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The Rise of an African Consumer Class: Patterns, Opportunities, and Challenges

Presented to the IFAMA 2014 Conference
Special Session on “The Rise of the African Consumer Class”
Cape Town, June 17, 2014

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Urbanization and income growth in Africa are driving a Diet Transformation



... which will (need to) drive
other transformations ...



Science applied to...



... large farms ...



... and
small
farms

AFRICA AGRIBUSINESS

magazine

Agribusiness orientation
at large scale...



... and small scale



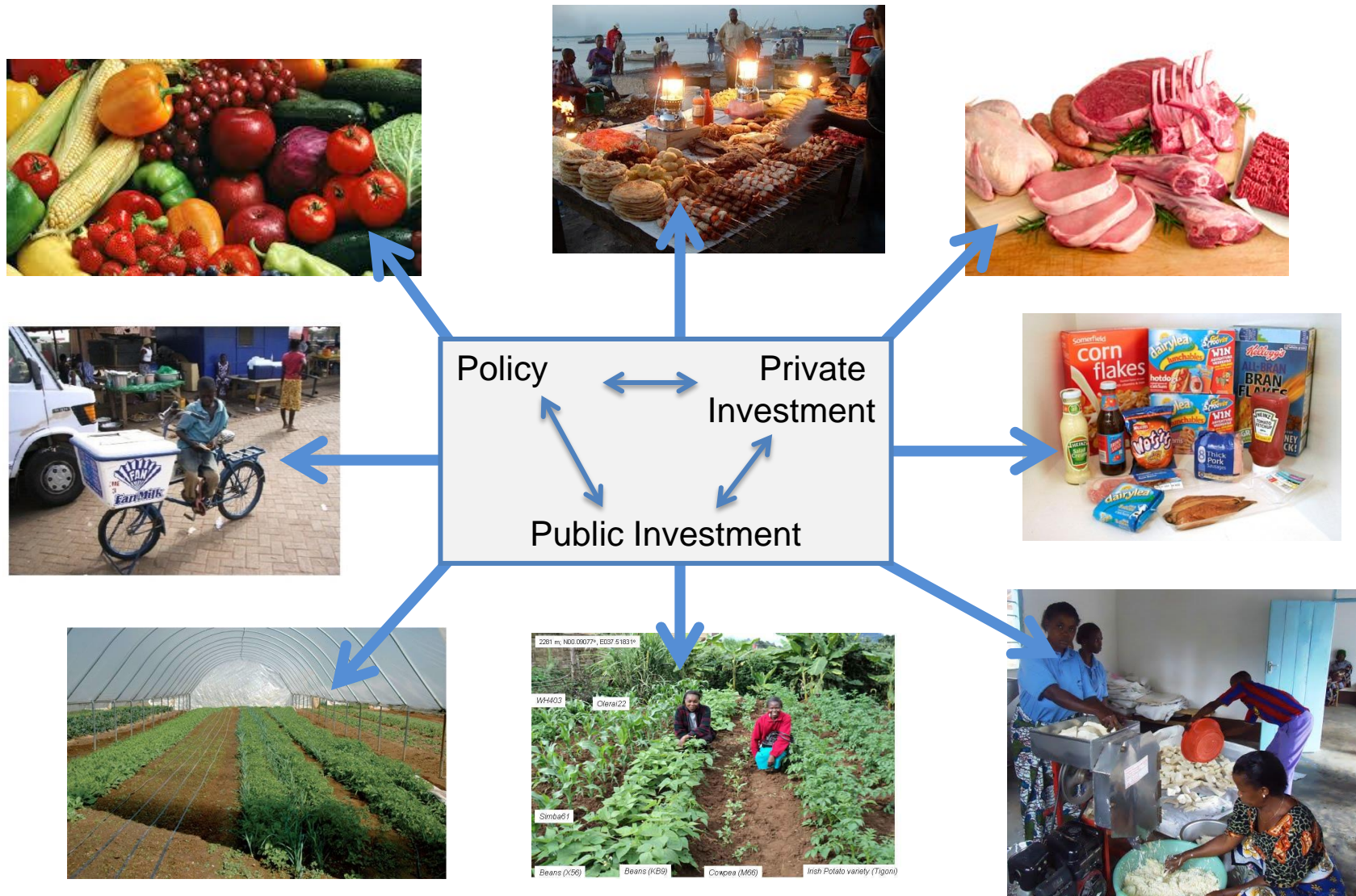
Reaching consumers through
modern retail ...



