

Global Agriculture and Food Policy

Issue Brief Series



The Power of Private Investment Leveraging the Strengths of Business to Meet Food Security Goals Open Table Dinner Series—Issue Brief #1

On the eve of the 2012 G8 announcement of the New Alliance for Food Security and Nutrition, The Chicago Council on Global Affairs convened a small group of business, government, and civil society leaders from the U.S., Europe, and Africa to discuss the private sector's role in meeting food security goals. This issue brief summarizes the dinner discussions.

May, 2012 -The New Alliance for Food Security and Nutrition announced at the Camp David G8 summit highlights the shared commitment among G-8 and African leaders, private business, and non-profit organizations to achieving global food security. Building on the commitments made at the L'Aquila G8 summit three years ago, it will spur US\$3 billion in initial investment by private companies across the agricultural value chain. This private sector investment, coupled with sustained public sector support, may be the key to turning the New Alliance vision into a reality.

The challenge

Due to declining mortality rates and high birthrates, half of the world's population growth over the next forty years will be in Africa—which will have twice the population of China in 2050. To meet this exploding demand for food and increased agricultural output, a new model is needed that

brings governments, business, farmers, and civil society together to build lasting social, environmental, and economic change in the food sector in Africa and other parts of the world.

Recent estimates by the Food and Agriculture Organization (FAO) suggest that an average of US\$83 billion per year is needed to support increased agricultural output in developing nations worldwide. While government support for food and nutrition security is crucial, the public sector cannot go it alone. The consensus among governments, aid agencies, and companies is that we need more business, not philanthropy. The old way of doing development is no match for partnerships among farmers, businesses, governments, and other stakeholders. Investment in food security is not simply about making sure people get enough nutritious food. According to Kanayo Nwanze, president of the International Fund for Agricultural Development (IFAD), food security also creates the foundation for long-term political stability and global security. During the 2007-08 food price crisis, 48 low-income countries dealt with riots and protests—demonstrating food security's role as a catalyst for political instability.

The opportunity

Africa has an unfortunate reputation. In the past businesses have shied away from investing in a continent that is often best known for famine, conflict, and disease. But that's changing. At the May 18 Chicago Council Symposium on Global Agriculture and Food Security, United States Agency for International Development (USAID) administrator Rajiv Shah declared that Africa's vibrancy, optimism, and potential is being recognized by the global community.

Africa has the potential to be a breadbasket—for itself and for the rest of the world. According to the McKinsey Global Institute, 50 to 60 percent of the world's unused arable land is located in Africa. There is also significant potential, and need, for increasing productivity on land that is currently cultivated. Therefore, there will be a great opportunity for businesses that can help African countries supply food for the next generation of consumers through vibrant local, regional, national, and international markets.

Now is the time to shift to a new kind of development in which aid is only provided when necessary and the focus is on creating partnerships that will provide economic growth and food security in Africa and beyond. In particular, transitioning African agriculture from subsistence farming to a sector that trades regionally and globally will require specific attention to smallholder farmers. These producers farm on small plots of roughly two hectares and represent 80 percent of all farms on the continent. In order to effectively trade their products, smallholder farmers must be provided with investment, credit, land tenure, education, and business services that will enable them to transition their enterprises from household to commercial production.

The role of business—the end of handouts, the beginning of handshakes

Businesses and corporations are perfectly positioned

to make huge contributions to sustainability and food security goals over both the short and long term. In order to transform the agriculture sector, a whole range of services are needed to give farmers, businesses, and governments tools to be successful. The private sector has the opportunity to provide these tools along with the knowledge and experience to create shareholder and public value. Many businesses and corporations are already taking the lead in helping farmers gain access to education, infrastructure, and technology as well as markets and trade. While small and medium enterprises have a critical role in agricultural development, transnational corporations can also provide a unique set of services to smallholder farmers because of their significant capital, technology bases, and management skills. These services will help farmers by providing greater access to inputs, connections to larger value chains, and improved agronomic practices.

The greatest opportunity for the private sector is growing and developing better functioning domestic markets, which are needed in order to fully engage in international markets. With intra-continental trade barely 15 percent of all trade in Africa, there is a need for stronger farmer organizations and cooperatives; better infrastructure, including roads, food processing facilities, and storage; and expanded access to markets. Developing and improving domestic markets can be a win-win situation for multinational corporations as well as the domestic private sector.

Transformation will require collaboration among many different groups. Business can play a large role in linking people together through their knowledge and networks. New partnerships will also help in identifying the most transformational and commercially viable ideas. Businesses can spur innovation and create new technologies. Many large corporations believe that changing the objective from alleviating hunger to focusing on productivity and innovation is the most effective way to help meet growing food demand in a way that's sustainable,

profitable, and uses less land and inputs.

