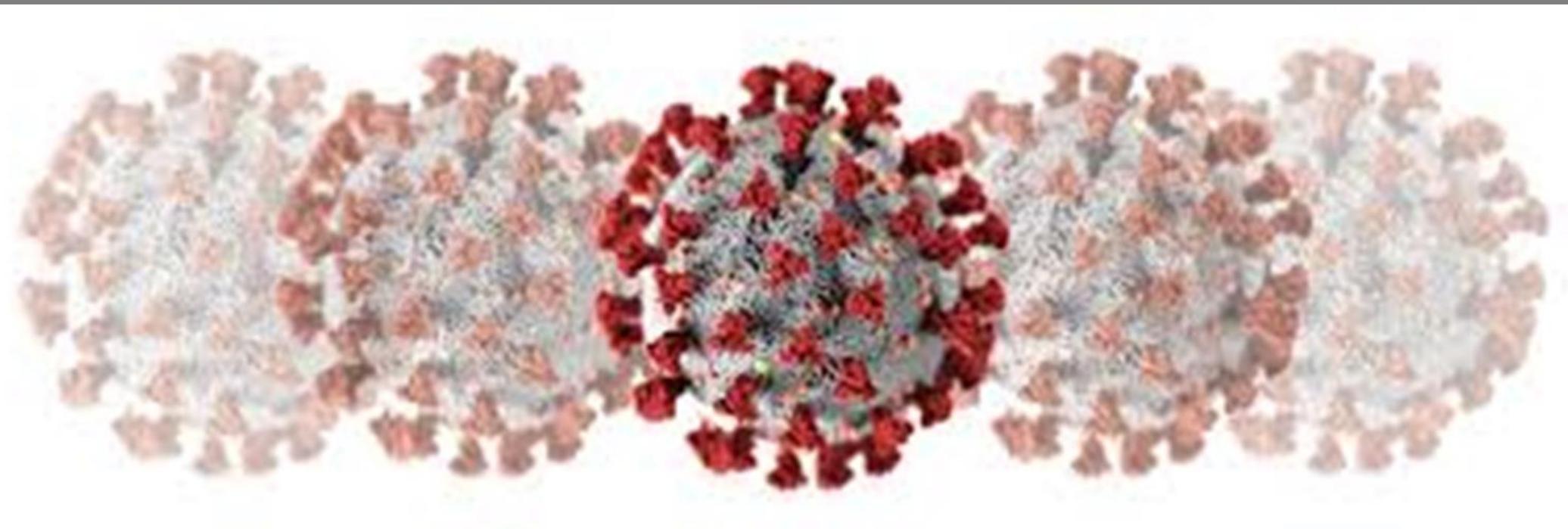




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COVID-19: A Guide to Agri-Investment for Economic Recovery

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Agriculture systems are facing many disruptions from the pandemic, but this creates new opportunities for investment

Dependency on food imports

Africa imports \$80 billion of food. Since January, 19 countries have imposed restrictions on food exports (e.g. Russia, etc.)

Low yields, low crops resilience

The World Bank estimates that agriculture production in 2020 might contract up to 7% in Africa.

Income dependency on export of raw materials

The flower sector in Kenya has already plummeted, threatening 150,000 jobs and a \$1 billion industry.

