Time for Africa

Capturing the African meat and poultry investment opportunity

Nan-Dirk Mulder, 4 October 2017
Rabobank: The world’s leading global F&A bank

Rabobank group global presence
Rabobank in Africa

Rabobank representative office Nairobi, Kenya
- Services (International) Corporates, Traders, F&A and Insurance (Achmea)
- Only Dutch bank with an office in Africa
- Focus on corporates in Southern and Eastern Africa in the following countries:
  - Tanzania
  - Kenya
  - Zambia
  - Uganda
  - Angola
  - Rwanda
  - Ethiopia
  - Mozambique
  - South Africa

Arise
- Norfund, FMO and Rabobank established Arise: a new investments and development company under joint ownership
- Arise holds and manage strategic minority stakes in Financial Service Providers (FSPs) in Sub Saharan Africa with the goal to develop these institutions into strong, operationally stable FSP’s serving the strategic goals of Arise

Rabobank’s strategy; Banking the whole value chain from farm to fork and from smallholders to large corporates in all food and agricultural related sectors such as:
- Beverages
- Dairy
- Grains, Oilseeds & Sugar
- Animal protein
- Consumer foods
- Farm inputs
- Supply chain

Footprint

Rabobank Units in Africa
- Rabobank Office
- Front office Arise
- Arise shareholdings in partner banks
- Referral service possible*
- Rabo Foundation

Financial Solutions for Corporates
- Export Finance
- Trade & Commodity Finance
- Mergers & Acquisitions
- Corporate Lending

Advisory (RIAS)
- Development of Cooperatives
- Access to finance (smallholders)

F&A Partnerships
- Industry knowledge

Banking for Food
- Partner Banks (Arise)
- Development support

*Through a one-stop referral service, partners provide general banking services
Time for Africa: More favourable macro conditions push market change

**Social-geographic factors**

- Population will double in Sub Saharan Africa by 2050

**Urbanisation:**
- Now 40%, 2050: 60%

**Economic factors**

- 15 years of economic growth
  - Average daily income from $0.9/day to $1.3/day

- Middle Class:
  - 40% of African population can spend more than $2/day

Feeding Africa’s mega cities in 2030 offers significant opportunities

Source: Rabobank analysis based on World bank and FAO, 2017
Population in most SSA countries will more than double in less than 35 years

Population by country in Sub-Saharan Africa in 2015 and 2050f

Source: Rabobank analysis based on World bank and FAO, 2017
Significant differences in GDP/capita in Sub Saharan Africa

**GDP per capita in Sub Saharan Africa by country**

Source: Rabobank analysis based on IMF, 2017
Economy recovering after slowdown; middle class keeps increasing

**Real GDP change 2016, 2017f and 2018f**

- **Senegal**: +0.3% +1.0% +1.2%
- **Cote d’Ivoire**: +0.3% +1.0% +1.2%
- **Nigeria**: -1.6% +0.8% +1.9%
- **Ghana**: +9.2% +0.8% +1.9%
- **South Africa**: +0.0% +1.0% +1.2%
- **Angola**: +8.0% +7.5% +7.5%
- **Ethiopia**: +0.0% +1.0% +1.2%
- **Uganda**: +2.4% +3.5% +4.8%
- **Rwanda**: +2.8% +3.5% +5.4%
- **DRC**: +3.0% +3.5% +5.4%
- **Kenya**: +4.0% +5.2% +5.8%
- **Tanzania**: +2.4% +2.8% +5.3%
- **Mozambique**: +2.4% +2.8% +5.3%
- **Zambia**: +0.3% +1.0% +1.2%
- **Namibia**: +0.1% +2.0% +3.5%
- **Zimbabwe**: +0.3% +0.5% +1.0%
- **South Africa**: +0.3% +1.0% +1.2%

**Africa’s Rising Middle Class**

- **Population**: Poor class (<$2/day), Floating class ($2-$4/day), Lower Middle Class ($4-$10/day), Upper Middle Class ($10-$20/day), Rich class (>=$20/day)
- **Income**: Share in income distribution

*Source: Rabobank, IMF Economic Outlook, 2017*
Africa meat and egg outlook: further shift to poultry and eggs

Africa meat and egg market 1995-2015-2025f

1. SSA Population growth:
   - CAGR: 2.2%
   - From 1 billion now to 2.2 billion in 2050

2. Bigger middle class
   - Rising incomes with shift from vegetable to animal protein demand

3. Preference: poultry and eggs as best positioned proteins:
   - Price
   - Taste
   - Availability

Source: Rabobank projections based on FAO, OECD, USDA and local data, 2017
Africa from a global perspective: The big pending opportunity

