

## **Investing in a Drylands Natural Products Industry in Southern Africa: helping the poor the Green Revolution won't reach**

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### **Drylands, Agriculture and Poverty in Southern Africa**

Most of mainland Southern Africa is **dry**: 65% of the region's land area receives less than 750mm rainfall per annum.

Most of it is **agriculturally unproductive**: only 7% of its surface area is suitable for cultivation.

Most of its people are **poor**: 70% of them earn less than US\$1,000 per annum, and the bottom third earn less than US\$100 per annum (making them very poor indeed).

For the best part of a century, the conventional wisdom has been that agricultural intensification is the answer to rural poverty in Southern Africa. So far, it hasn't worked.

Although the situation was briefly reversed in the 1970s and 1980s, rural poverty has steadfastly continued to grow. There are more poor people now than ever before in the region, and most of the poorest live in rural areas.

Even where irrigation and other intensification efforts have increased per capita productivity, a disproportionately large share of the benefits have been captured by large-scale farmers and local elites. The rest have remained steadfastly poor.

At the same time, the clearance of land for agriculture has been the single biggest cause of biodiversity loss in Southern Africa over the last century, and the major contributor to land degradation and desertification.

Astonishingly, given this tragic record, many seem to believe that the answer to rural poverty lies in ever-greater degrees of agricultural intensification. This fundamentally flawed logic has given birth to a new and brighter "Green Revolution". All the evidence suggests this new Green Revolution will not reach the poorest of the poor. What it almost certainly will do is accelerate the pace of environmental degradation in the region.

In Southern Africa, our best hope is that this Green Revolution slips quietly back into the murky logic from which it emanated. Our worst fear, though, is that it stretches the divide between rich and poor beyond breaking point, provoking social and political unrest and economic turmoil. It is an entirely legitimate concern.

## Natural Products as a Viable Alternative

Despite this depressing prognosis, all is not lost for Southern Africa. There are alternatives. We just need to know where to find them.

If poverty is Southern Africa's curse, biodiversity is its blessing. This it has in abundance. There are over 30,000 plant species in Southern Africa, encompassing eight different vegetation zones, five of which are classified as Zones of High Endemism. This extraordinarily rich endowment presents several opportunities. One of these relates to the steadily-growing international demand for natural products.

Natural products are products derived from indigenous plants, usually harvested from the wild by rural producers. Globally, they are big business. Over the last two decades, the market opportunities for plant-derived products in the cosmetics, pharmaceutical and food and beverage sectors have experienced consistent double-digit growth, with every sign that the trend will continue. The overall market for natural products is estimated at more than USD 60 billion a year. It is a huge industry, but one in which Africa, at present, barely features.

Despite the existence of a significant informal trade in natural products in Africa, especially in medicinal plants, there have been surprisingly few formal attempts to develop the industry. And yet it has so many obvious potential benefits.

Unlike most forms of agricultural production, wild-harvesting is an activity accessible to anybody, no matter how poor they are. It requires no inputs and no special skills, does not contradict local cultural norms and values, and presents few (if any) barriers to entry. It thus provides an almost unparalleled chance to bring even the poorest rural people into productive economic activity, and is especially suited to women producers (who are also traditionally responsible for wild-harvesting).

At the same time, it creates direct and tangible incentives for rural communities to manage existing biodiversity *in situ*, rather than converting it to exotic arable production. This encourages the retention of natural vegetation cover, inhibiting land degradation and preventing desertification.

## Why it Hasn't Happened Before

If the markets are so big, and if the benefits are so obvious, why hasn't it already happened?

The answer probably lies in the Eurocentric notions of development imposed on Africa. These have implicitly suggested that traditional, organic land use patterns are Bad, while "modern", linear and mechanised land use patterns are somehow Good. Few self-respecting development consultants would advocate the harvesting of wild fruits as a way out of poverty. Much better to have tidy rows of sugar cane, tobacco, cotton and soya beans. Never mind that none of these crops traditionally come from Africa, and that they

all require massive inputs beyond the reach of many poor people.

Whatever the reasons, the fact is that there has not been any systematic public sector investment in developing the natural products sector. Nor, because of the formidable barriers to be overcome, has the private sector stepped spontaneously into the breach. For them, the risks are too high and there are easier ways to make money in Africa.