Insufficient food reserves

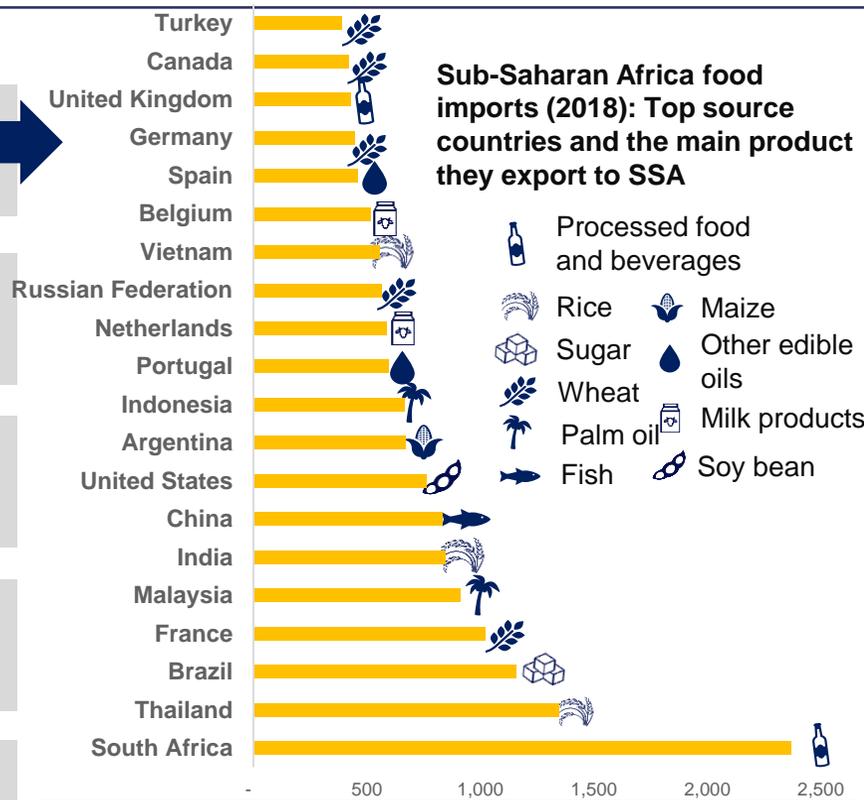
Nigeria currently holds 38,000 tonnes of rice reserves for a consumption of 6-7 million tonnes (per year).

Low access to markets

In Zimbabwe, tonnes of fresh fruits and vegetables have been left rotting. Products cannot reach markets because of lockdown.

Limited in-country value addition

Closure of chocolate factories in Europe, like Mars' largest chocolate factory in Holland, will hurt farmers in Ghana and Côte d'Ivoire.



“Prices will decline even more; consumers will buy fewer ethical products; the producers will lose their plots because they cannot pay the banks. The small producers will disappear and the agricultural sector will fall into the hands of the big ones, with disastrous effects on the local economy, migration and employment.”
 Banana farmer in the Dominican Republic



These opportunities arise from new emerging trends in food and agriculture created by the current crisis

Local and cheaper food. Short supply chains are less likely to be disrupted by global shocks. Increased investments in urban farming and high-tech greenhousing are to be expected. And even if there is more demand for healthy and organic food, ultimately the crisis will deeply impact purchasing power: cheaper food will win.

“We have to have our own food, produced on our fields, by our own farmers.” EU Agric. Commissioner

Healthy, organic food cooked at home.

Consumers are re-thinking their relation to food. Demand for plant-based products, functional food and alternative proteins is picking up. In France some organic food shops are reporting sales increases of over 40%. There will be less offices so demand will move to food that can be cooked and stored at home (frozen, dried, packaged food).

42% of British people said they value food more than they did before the crisis, 38% reported cooking more often from scratch, and 33% said they throw away less food.

Online food supply chains that are traceable and concentrated in the hands of few large companies.

Grocery delivery is up 25% this quarter in the UK. Improved food hygiene along the value chain will be key to gain consumers' trust. And these value chains might be concentrated among the large companies who had the liquidity to weather the storm.



The Covid-19 pandemic is spurring a trend towards African industrialisation. The following markets and products are examples for investment now and in the future:

- Ethanol (e.g. from sugar, corn and sorghum) and cassava for sanitizers
- Cotton for masks and PPE, and for textiles/garments generally
- Rubber for gloves and other medical equipment
- Rice, wheat, maize, soy and sugar for high-quality processed foods
- Horticulture and nuts for nutritious foods
- Aquaculture for local fish
- Biofuels from soy, sugar, oil palm, etc.
- Livestock for leather goods and car parts
- Essential herbs, palm oil kernels etc. for pharmaceuticals and cosmetics
- Oils, resins and fibres, e.g. from cotton and industrial hemp
- Break fluids from cashew
- Adhesives from crops like cassava
- Corn and wheat starch for biopolymers (non-oil plastics) and speciality chemicals



African countries have a chance to use the recovery from the crisis to push forward their agricultural transformation

The Covid-19 pandemic has badly affected incomes from agriculture and has exacerbated food insecurity issues. Countries that have been successful in both securing food self-sufficiency and generating income from agriculture in the past, have championed a **market-led agricultural transformation**.

This guide presents agri-investment opportunities that arise from the current crisis.