... and improved traditional
retail



... all of which will be heavily influenced
by public policy and investment



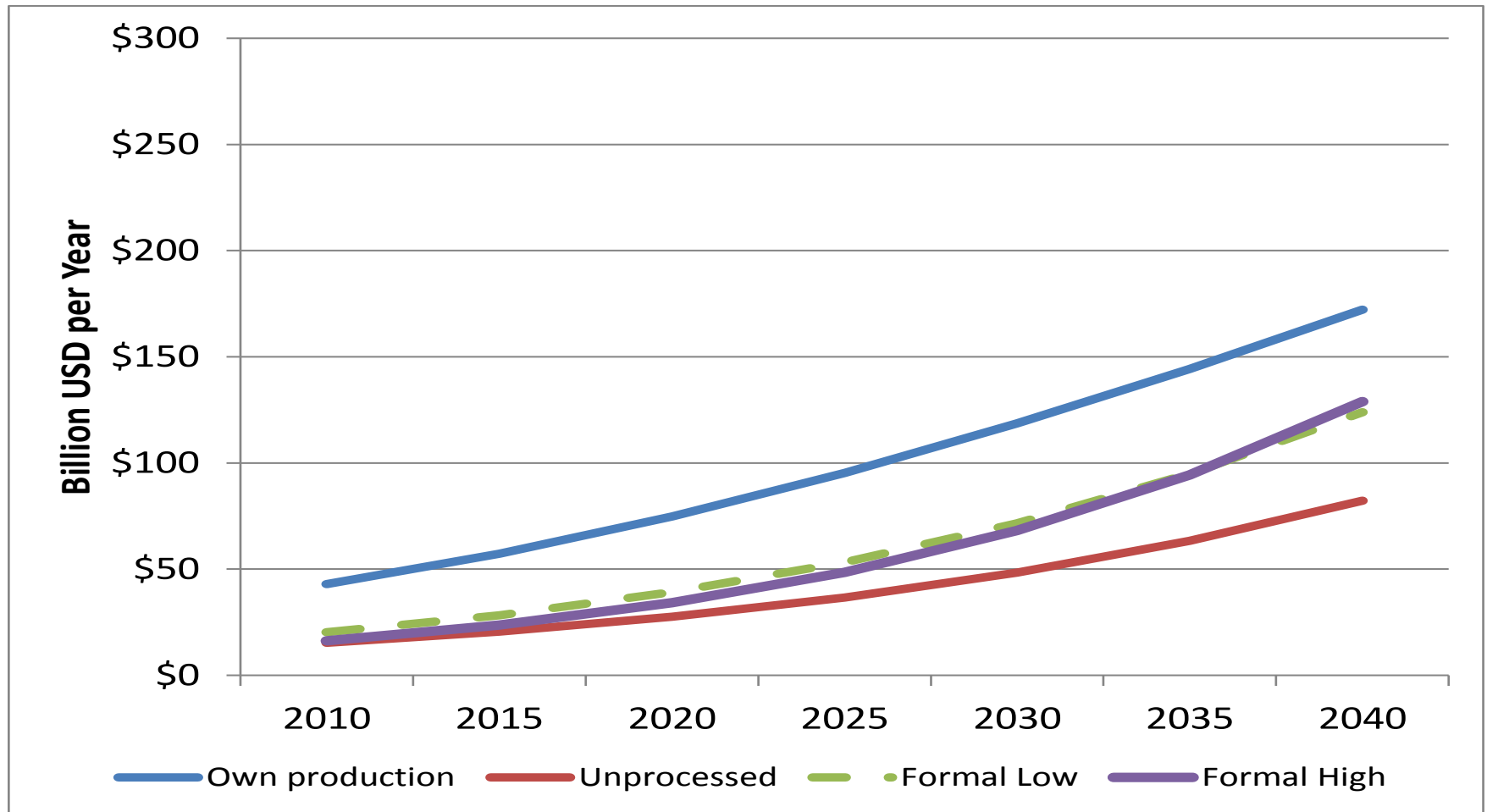
Approach

- Extensive literature review
- Analysis of 9 household data sets from 6 countries of East and Southern Africa
- Scenario-based projection exercise for East and Southern Africa to 2040

