

Banks urged to plough into Africa's agribusiness

African banks, insurance institutions and investors have been challenged to relax their stringent requirements for the funding of emerging agribusiness ventures on the continent.



© Ntr – za.fotolia.com

Industry experts made the clarion call during an agribusiness discussion at the inaugural Africa Investment Forum at the Sandton Convention Centre, in Johannesburg on Thursday, 8 November.

Panellists in the discussion said this was one of several bottlenecks needed to be cleared for the sector to thrive on the continent. Among the challenges, they said, were that financial institutions remained sceptical of investing in small-scale farmers due to the perceived risk associated with them.

About 60% of the world's arable land is in Africa and it has billions of rands in investment potential.

Challenge to find innovative solutions

TP Nchocho, the chief executive of the Land and Agriculture Bank, challenged investors to find innovative solutions to also assist financial services and insurance institutions in order to develop simple market products to reduce risk.

Challenges, Nchocho said, emanated from excessive agricultural insurance for commercial farmers and it was out of the

reach of many smallholder farmers.

“Not only is agriculture complicated in terms of its scientific nature, it’s also complicated in terms of logistics. It is also vulnerable to natural perils. A broiler farmer today can experience a disease event and lose their entire flock of birds – it has happened a couple of times in my organisation.”

Nigerian finance minister Zainab Shamsuna Ahmed said African governments and investors needed to support and believe in their emerging farmers and not cower to the foreign regions.

“We keep talking about political will but political will also includes being true to ourselves. If we make an agreement that is supposed to be implemented and we turn around and allow in [people] from outside our continent, we package them and send them out to the big markets, then we don’t have political will. That is being part of the problem,” she said.

Transformational approach needed

William Asiko from Grow Africa argued that Africa needed a transformational approach to spark growth in the agribusiness sector.

“We have many pockets of success that we can celebrate but in order to achieve the goals we set ourselves for Africa, we have to be transformational.”

In order to do that, Asiko said, the continent had “to pull a massive amount of people out of poverty and if we are to do that through agribusiness, we all have to ensure that these deals have a component of inclusive growth in them”.

“What do I mean by this? You should look at your investment and ensure that there is a portion that is going to people who might not otherwise have opportunities to benefit,” he said.

John Georges Coumantaros from Flour Mills Nigeria saluted the fact that the company had received massive support from financial institutions in Nigeria and the African Development Bank. However, Coumantaros said much more needed to be done.

“The challenge to financial institutions would be: what do you need? What would be the incentive for you to invest in agriculture at the rate that it needs to be?” he asked.

Coumantaros posed the same question to insurance companies.

“What can we do to garner the commercial financial systems to back the good work that [some Nigerian banks] are doing? My hope is, as we build this ecosystem of agribusiness, the investors will see places along the chain where they can invest, whether it’s satellite or GPS on tractors,” he said.

For more, visit: <https://www.bizcommunity.com>