

# MADE BY AFRICA - CREATING VALUE THROUGH REGIONAL INTEGRATION

## ◦ Value Chain Factsheet ◦

### Food preparations for infant use

INPUTS: 110

Processed/preserved food products

- Milk
- Honey
- Vegetables
- Fruits
- Cereals
- Cocoa products

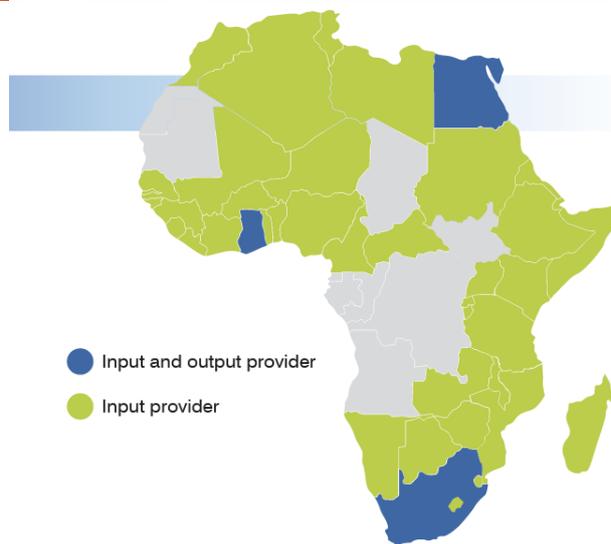
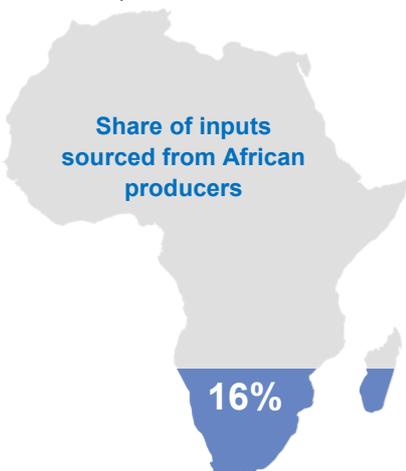


#### Despite abundance of inputs, most infant food consumed in Africa is imported

African imports of food preparations for infant use currently stand at €570 million and are projected to exceed €1.1 billion by 2026. This expected demand growth offers important investment opportunities in the infant food value chain in Africa.

Import dependency in the sector is currently still high, with imports ten times higher than exports. At the same time, the continent has an abundance of fruits and vegetables, cereals and other ingredients used in infant food preparations, which are often exported without transformation.

The few firms that already produce infant food in Africa currently source only 16% of their inputs from African producers. With 39 potential input providers and an export value of €14 billion of untransformed products at continental level, the development of this value chain appears promising for investors, producers and consumers alike. In addition to reducing import dependency and increasing local value addition, strengthening the value chain at the continental level could generate opportunities for SMEs and for women, whose participation in the sector is high.



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Sub-regions with potential

3

Output providers with comparative advantage or export potential >\$10 m

39

Input providers with comparative advantage or export potential >\$10 m, among them 23 LDCs

**Disclaimer:**

In this section, food preparations for infant use refers to food for children under the age of 3. Recommendations in this section are meant to support the regional production of baby food that is given in supplement to, not substitution for, breastfeeding (unless breastfeeding is not or no longer possible). According to the WHO, breastfeeding within the first hour of birth, followed by exclusive breastfeeding for six months and continued breastfeeding for up to two years or beyond, offers a powerful line of defense against all forms of child malnutrition.

39 countries, including 23 LDCs, could provide inputs used in the manufacture of infant food. Three of them – Egypt, Ghana, and South Africa – could also manufacture infant food.

### Strong belief in the potential of the sector's regional value chain development



Interviewed producers of baby food confirm the messages emanating from the data: **nearly 80% are optimistic about the potential to develop the baby food value chain in Africa**, given growing demand in general, an increasing taste for infant food products that use local, customized recipes with ingredients that are not available on other continents as well as the need for product adaptations, e.g. regarding nutritive content, to cater for specific needs in Africa, e.g. to fight malnutrition of babies and small infants.

