

Warehousing: A foundation for economic growth

By  Geoffrey White

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Image Supplied.

Nigeria, Benin, Togo and Ghana are collectively a close-knit, English speaking, trade block with a population that exceeds 250 million people, 40% of which are below 30 years old.

The economic development of this important region in West Africa is being driven by a range of positive macro trends:

- A renewed impetus in energy sector resources is enabling improved power availability and less dependency on imported energy. Ghana's oil production is forecasted to rise to 500,000 bpd by 2030 and the Atuabo gas plant is expanding output to 220 million standard cubic feet of gas per day (mmscfd) by 2024.

- In Nigeria the gas sector is expanding significantly combined with a new focus on domestic infrastructure, a move away from imports, as well as the world's largest refinery - USD 14 billion Dangote refinery in Lekki - coming online in 2021

- Ghana has overtaken South Africa in the volume of gold production and a new focus on improving domestic agricultural production, efficiencies and yields is reducing expensive imports and creating new employment.

Rural depopulation and the transition to increasing urbanization, combined with increasing local manufacturing are enabling local and regional markets while an expanding middle class are driving growth and prosperity.

However, the lack of the essential infrastructure to facilitate and support this growth is increasingly a constraint to progress.

Warehouses tend to be one of the most ignored elements of infrastructure and logistics, but are a fundamental part of the supply chain as they provide storage, distribution, packing, processing, assembling and light manufacturing of goods – all of which are the foundations of any economy, and support domestic and international trade, imports and exports.

To reach its true potential, Africa needs a fundamental warehousing transformation from low-quality makeshift warehouses that tend to lack basic security and safety features to facilities that meet international standards with consistent, reliable IT connectivity and power.

A warehousing transformation in Africa can make a difference in five key areas:

1. Providing a platform for African manufacturing and the Fourth Industrial Revolution (4IR)

Many multinationals are hesitant to invest in African facilities because of the perceived risks. A warehouse park that is ready to move into, with de-risked land acquisition, reduces the capital required for companies to enter the African market, and helps businesses get to market faster.

With the [4IR](#) underway, tech innovations like 3D printing and real-time connectivity are stimulating local manufacturing, increasing the need for secure, environmentally responsible warehousing platforms.

2. Enhancing agricultural value chains and reducing food losses

According to the UN's Food and Agriculture Organization (FAO), roughly one-third of [food produced for human consumption gets lost or wasted globally](#). In Africa, wastage is particularly high at the agricultural production and post-harvest handling and storage stages.

Modern warehouses with security and pest and temperature control could radically reduce this loss. Consolidated warehousing for commodities and agriculture – allowing for local processing and packaging to take place under the same roof as storage – reduces wastage, and allows far more value to be captured in-country.

3. Enabling the growth of African SMEs

Seventy-five percent of growth in Africa will come from small and medium-sized enterprises, according to McKinsey, that struggle to get access to finance for infrastructure. Flexible warehousing models that allow for lower upfront payments give SMEs easy entry to quality warehouses that meet the standards required by international customers.

For example, a Ghanaian entrepreneur was struggling to expand her food processing business to supply the formal sector because the loan costs to set up a processing and packaging facility were prohibitively high. By leasing warehouse space in Agility's Ghana warehouse park, she could use her capital to grow her business instead of having to buy land and build a facility.

4. Accelerating e-commerce

African e-commerce is booming, with projected annual sales of \$75 billion by 2025. In April, African e-commerce company Jumia listed on the New York Stock Exchange. Shares soared 75% on the first day of trading, valuing the company at more than \$1.9bn.

E-commerce fulfilment requires four times the warehouse capacity in the destination market compared to the traditional logistics model. The expansion of e-commerce relies on the availability of international standard warehousing fulfilment centres, allowing for the automation and racking.

5. Driving economic growth, regional trade and skilled job creation

Large-scale warehouse parks allow for logistics and manufacturing clusters to form across Africa as an interconnected network, enabling more intra-regional trade. Currently, [intra-regional trade](#) accounts for just 17% of Africa's exports, compared to 59% in Asia and 69% in Europe. The AfCFTA will create the [world's largest single market](#), of 1.2 billion people.

International standard warehousing will also create a wide variety of jobs, building skills and prosperity and adding to the continent's competitiveness as it develops its export potential for global markets.

Geoffrey White, will be sharing the stage with investors and developers at the 5th Annual West Africa Property Investment (WAPI) Summit (WAPISummit.com) taking place in Lagos from 26-27 November 2019.

ABOUT GEOFFREY WHITE

Geoffrey White, CEO of Agility Africa, is an expert on infrastructure development, retail supply chain and investment in Africa. Agility, a leading global provider of integrated logistics and related infrastructure, has \$5.1bn in revenue, 26,000 employees, and offices in more than 100 countries. He is a member of the Agility Strategic Advisory Board as well as an active member and contributor of the forum's Africa regional business council.

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