Global additional market growth 2016-2026

Global unused land availability

Source: Rabobank projections based on FAO, OECD, USDA and local statistics, 2017
Many small but fast growing markets in Sub Saharan Africa

**Poultry demand and trade in Africa in 1,000 tonnes**

Global poultry trade into Africa: 1.3 million tonnes
80% from non-African countries

Source: Rabobank projections based on FAO, OECD, USDA and local data, 2017
African poultry markets: shift to higher emphasis on local industries

*Africa poultry market: more protection to support local industries*

>80% of trade is from outside Africa

<5% of all African production enters trade

Source: Rabobank analysis based on USDA, FAO, OECD, 2017
Current value chain model needs an upgrade

Old/traditional model
- Smallholders
- Large inefficiency
- Small volumes
- Live bird focus
- Traditional breeding
- No cold chain

New/modern model
- Small/mid sized integrations
- Feed/breeding base
- Bigger volumes
- Modern breeding
- New cold chain

Source: Rabobank analysis, 2017
Feed grains: high dependence on imports but big upside

Africa’s potential to expand farmland

Million ha

Investing in feed mills and feed grain supply:
- Highly dependent on local agricultural policy?
- Is it a staple food?
- If the country is landlocked?
- Are adequate farm inputs available?
- Landowner ship

African wheat self sufficiency still low:
- Wheat: 26%
- Coarse grains: 100%
- Oilseeds: 100%
- Protein meals: 103%

Source: Rabobank analysis, 2017
Breeding: fast shift to modern breeds, but how to create scale?

Modernizing breeding value chain in Africa

Traditional breeding

Modern breeding

Now

From imported hatching eggs and DOC to local parent stocks

Establishing more PS and GPS farms, but scale is required

Need to identify the most appropriate hubs for production

Lack of skills: need for training and education

Source: Rabobank analysis, 2017
Poultry processing: Up-scaling and investments in cold chain

**Market sizes:**
*small but fast growing*

ONLY 3 MARKETS > 100,000 tonnes
> 80% is wet market

**Modern distribution growth:**
*Cold chain investments needed*

**Southern Africa in lead but move to East/West**

**Equipment still relatively basic, but gradually modernizing**

Source: Rabobank analysis, 2017
The challenges in Africa are significant, but rewards can be big.

A pioneering spirit plus a well prepared business analysis and plan is essential.

Source: Rabobank analysis, World bank, 2017
Capturing the African opportunity: The Rabobank investment model

Investment climate and stability

- Business climate - Ownership, Forex, corruption etc
- Political Stability
- Governmental Support including import protection and subsidies

Market potential

- Sales market growth
- Modern distribution Growth

Availability of inputs: Competitive power

- Livestock supply and competitive power
- Grain and oilseed and farm input supply

Resources and infrastructure

- Infrastructure
- Local skills and productivity
- Local finance

Source: Rabobank analysis, 2017
How to invest in Africa: Lessons to be learned

Lessons for successful investors in Africa

- Feed and hatchery are base for investments
- JVs with local player to deal with bureaucracy
- Invest in management and training
- Secure your inputs: vertical integration
- Invest in meat processing if market allows
- Mitigate your risks

Gradual approach is necessary

- Start with feed mill/hatchery
- Next step to invest in value chain
  - Breeding farms
  - Grains and oilseeds
  - Meat processing and/or farming
- Team up with a reliable local player
- Team up with a retailer/QSR chain

Local approach is key including investment in developing skills plus a commitment

Source: Rabobank analysis, 2017
Capturing the African investment opportunity: conclusions

Sub Saharan Africa offers exciting business opportunities for companies with a pioneering spirit
- Fast local market growth in many markets 5-10%
- Modern distribution growth is a great entrance platform but be not too dependent
- Larger markets lead to more economics of scale benefits

Optimal market, business and risk assessment is key as investing risks for investing in Sub Saharan Africa can be significant.

Investors in poultry industry will usually focus on winning model
- Feed and hatchery as base for business model
- Gradual expansion into breeding farms, broiler/layer farms and processing
- Secure inputs for feed, breeding stock will be key factor
- Develop labor and management skills
- Partnership with expanding distributor can be successful approach

Input industries will from acceleration of growth of industry
- **Meat processing:** Developing a modern poultry value chain
- **Breeding:** Establishing a modern breeding supply chain
- **Equipment:** To supply the right equipment for the growing, more modern industry
- **Animal nutrition:** Set up feed mills, distribute premixes and additives
Thanks for your attention

Questions?
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