### Main focus on domestic market and low exports beyond the continent

At the same time, **most companies (65%) focus currently solely on the domestic market, both for sourcing and selling**. If companies export at all, they tend to do so within Africa. Only 20% of companies generate sales also beyond the continent, often through personal networks (friends and family members abroad) rather than commercial channels. Sourcing



Share of companies focusing solely on the domestic market

from other countries is usually limited to ingredients not available locally for which no alternatives exist, e.g. vitamins, minerals, dextrose or lactose, as well as to machinery and packaging materials. Given their domestic orientation, it is little surprising that most companies declare not having benefitted (or being aware of benefits) from existing trade agreements and are not aware of AfCFTA.

### The sector is characterized by companies of smaller size, female leadership and a relatively young, female workforce

65% of interviewed companies are managed or owned by a woman, which is significantly higher than for any other value chain studied. For the majority of companies, female employees make up more than half of the workforce.



## What prevents businesses from exploiting the value chain development potential?

### Sector-specific challenges

**1** Very weak trade participation of African baby food producers due to lack of information on the availability of inputs, market demand and trade procedures, as well as:

- On the **export** side: **Limited production capacity**. Most companies state to be barely able to meet domestic demand, let alone expand abroad due to lack of finance for machinery and technology, e.g. for dehydration and specialized packaging, and for recognized certifications against the standards required by export markets. In addition, **lengthy**



*Expiry dates for baby food products are either 18 or 24 months. Pharmacies do not accept products with less than 12 months of expiry. It takes about 4 months to get the product to the market given the quality checks and time of shipment. So when arriving, products have at best only 14 or 20 months left before expiring, leaving 2 to maximum 8 months to sell them in pharmacies.*

**export procedures**, due to export licencing, product registration requirements as well as inefficient customs clearance combined with the relatively short shelf life permitted for baby food represent significant trade barriers

- On the **import** side: **High cost and unreliability of transport logistics** (including customs clearance processes) paired with **quality concerns** (including both the lack of quality of inputs, e.g. contamination with aflatoxins, and the lack of trust therein), make the sourcing abroad particularly of perishable inputs into the production of baby food unviable, especially given the small scale at which many companies currently produce. 86% of interviewed companies report facing constraints when sourcing inputs and many feel that sourcing would be even more difficult if it involved crossing borders. Yet, diversifying the supplier base, including by sourcing from abroad, would help mitigating the problems posed by seasonality of inputs and related price fluctuations.



*Cost of importing machinery for production is high and subject to both official and unofficial expenses at Customs.*

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Most machinery that is necessary to modernize production is not produced in Africa and has hence to be imported from other continents. The cost to import such equipment, including duties and taxes, inspection, shipping, and installation can be significant and is often unaffordable, particularly for smaller companies.

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Limited trust in local brands. Demand for local brands is growing, yet companies report a widespread belief that baby food products from other continents, particularly Europe are better in quality and can hence be trusted more, which affects the attractiveness of local brands even where these are produced with the same high standards of production and can demonstrate compliance through relevant certifications.

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Limited access to accredited laboratories and testing facilities and high cost of testing. Efficient and reliable quality and conformity assessment is crucial for all value chains but it is especially vital for ensuring and signalling the safety of food preparations for infants and young children. The sector is hence particularly affected by the relatively weak conformity assessment systems in many countries on the continent as well as the lack of harmonization of standards and regulations, e.g. regarding the shelf life, packaging and labelling of baby food, and the limited mutual recognition of certifications



*The laboratory lacks major quality assurance parameters to test raw, intermediate and finished goods in line with market requirements .*



*The food composition analysis as required by the regulator is very expensive. Hence some nutrients and related values, e.g. vitamin A or zinc, are not reflected on the label yet .*



*Complying with labelling regulations is expensive. Companies have to pay 1,000 Euro every six months to get a stamp issued by the authorities. They must also have certification from the Standards Body that the products are export compliant (i.e. that they are not toxic. Etc.). This certification costs 4,000 Euro per year .*

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Lack of recognition as a sector. Despite the importance of the sector in terms of growth potential, female employment and firm leadership as well as its contribution to fighting malnutrition of children, baby food producers deplore the lack of political attention, with dedicated policies, strategies and support for sector development, financing and investment and exports largely absent. There is also a lack of sector-specific business associations to support baby food manufacturers:

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Limited access to finance, particularly for women-led companies. While access to affordable finance and high cost of loans is a problem that is shared with other value chains, the baby food sector is particularly affected given the strong presence of women as company owners and managers and a persisting gender bias in granting loans



*If I need finance for my business, sometimes I have to show my marriage certificate! Accessing funds and entering business is a big challenge for women .*

7

Packaging: Difficulties to provide packaging that is at the same time affordable, safe and environmentally friendly / recyclable. Limited availability of innovative packaging material and high cost of sourcing packaging material from abroad. Inadequate waste management systems and lack of recycling facilities for used packaging material, particularly plastics.