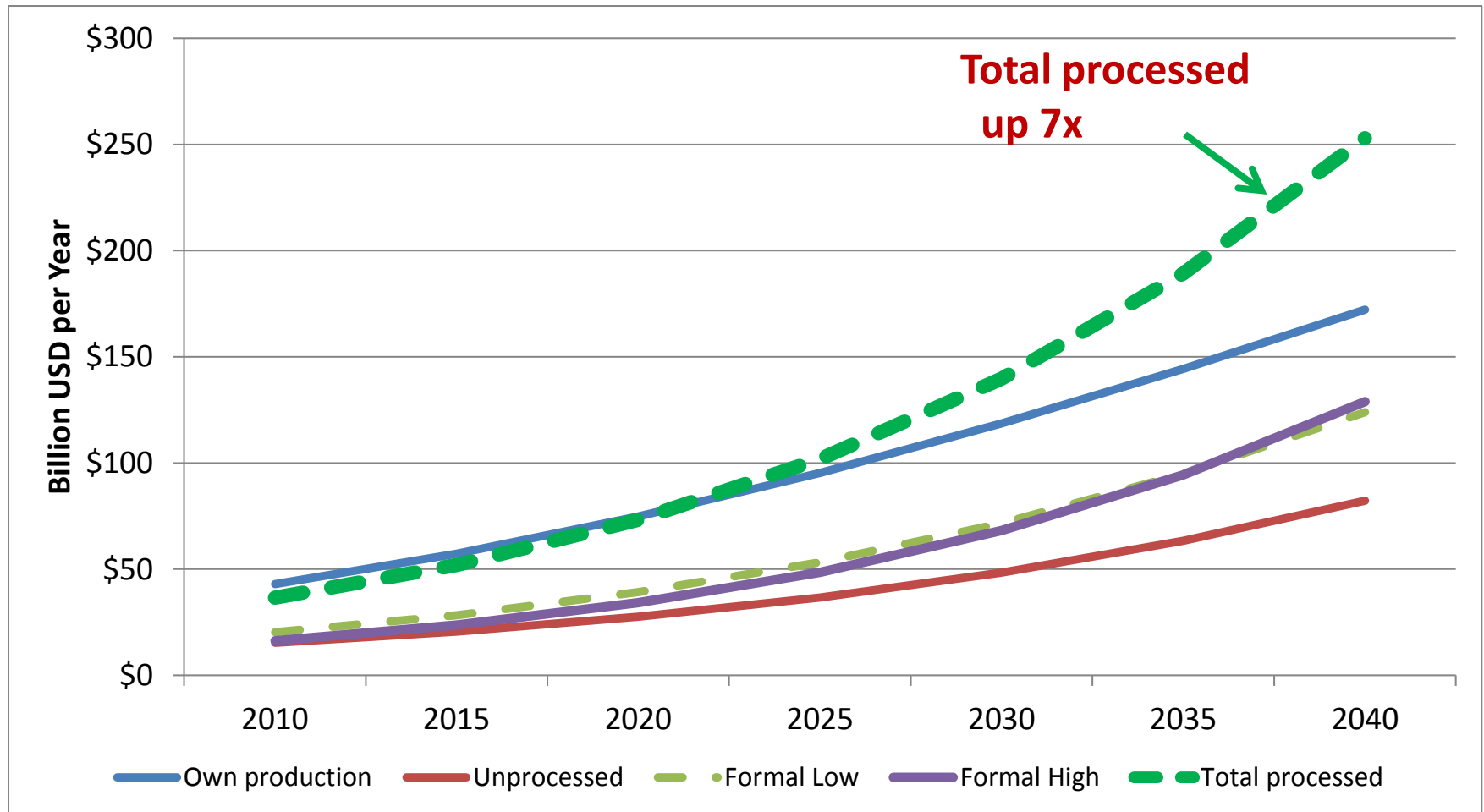
Selected Findings

(For East and Southern Africa)