Role of government—laying the groundwork for long-term investment

As development moves forward, the role of governments, international organizations, and NGOs cannot get lost. Companies that do business with smallholder farms—such as those that produce coffee and cocoa—should be particularly interested in partnering with governments and NGOs. Increasing the productivity and efficiency of smallholder farms requires a high level of financial and labor investment—with low initial returns on investment—which corporations tend to shy away from. Therefore, governments play a critical role in creating environments that encourage private investment through combating corruption, strengthening weak legal systems, and improving poor governance.

As public-private partnerships form, there must also be a set of standards that will facilitate responsible and sustainable agricultural investment. Developing countries must ensure that private investment fits into their own development priorities, creates sustainable agricultural development, and integrates smallholder farmers into the supply chain.

Business unusual

The opportunities are great for businesses to use their skills—and do what they do best—to transform agriculture in Sub-Saharan Africa. But as foreign direct investment flows into Africa, the private sector and governments alike must make it clear that this is not a multinational corporate takeover of Africa. Corporations must demonstrate their impact transparently and accurately—and show progress with concrete metrics. Companies must thoroughly measure their investments for the benefit of themselves, for smallholder farmers, and for the world.

Making change a reality will require creating the

right kind of environment for public-private partnerships—one of trust, mutual respect, and collaboration with local partners. Large agricultural companies will play a key role in creating the environment for effective partnerships between private investors and local companies. Research and development ventures such as seed breeding need to take place close to markets so that farmers can be involved in every phase of research and development. As a result, these initiatives can become community endeavors, where farmers, researchers, business, government, and NGOs can build the trust, cooperation, and information sharing necessary to success.

Addressing risk

Private investment in African agriculture is not without risk—for all parties involved. Companies will need to evaluate the state of a particular country's or region's infrastructure, distribution channels, and business discipline. On the flip side, developing countries need to be aware that corporations are competitive and have the freedom to move their investments to other countries and businesses. True partnerships will flourish when both sides receive fair value for the risk and resources they commit.

In addition, the private sector should recognize that investing in African agriculture is not just a quarterly investment or an investment that will show rapid returns in their annual reports. It will require more long-term, patient investing in sustainable opportunities.

A lack of transparency between companies and developing countries presents an additional potential risk. Companies may be hesitant to disclose confidential business information regarding how their efforts are improving agriculture. And positive reports about the status of private investment may be considered corporate propaganda. Accurate and methodical reporting will be key to sustaining sustainable partnerships.

Conclusion

The New Alliance for Food Security and Nutrition has the potential to create real, significant change in African agriculture. The initial US\$3 billion in commitments made by private companies is a great beginning. Ensuring those commitments is crucial and will require strong leadership from public, private, and nonprofit leaders who can work together to test and evaluate new, audacious ideas. Leaders

will need to find new partnerships that stimulate the creativity of the private sector but also meet the development needs of the public sector. A timetable to benchmark and evaluate measurable progress against the New Alliance commitments will be critical. We know that progress is already happening—Africa is full of entrepreneurs who are ready for a new way to stimulate agricultural development that will create long-term food, nutrition, and economic security.

About the rapporteur

Danielle Nierenberg, an expert on sustainable agriculture, currently serves as Project Director of the Nourishing the Planet project for the Worldwatch Institute, a Washington, D.C.-based environmental think tank. She spent 18 months traveling to more than 30 countries across sub-Saharan Africa and Asia looking at environmentally sustainable ways of alleviating hunger and poverty. Her knowledge of global agriculture issues has been cited widely in more than 3,000 major publications including *The New York Times*, *USA Today*, the *International Herald Tribune*, *The Washington Post*, *BBC*, the *Guardian* (UK), the *Mail and Guardian* (South Africa), the *East African* (Kenya), *TIME* magazine, *Reuters*, *Agence France Presse*, *Voice of America*, the *Times of India*, and other major publications. Danielle also currently serves as the food security advisor for Citizen Effect (an NGO focused on sustainable development projects worldwide). She worked for two years as a Peace Corps volunteer in the Dominican Republic and holds an M.S. in Agriculture, Food, and Environment from Tufts University and a B.A. in Environmental Policy from Monmouth College.

For more information

This brief summarizes the discussions at an Open Table dinner held in Washington, D.C., in May 2012 that brought together business, government, and civil society representatives to discuss how the private sector can advance food security. The views expressed in this brief are those that were discussed at the Open Table dinner. The brief does not reflect the view of The Chicago Council on Global Affairs and dinner guests may not agree with the contents of this brief in its entirety. The Open Table Dinner Series, convened by The Chicago Council on Global Affairs, brings together food and agriculture leaders from different sectors and points along the value chain to engage in thought-provoking, not-for-attribution conversations on critical trends and issues affecting the agriculture and food sectors. The series is generously funded by DuPont.

The Chicago Council on Global Affairs

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