During Covid-19, governments can work with the private sector, impact investors, DFIs and development partners to strategically scale up agri-investment by focusing on:

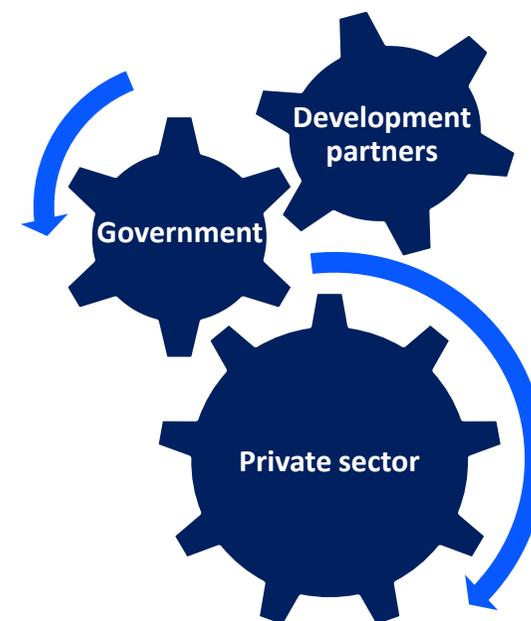
- 1 Effective facilitation and promotion of **investment** in strategic value chains.
- 2 Development of **agtech** and encouragement of innovations.
- 3 Investing to empower **smallholder farmers**.
- 4 **Resilience** of agriculture and food systems to various shocks.

What is agricultural transformation?

- Farming is modernised by **boosting productivity** and running farms as **modern businesses**.
- **Links are strengthened** between farms and other economic sectors.

To recover from the economic crisis brought by Covid-19, the agriculture sector should be developed based on market dynamics and backed by strong governments.

1. **Focusing on agriculture sub-sectors** with strong potential to compete and create jobs at scale, even during a pandemic.
2. **Practical interventions for economic recovery** on sector-specific binding constraints, given realities of political economy and capacity constraints.



Agri-led industrialisation transformed → 



1 Effective facilitation and promotion of investment in strategic value chains

Typical steps of the investment promotion and facilitation cycle:





Development of agtech and encouragement of innovations

Agtech companies are seeing their activities increase sharply during the pandemic as new solutions are needed to overcome logistics or marketing bottlenecks.

The partnership between online retailer Jumia and Twiga, an e-market platform, allows farmers to access consumers directly.



The Smallholder app is used by farmers' networks in five countries to promote social distancing.

Investiv has repurposed its pesticide-spraying drones to spray disinfectant in Côte d'Ivoire.