Evolution of Real Food Market Size in East & Southern Africa, 2010-2040 (USD)

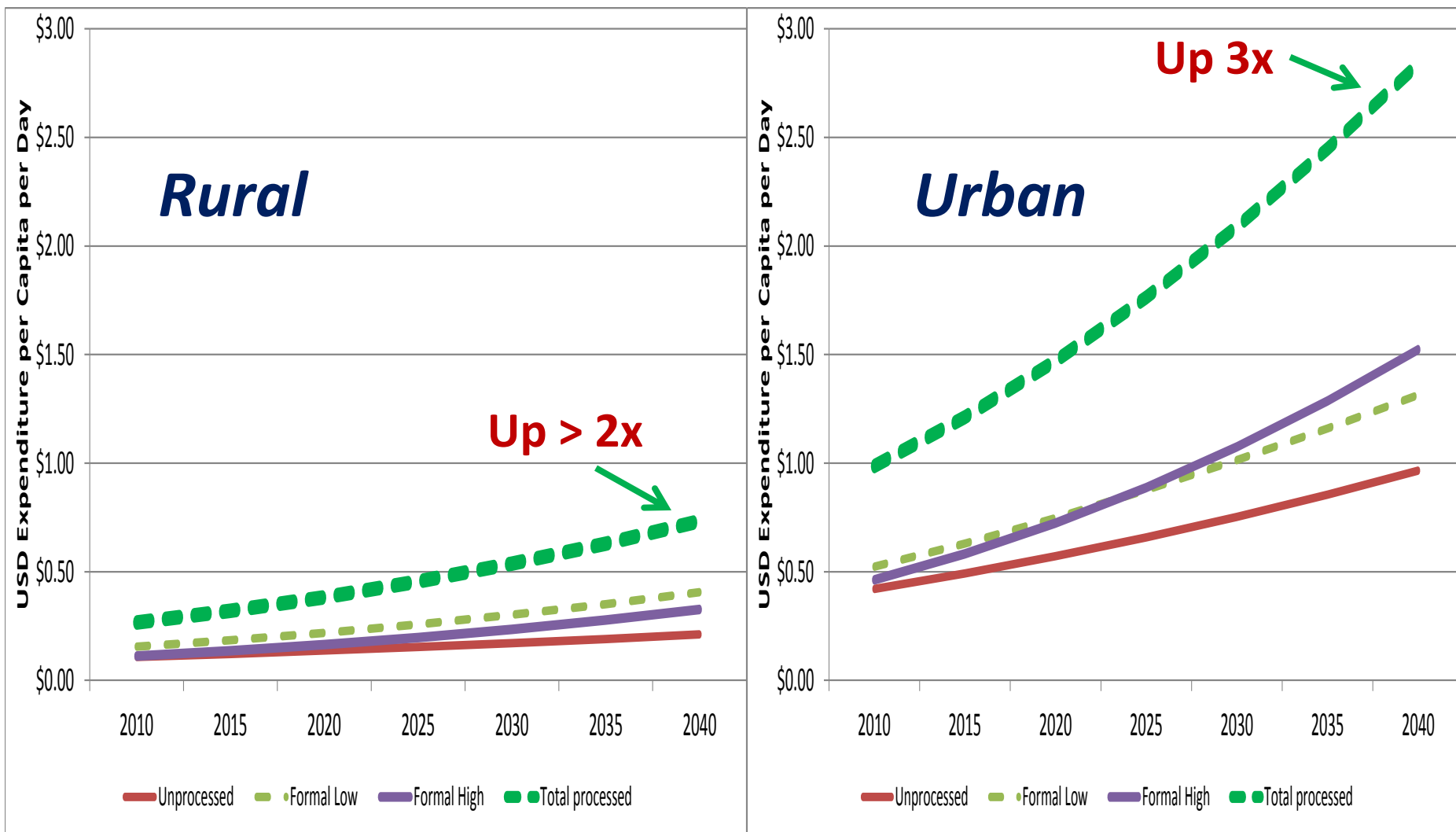


Evolution of Real Food Market Size in East & Southern Africa, 2010-2040 (USD)