*“One day, I would like my packaging to be compostable, as I am still sending a lot of plastic into the world .*

8

Limited availability of sector experts. Hiring and retaining skilled professionals such as nutritionists, food scientists, quality controllers and engineers is a challenge, particularly for MSMEs in the sector. Value chain participants deplore a lack of practical training opportunities for entrepreneurs and their staff, e.g. related to quality requirements and best practices for processing food but also for general business skills, such as marketing and accounting.



*Our technical teams require intensive training on different technical skills like GAP, GMP, GHP, HACCP and food processing technology.*

## Preliminary recommendations

In addition to the cross-sectoral recommendations listed further above, particular those on quality and conformity assessment infrastructure, access to finance, transport and logistics and customs clearance processes, the following is recommended to help unlock the development potential of the value chain of food preparations for infant use :

**1** **Craft a strategy for the development of the sector at both national and regional levels**, with careful consideration of all relevant aspects, including the need to better inform about the benefits of breastfeeding, the prevention of aggressive marketing destined to discourage breastfeeding (in line with the International Code of Marketing of Breast-milk Substitutes) while at the same time strengthening the development of the value chain for food preparations for infants, to complement the diets of infants and young children where needed. Consider baby food as separate sector in trade strategies

**2** **Create sector-specific associations with tailored support to small and medium-sized baby food manufacturers** and women-led companies, e.g. through advocacy and capacity building. Connect associations across countries to support sharing of information and best practices, exchange of experiences and business linkages across borders

**3** **Facilitate investments along the value chain**, notably:

- *At the level of agricultural input production:* Invest in equipment and training to ensure high-quality production in line with food safety regulations, international standards and best practices and related internationally recognized certifications such as GAP and HACCP. Promote and train on sustainable farming practices and the production of organic products.
- *At the level of food processing:* Support access to machinery such as corn mill machines, grinding machines or dehydration equipment, and related operational know-how that companies need to

automate manufacturing and scale production. Facilitate cooperation between businesses and universities to advance R&D, including related to new recipes and optimized nutritive content, sustainable packaging solutions as well as production techniques with minimum water use and food or other material waste. Invest in the supply of adequate packaging for baby food products.

- *At the national level:* invest in waste management systems and recycling infrastructure (e.g. for the disposal and recycling of packaging material). Disincentivize the use of non-recyclable packaging materials. Improve the availability of adequate storing and transport facilities for perishable goods, including cooling facilities at customs.
- *At the continental level:* assess the feasibility to develop further the production of machinery needed in the agricultural and food processing sector (value chain development), to reduce import dependency from other continents and the high cost associated with it

**4** **Improve the availability of timely information** about and awareness of the availability of high-quality (certified) inputs across the continent, to facilitate sourcing across borders. Improve the availability or coverage of price monitoring tools and increase awareness of the private sector of critical market information such as labelling and packaging requirements as available for example through the African Trade Observatory.

**5** **Support and reinforce the efforts made at the continental level and across sectors towards harmonization of standards and recognition of conformity assessment certifications** in Africa. In the case of baby food, key standards relate to product registrations, licensing requirements for companies, packaging and labelling requirements as well as the tolerance limits for contaminants.

### Other value chains in focus:



### Moving forward...

The value chain diagnostic and related analysis of challenges and recommendations are a starting point, designed to facilitate policy discussions and inform strategy and project design as well as investment decisions at the continental, sub-regional and national levels. As such, early results of the diagnostic have informed the sector focus of the 7th EU-Africa Business Forum in February 2022 and recommendations fed into the associated Business Declaration. Results and recommendations are also being used by ITC and partners in the design of technical assistance projects and feed into the AUC-led inter-agency steering committee on value chains.