Sub-Saharan Africa: **a battleground for Western brewing companies**

Sub-Saharan Africa is a long-standing and fast-growing market for large Western brewing companies to develop their business. Provision of local raw materials is key to the future of the sector and its impact on farmers. What are the implications? What are the challenges? We take a closer look.

Four brewing companies currently control 95% of the market in Sub-Saharan Africa: Heineken (Netherlands), Castel (France), Diageo (UK) and AB Inbev (Belgium/Brazil). Most of their production is concentrated in four countries: South Africa, Nigeria, Ethiopia and Angola. The African market is constantly growing and, according to Deutsche Bank, could represent 40% of global production by 2025.

Almost all of the beer produced in the region by large Western brewing companies is made from malted barley imported from Europe, particularly France and Belgium. There are currently very few malt houses capable of supplying malted barley to large multinational companies (with the exception of Ethiopia), because countries in the region do not yet have the capacity to guarantee a constant and sufficient supply. Because of the critical size of local malt houses, we mainly find monopoly situations within the beer sector.

To overcome this hurdle, some brewing companies have adopted social and environmental responsibility policies, and are trying to use those policies to develop local supply chains. Those initiatives address not only sustainable development goals but also economic goals, as they would reduce production costs over the long term. As part of the social and environmental responsibility strategies of large brewing companies, they may be seen as positive, because the development of local supply chains creates outlets for local farmers, and they are significantly more advanced than in other sectors, such as dairy. These observations support holistic visions of agricultural development. But there are several risks linked to the development of these local value chains, one of which is that land and water resources are allocated to less-essential production in competition with food production, despite the fact that these countries are not able to ensure their own food security. On the other hand, this model helps farmers strengthen their capacities by incorporating them into the value chain and using agronomic technology and digital services to ensure sufficient supply for malt houses and brewing companies. But this approach strengthens the development of intensive and unsustainable industrial production for brewing companies and makes farmers dependent: They are contractually bound and therefore have a weaker position in the balance of power with poor negotiating power. The “Africanisation” of the value chain is therefore a challenge faced at continent level. ■

The social and environmental responsibility strategies of large brewing companies

Heineken has put in place a strategy to develop local supply chains. Roughly 40% of the raw materials the company uses are sourced locally, with an objective of 60% by 2030 in Africa. The company has invested 18 million euros since 2009 in public-private partnerships to train farmers, improve local agricultural practices and develop local value chains. Source: https://bit.ly/3C9Y9j1

Diageo says it employs 80,000 farmers and sources 70% of the raw materials used in its African production on the local market. That figure is mainly due to the brewing of Guiness, which can be done using manioc and sorghum. The company helps farmers “improve their yields, livelihoods, and environmental and labour standards” Source: Diageo - Sustainability & Responsibility Performance Addendum 2019.

The French company **Castel BGI**, which currently controls roughly a quarter of beer production in Africa, is in a near-monopoly situation in some fifteen countries. The Castel group has been strongly criticised for the opaque organisation of its 240 African subsidiaries, and for its tax-evasion practices. It has not yet shown any desire to improve its sustainability or its local sourcing. Only the “Fonds Pierre Castel–Agir avec l’Afrique” foundation aims to support the development of entrepreneurship in agriculture and agrifood.

AB Inbev has developed a “smart agriculture” goal, which aims to ensure that all of the company’s farmers are skilled, connected and financially empowered by 2025. The group says it supports the livelihoods of agricultural communities around the world, and bases its approach on developing value chains, precision agriculture, crop resistance to climate change, and technology. Source: https://bit.ly/2ZiLX1g

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FOR MORE INFORMATION:

Steven Le Faou, *“Présence des grands brasseurs européens en Afrique subsaharienne : quelles implications pour les agricultures locales ?”*, February 2020