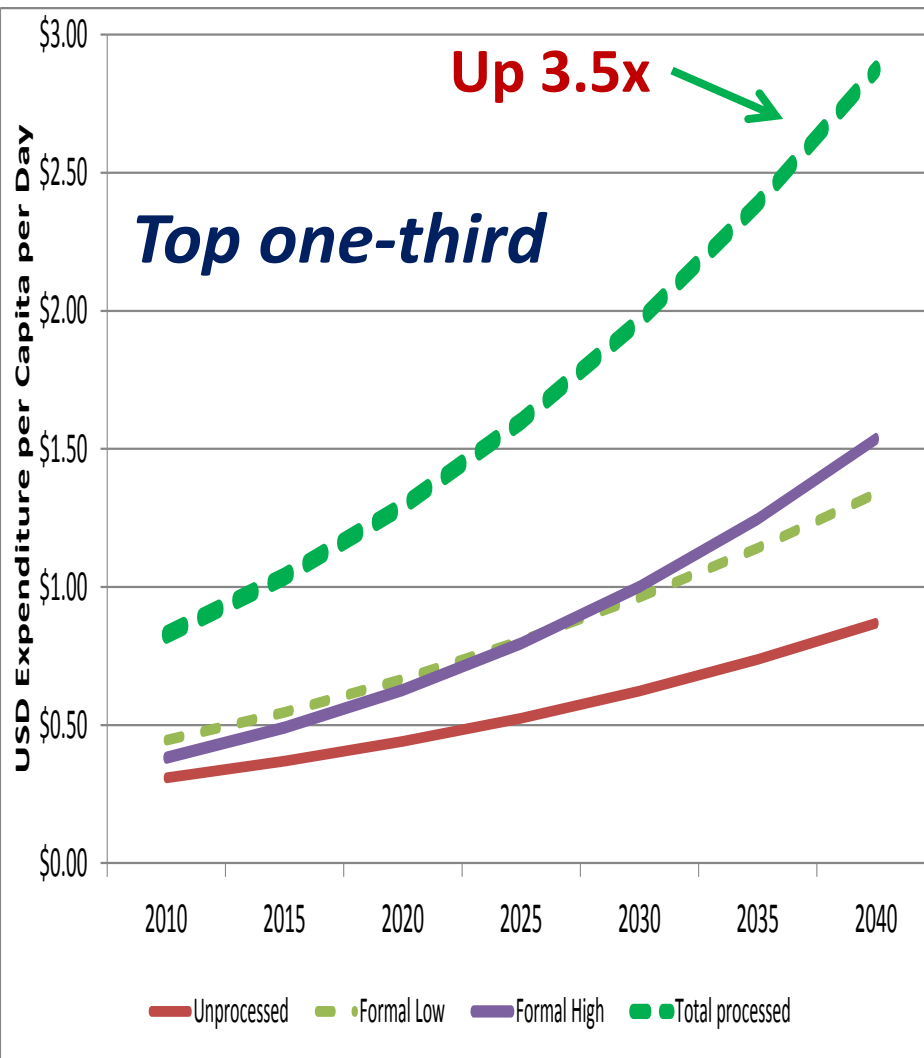
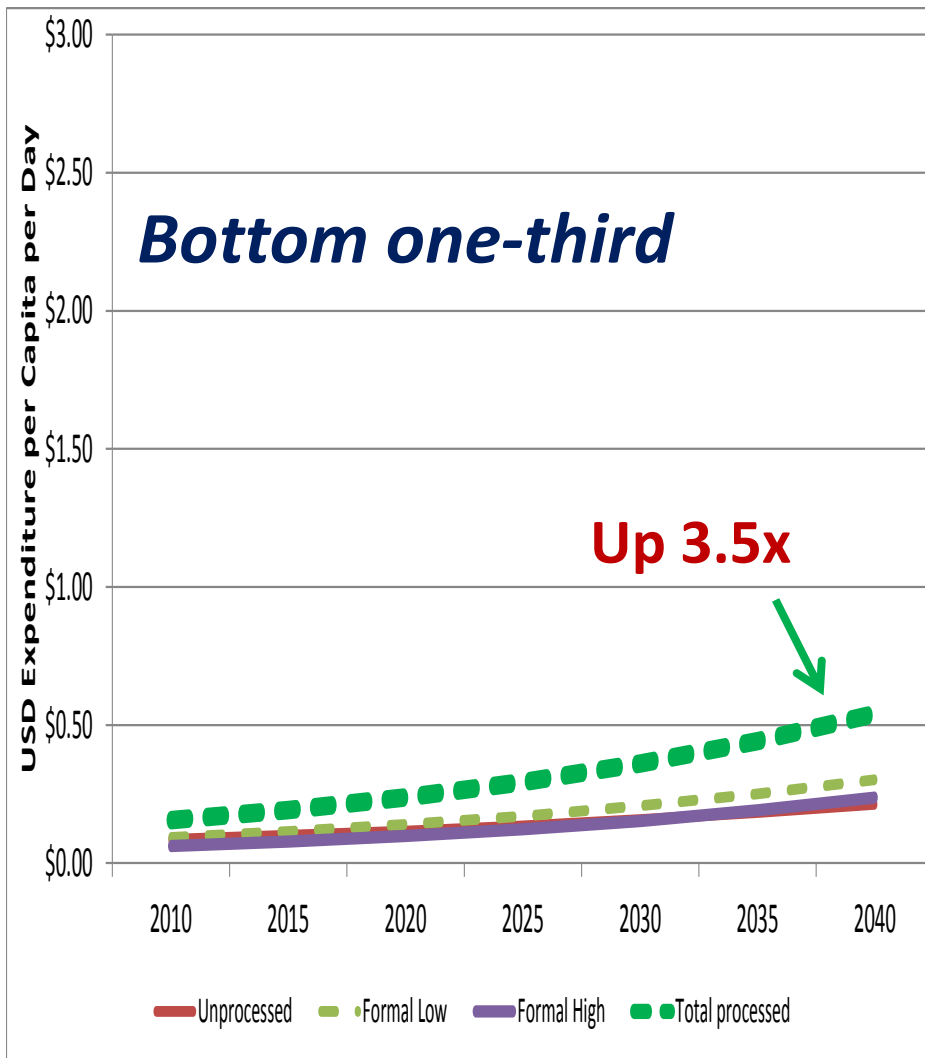
Will rural areas look different?

