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

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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
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)
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Total processed up 7x
Will rural areas look different?
Evolution of Real per capita Food Expenditures in Rural & Urban ESA, 2010-2040

Rural
- Expenditure per Capita per Day
- Unprocessed
- Formal Low
- Formal High
- Total processed

Up > 2x

Urban
- Expenditure per Capita per Day
- Unprocessed
- Formal Low
- Formal High
- Total processed

Up 3x
Will the poor look different?
Evolution of Real per capita Food Expenditures among Poorest & Richest One-Third of Population of ESA, 2010-2040

**Bottom one-third**

Up 3.5x

**Top one-third**

Up 3.5x
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?
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• 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
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?
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?