently accessing incentives that include taxbreaks, exemptions, etc.



Steed-eloi Kassa of Gabon said he wants his government to implement tax exemptions for small entrepreneurs importing processing materials that are unavailable locally.

There is a need to broaden tax incentives to benefit more African agricultural entrepreneurs.

ISSUES

SOLUTIONS

9 ACCESS TO MARKET



An entrepreneur identified her main problem as getting reliable partners who will purchase her fresh produce and pay for it on time. Eighty-five per cent of surveyed entrepreneurs sell to individuals, 81 per cent to retailers, 83 per cent to other businesses, and 27 per cent to government.



Fifty-two per cent of entrepreneurs desire access to market and sector information to enable them to effectively understand and reach markets to sell their products. There is a gap in access to relevant market insight that stakeholders across the private and public sectors can step up to resolve.

10 ACCESS TO LAND



Land resources, in terms of availability, have been exhausted in the more densely populated areas – over 30 per cent of surveyed TEEP Entrepreneurs in agriculture do not have adequate access to the land resources they require. Land rights, inheritance laws, and complicated transfer systems stifle small-holder farmer's ownership of land.



Extensive land reform must address this weakness in order to empower farmers and other stakeholders in the value chain by allowing them to own the most important factor of production. Land ownership will also serve as collateral for more farmers and agricultural producers to access bank and microfinance loans.

11 RESEARCH



Research and development (R&D) is essential to inform implementable solutions to cope with the rapidly changing environmental conditions, mitigate the effects of climate change and global warming, fight food insecurity and reduce waste, and the lack of productivity.



Focused and sustained investments in R&D will lead to a well-rounded approach to combat Africa's 21st century food challenges that includes more seed varieties, improved farming practices (mechanisation and modernisation), higher adoption of new technology, and proper storage and warehousing facilities. R&D will also entail suiting available technology to the African context for higher success rates.

According to Dupe Olushola, CEO of Teragro, the company partners with universities, including the University of Agriculture in Benue State, Nigeria, to explore research topics and areas that are critical for the advancement of the agriculture sector. Such efforts should be multiplied across the continent.

THE TONY ELUMELU FOUNDATION

Founded in 2010 by Tony O. Elumelu, CON, the Tony Elumelu Foundation (TEF) is one of Africa's leading philanthropic organisations. TEF believes that the private sector holds the key to unlocking Africa's economic potential and in driving the continent's transformation. To that end, the Foundation's mission is to catalyse economic and social development in Africa through entrepreneurship by focusing on three specific areas:

- 1 The empowerment of entrepreneurs through training, mentoring, networking, seed capital, and access to relevant research and information;
- 2 The development of thought leadership on entrepreneurship that is underpinned by evidence-based research and advocacy efforts designed to assist policymakers across Africa in making decisions that improve the enabling environment; and
- 3 The creation of an integrated entrepreneurial ecosystem that gives rise to a whole new generation of African entrepreneurs.

Through its programmes and activities, the Tony Elumelu Foundation seeks to “institutionalise luck” and create an environment where entrepreneurship can flourish in a sustained manner. The Foundation's overarching philosophy is based on the Founder's vision to empower a generation of successful for-profit entrepreneurs who drive Africa's economic and social transformation.

The guiding principles are derived from an inclusive economic philosophy called Africapitalism, which states that long-term investment in strategic sectors of the private sector will drive inclusive and sustained economic and social development.

Research Advocacy and Partnerships

The Tony Elumelu Foundation's Research, Advocacy and Partnerships arm aspires to strengthen the African entrepreneurial ecosystem – improve the enabling environment and build capacity – through relevant and focused research, targeted advocacy and strategic partnerships between key stakeholders. This unit positions TEF as the leading authority on data, insights and trends occurring in the African entrepreneurial ecosystem as we promote the positive role of entrepreneurship in driving Africa's social and economic development.



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Government alone cannot create jobs. The private sector has a role to play, and for jobs to be created, the enabling environment must be provided.  
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– Tony O. Elumelu, CON
On BBC interview at the World Economic Forum in Davos, January 2016.

AUTHORS

David A. Rice was Director of the research and advocacy arm of the Tony Elumelu Foundation from January 2014 – Dec 2015. Prior to joining the Foundation, David was the Africa Advisor to the Milken Institute, a faculty member of New York University (NYU) where he taught African economics and international development, Director of the NYU Development Dividend Project, and a contributing writer on African business for Fortune magazine and Ventures Africa. Previously, David worked for global development economist Professor William Easterly, serving as the Executive Director of NYU's Development Research Institute; and in senior roles with the World Economic Forum in Switzerland, Global Insight in London, and in various positions with the U.S. government. He is an alumnus of Harvard University where he obtained a Master's degree in International Development and Economics.

Somachi Chris-Asoluka heads research, advocacy and partnerships for the Tony Elumelu Foundation. In this role, she conducts the data gathering and methodology review for the Foundation's research outputs, oversees the Foundation's advocacy efforts in strengthening the African entrepreneurship ecosystem, and builds strategic relationships with key stakeholders in the global entrepreneurship space. Somachi graduated Summa Cum Laude from Saint Mary's College of California and won the "Adam Smith" award given to the best performing student in economics. She also has a Master's Degree in International and Development Economics from Yale University. Prior to joining the Foundation, Somachi worked with the Corporate Governance and Finance division of Phillips Consulting Limited. She served as a research assistant at the Lagos Business School in 2013 and has interned as a columnist with BusinessDay newspaper. She is a member of the Financial Women's Association, San Francisco, the Omicron Delta Epsilon (National Economics Honor Society, USA) and a fellow of the Moremi Initiative for Women's Leadership in Africa – a programme that annually identifies and engages the top 25 most promising young women leaders on the continent.

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Finally, we wish to thank our partners at Valt & Evy Media for their tireless efforts to ensure the content of this report is delivered in an accessible and engaging manner.

“ After listening to Tony Elumelu, Parminder Vir, and all the speakers present, I realized the immense responsibility in my shoulder to make Mother Africa proud. I know it is not going to be easy, but with your inspiration and support, I have no choice but to succeed. I will forever remain indebted and Mother Africa will forever remember you. ”

– Sammy Wachieni, Karibu Kenya

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