Evolution of Real per capita Food Expenditures in Rural & Urban ESA, 2010-2040



Will the poor look different?

Evolution of Real per capita Food Expenditures among Poorest & Richest One-Third of Population of ESA, 2010-2040



Take-home

Growth will be strong in rural and urban areas, and among the poor and non-poor (though from different starting points)

***Will the “traditional” retail sector
disappear?***

Will the “traditional” retail sector disappear?

- **No!**
 - Share will fall from 90% to 65% by 2040
 - But size will increase 6.5x
 - Due to growth in incomes, population, and urban share
- **But it will need to be a different traditional sector**
 - Consumer incomes 3x-4x higher
 - Will demand more quality, packaging, variety, safety
 - Need for training, entrepreneurial assistance



No!



Yes!

Improved traditional retail linked to formal sector



Implications

- *Most fundamentally:* How to ensure that Africa meets most of this demand?
 - Productivity throughout the food system, from farm to consumer
- *Breakout #1:* Skill needs
- *Breakout #2:* Health implications
 - The nutrition transition - **Sugar, fat salt!!**
- *Breakout #3:* Farm level implications
- Energy intensity – will these demand patterns be sustainable?

Broad Question for this panel

What steps can Africans take now to ensure their food value chains provide consumers with a safe, healthy, sustainable, and primarily African supply of food to meet this new demand?

The Modernizing African Food Systems (MAFS) Consortium



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Looking beyond South Africa, *is the challenge primarily at the farm level, or in the downstream?*

Again looking not just at South Africa, ***how does government policy and investment need to change to facilitate the needed private investment?***

Where does government regulatory capacity in these countries need to be strengthened and how?