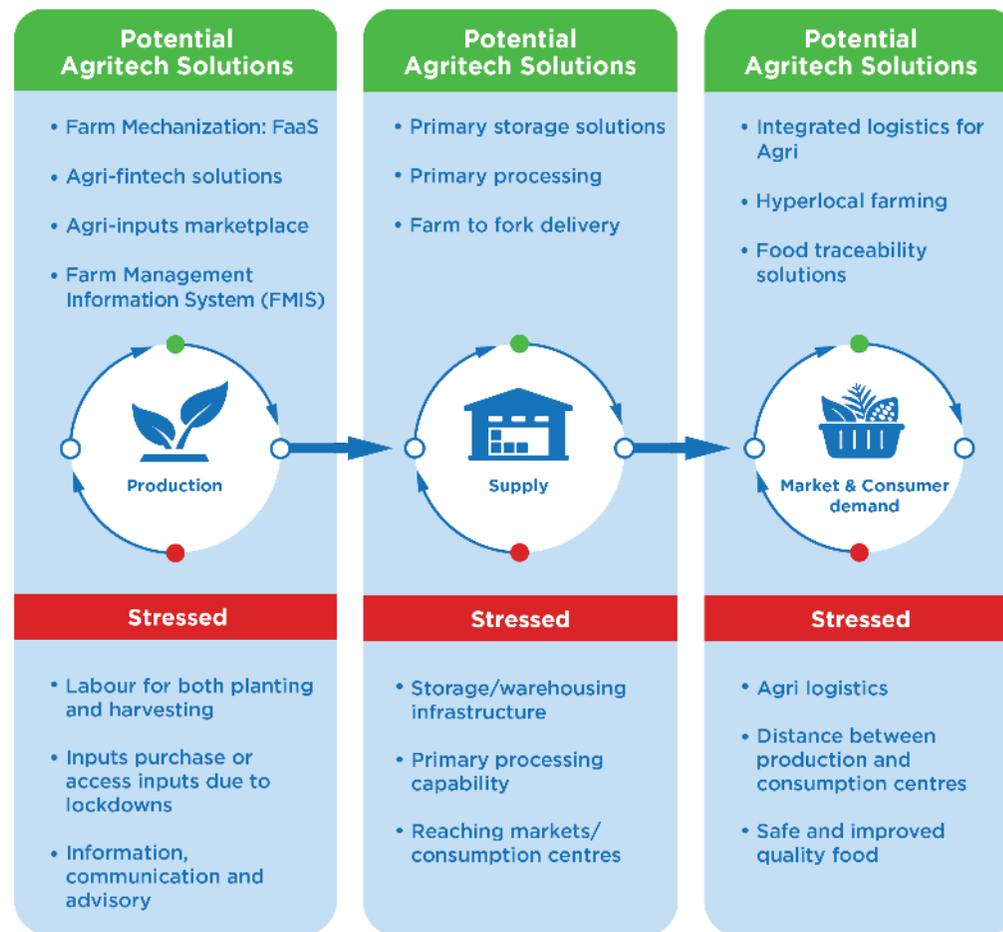


➔ **These new solutions are here to stay and governments should embrace them.**

Policies that can enable agtech:

- Increasing mobile coverage to rural areas.
- Running agtech competitions like GoGettaz, which launched during the pandemic to support agripreneurs.
- Promoting incubators/accelerators, like Malawi's Growth Accelerator and Miller Center's Food Systems Accelerator.
- Partnering with retailers, e.g. Alibaba, to market local products, like Rwanda did.
- Setting up dialogue working groups with current agtech companies to understand their needs and issues.
- Fixing burdensome regulations: easing license access for tech like drones, robotics, GIS mapping data.

IDH assessment of agtech opportunities during the crisis:





Investing to empower smallholder farmers

Small farmers should be empowered to **tap into new markets and trends that are emerging from the Covid-19** pandemic (see slide 2). They will be severely impacted by the health, economic and food shocks of 2020, and would benefit the most from renewed investment. Here, too, new technologies can help: the number of farmers subscribed to digital services has grown by between 40% and 45% per year in the last three years. **Examples of opportunities include:**



Post-harvest losses: East Africa Fruits serves 10,000 farmers in Tanzania to provide them with a ready market for their crops, reducing food waste that represents half of total production in Tanzania. The company just secured an additional \$2 million financing, even in the midst of Covid-19.



Quality inputs: In Malawi, a new project supports farmers to verify from their phone the quality of the products sold by their local agri-dealers.



Storage: Solar Freeze uses mobile cold storage units powered by renewable energy for rural smallholder farmers, to help them reduce the huge challenge of post-harvest losses and access to cold chains.



Knowledge: WeFarm connects farmers all over Africa so they can ask questions and get answers from peers on farming operations, business, prices, etc.



Access to inputs: The Last Mile Alliance in Tanzania, a partnership between seed producers, donors and local communities, worked to establish agri-dealers in remote areas, using shipping containers as storage and building resources through training and demonstration plots.



Processing: In Nigeria, ReLeaf runs raw material logistics for African food factories, supporting them to link directly with farmers, especially in the vegetable oil industry.



Access to markets: Good Nature Agri in Zambia directly contracts farmers, supports them with adequate training, market knowledge and input loans, and then provides them with high-value markets for their legume seeds and legumes production.



Mechanisation: Trotro in Ghana provides tractor services directly to farmers by connecting them with tractor owners.



Resilience of agriculture and food systems to various shocks

Climate-smart agriculture

A renewed focus will be put on agriculture that can withstand weather and environmental shocks.

- Smart irrigation
- Aeroponics, hydroponics
- Permaculture
- Bio-intensive
- Agri-forestry
- Precision agriculture

Zenvus in Nigeria monitors key soil components for farmers so they can use the exact quality and amount of inputs.



Sun Culture sells drip irrigation kits that use solar energy to pump water from any source and makes irrigation affordable.