## Enter PhytoTrade Africa

In 2001, a group of Southern African NGOs came together to change this. They wanted to attract public sector investment into the development of a pro-poor natural products industry. In doing so, they recognised that:

- Natural products presented a unique opportunity to promote poverty reduction and biodiversity conservation in rural areas across the region;
- If it was to be economically viable and sustainable, the industry would need to be established with the full involvement and buy-in of the private sector;
- If the private sector were to be encouraged in to the industry, they would need support and assistance to overcome the barriers and “lower the fruit”; and
- If rural poverty reduction was to remain the bottom line objective, the industry would need to be configured from the outset to deliver this.

The unusual combination of public sector investment channelled towards private sector players, with the aim of achieving developmental objectives, required some creative thought around appropriate institutional frameworks. The result was a non-profit, but essentially private sector, trade association. This was the Southern African Natural Products Trade Association, which has come more commonly to be known as PhytoTrade Africa.

Today, PhytoTrade Africa has nearly 60 members, drawn from eight different countries<sup>1</sup>. These members include producers and processors in the natural products market chain, as well as service-providers to the industry (including NGOs and technical research institutions).

Criteria for membership include a strong commitment to the ideal of pro-poor natural products and a binding obligation to adhere to principles of Fair Trade and environmental sustainability (endorsed through signature to the association’s constitution and its Ethical BioTrade Charter).

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<sup>1</sup> Botswana, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe

## What does PhytoTrade Africa do?

PhytoTrade Africa works in four core areas:

- New product R&D, working with commercial partners from around the world to develop and launch novel African plant ingredients, with emphasis on those that can be produced by poor people.
- Market development, seeking to create awareness and understanding within the market of new African products and ingredients.
- Supply chain development, supporting producers to meet the quality and certification standards (including organic, Ethical Biotrade and Fair Trade standards as appropriate) required for international markets.
- Industry development, supporting the attainment of all regulatory requirements for international markets, providing appropriate Intellectual Property protection for novel African products and lobbying trade negotiators and authorities on relevant market access conditions.

More fundamentally, PhytoTrade Africa provides a platform to bring together public and private sectors, and to balance the differing interests of profitability, poverty reduction and biodiversity conservation.

## What does the future hold?

After five years of pilot-scale operations, and having started from nothing, PhytoTrade Africa members were generating USD 1.5 million of annual business from the sale of natural products by the end of 2007, involving a rural supply chain of over 15,000 poor rural producers. These experiences have proved, beyond doubt, that it is possible to channel investment into a natural products sector, and that these investments will bring very poor producers into the market, with all the associated benefits.

Current conditions are perfect for growth in the African natural products sector. The industry globally is under relentless pressure to innovate and introduce new products. Africa is the one big potential source of new products that remains untapped. For once, the world wants what Africa's got.

On the basis of its own experiences, and assuming conservative levels of growth and investment, PhytoTrade Africa is estimating that the industry could grow within Southern Africa by 2015 to the following:

- Annual trade in raw materials from natural products reaching 40-50,000 tonnes per year, representing the sustainable harvest from 1 million hectares of sustainably managed dryland.

- Income to poor rural producers of some USD 25-50 million per year;
- Involvement of up to half a million rural people in the supply chain; and
- Trade in finished products of over USD 200-250 million per year.

Other estimates, which have been less restrained in their visioning, have put the potential value to Southern Africa as high as USD 3-4 billion a year (IUCN Natural Futures) from a well-developed natural products industry.

## **WANTED: Risk-taking Investors**

Whichever trajectory it takes, there seems little doubt that this is an industry with substantial growth potential, and from which enormous benefits could be derived. Amongst these are the following:

1. It brings the very poorest producers into the market, and gives them economic opportunities not otherwise available to them;
2. It provides tangible financial incentives to manage existing floristic biodiversity *in situ*, rather than clearing it for arable conversion;
3. It prevents the land degradation and desertification that often accompanies arable conversion and land clearance;
4. It reduces the dependency on international agro-chemical and seed suppliers that a Green Revolution will promote; and
5. It stimulates inward investment flows into dryland areas, with potential spin-off benefits in terms of other entrepreneurial opportunities.

In order to make this happen, what is most required is a concerted and co-ordinated effort from public and private sector alike, accompanied by levels of investment common to other sectors but entirely alien to this one. PhytoTrade's achievements to date have been realised off investments of around USD 1 million a year (as compared to the USD 100 million year or more already going into Africa's new Green Revolution). A tenfold increase in this level of expenditure would reap huge benefits for Africa. It just needs some risk-taking investors to think a little outside the conventional box.

Step aside, Professor Conway. Step forward, Professor Yunus!