Food reserves and storage

Governments will want to ensure their food supply is resilient to future shocks and will build strategic grain reserves. Quality of storage is key: in Kenya, maize reserves were lost due to aflatoxin and the government is now having to import 4 million bags to respond to the pandemic.

AFEX in Nigeria allow farmers to store their crops safely through an electronic warehouse receipts system, so they can wait until prices are favourable.



Wakati developed a standalone solution for the preservation of fruits and vegetables without cooling.



Nutritious crops

During an economic shock, poorer households resort to eating less nutritious food, exacerbating “hidden hunger”, or micronutrient deficiencies. Investing in growing, processing and distributing more nutritious crops strengthens food security.

A partnership project between a research centre, donors and local communities in Malawi is supporting farmers to grow maize that is both resilient to droughts and enriched in provitamin A.



Bennimix in Sierra Leone produces enriched baby food from local products.



Crop diversity

Diversification of crops makes it easier to adapt to climate change and improves livelihoods by mitigating income risk, ensuring food security and improving nutrition. It should be supported through R&D, trials, demonstration and research farms.

Fresh Direct lowers the barrier to entry into hydroponics: its technology uses affordable, indigenous, locally found, recycling/up-cycling materials.



Flying Food in Kenya rears crickets and promotes them as a healthy solution for malnutrition.





Practical actions to scale up agri-investment for economic recovery from Covid-19

Interventions for economic recovery should start now. Short-term measures for food security and health during the pandemic should be careful not to compromise agriculture systems. Countries might need to review their NAIPs in this new context.

- 1 **Get government organised** around successful economic recovery, setting up **coordination and dialogue structures** and appointing a “champion” for agri-investments (see more suggestions on the next slide).
- 2 Set up strong **dialogue mechanisms with current businesses and agtech** companies in the country to see how they can scale up and what is needed to stimulate more innovations.
- 3 Engage agri-institutional donors like IFAD and AGRA **to support smallholder farmers** with new solutions around climate-smart agriculture, nutritious and diversified crops, storage and post-harvest losses.
- 4 **Engage banks** to set up and scale up their agricultural SMEs departments and **extend financing to the sector**, showing the business case for agricultural SMEs and agtech.
- 5 Engage foundations and other donors to support **data collection and development of innovative technologies** for a more resilient, diversified agriculture.
- 6 **Engage agri investors and social funds**, like AgDevCo, Phatisa and IFAD’s ABC Fund, as well as intermediaries like CrossBoundary and donor programmes focused on agri-investments, to facilitate investees and promote dialogue.
- 7 Target deal rooms and events like the **AGRF (Sept 2020) and go prepared with bankable projects**, which provide specific information to investors, working with the private sector locally.
- 8 Ensure farmers have **uninterrupted access to markets** to purchase inputs and to sell their products, setting up corridors in times of crisis, especially for strategic value chains.
- 9 Avoid the use of export restrictions and imports stockpiling and **work with countries in the region** for an integrated approach to food and agriculture during and after Covid-19.



Successful governments typically set up effective governance systems to secure agri-investments in transformative sectors

Getting the “3Ps” right:

Prioritisation

- **Morocco** prioritised high-value crops for its “Green Plan”, like citrus fruits and tomato.
- Dual social and commercial agriculture focus.

Planning

- **Ethiopia** developed eight diagnostic studies and identified two key challenges to transform agriculture.
- Set clear, results-based targets, aligned with other initiatives.

Performance management

- **Ethiopia** set up its Agriculture Transformation Agency to support key sector stakeholders while strengthening existing institutions.
- Holistic approach to the sector.

Supported by data and evidence

Key factors of success:

- 

Driven by Head of State and inner circle, which should include MoAgri.
- 

Compelling vision and strategy to build political and economic momentum.
- 

Get strategy right, economically and politically. Must be inclusive.
- 

Alignment of resources and development partners.
- 

Mechanism for coordination and delivery that works in local context.

Considerations in the post-Covid-19 world:

Dialogue and coordination

will be even more important:

- Within government
- With the private sector
- With development partners
- With farmer organisations and other stakeholders

For example, the Liberia Agriculture Task Force evolved from a structure set up to respond to the Ebola crisis. The key feature was to bring relevant ministries together to compile investment products.

Kenya has established a Food Supply Task Force under its central Covid-response structure to coordinate the food security response that also dialogues with the private sector to scale agri-investment.