



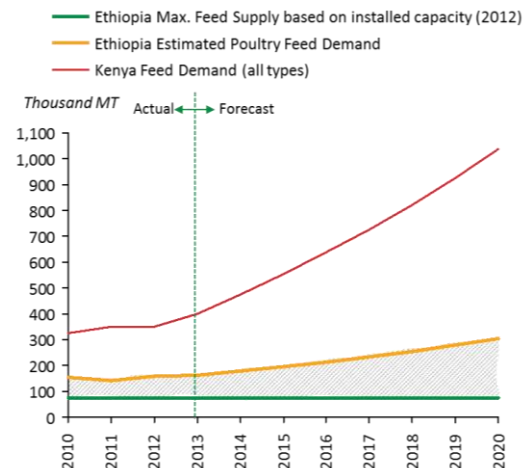
## Opportunity to invest in a compound animal feed processing plant for poultry, beef, and dairy

Developing a compound animal feed processing plant in Ethiopia is a promising opportunity. Here we feature an example of a greenfield opportunity, in which an investment of \$3 million in a new animal feed plant could establish a processor with an installed capacity of 30,000 metric tons per year and an estimated IRR of 35-40% over 10 years.

### 1 MARKET OPPORTUNITY

Animal feed processing presents a near-term and large-scale opportunity, with a significant domestic demand gap and potential for future exports to regional markets. Assuming proper use of feed, the estimated 2015 demand gap for feed was over 120,000 metric tons for poultry meat alone, indicating that in 2015, there was a greater than \$157 million opportunity in feed - this is growing rapidly.

This is in itself a highly conservative estimate: not only does it only consider poultry meat alone, but it does not consider planned growth. If Ethiopia achieves even 10% of Livestock Master Plan targets to increase meat production to 1.93 million MT and egg production to 3.9 billion by 2020, the demand will grow significantly faster than over the past few years.



Furthermore, Ethiopia is well-positioned to serve the ~\$2.9 billion animal feed imports market in North and East Africa. Egypt, Morocco, and Algeria alone comprise 79% of this market, presenting particularly promising target markets. European markets are the main suppliers of meal for animal feed for Morocco and Algeria – Morocco imports feed from Spain, while Belgium is the main supplier for Algeria. Ethiopia has existing export relationship with Egypt amounting to a total of \$34.5 million in 2015 across product types, making it a ripe market for Ethiopia to enter in animal feed as well.

### 2 WHY INVEST IN ETHIOPIA?

**Strong supply of raw inputs** > Maize is Ethiopia's leading cereal in terms of production, (64.9MN qt. in 2013/14), 40% higher than wheat, the second highest produced cereal. Production has been growing at 9.5% over the past seven years, driven by increase in acreage and increase in yield (yields have been growing at 6% annually). In particular, there is potential to connect with Ethiopia's Agricultural Commercialization Clusters (ACC) initiative. The identified Oromia Maize Cluster has the second-highest maize production in the country, as well as significant soybean production through rotational and inter-cropping. Nearly half of the cluster's production (46%) is already available as marketable surplus.

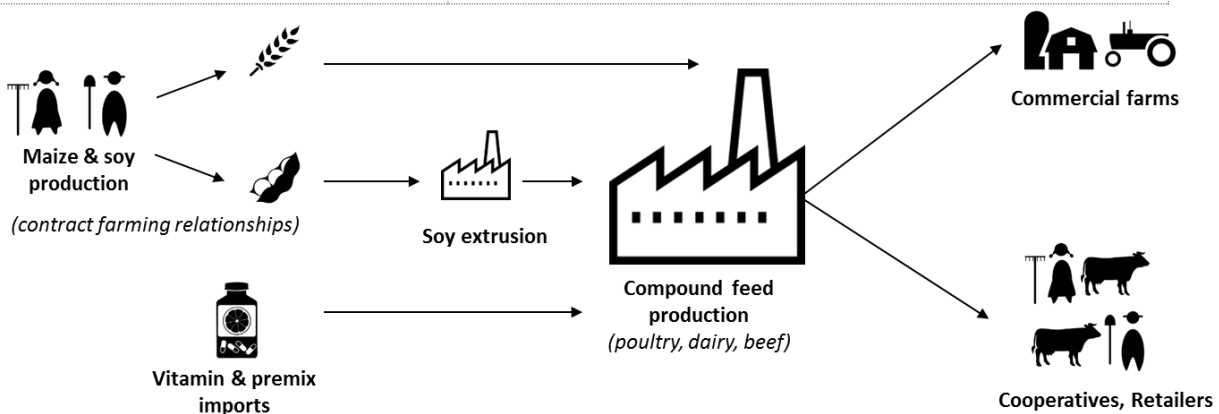
**Market disruption opportunity due to limited competition** > There are a handful of existing domestic producers, with an overall installed capacity of ~74,000MT in 2012, though few are of significant scale. The market leader, Alema Koudjis, comprises 41% of existing capacity with 30,000 MT at full capacity. This creates an opportunity for new entrants to gain significant major share. Furthermore, many producers are operating below capacity due to ineffective supply models. With an effective sourcing model, new agro-processors could gain increasing market share.

**Animal feed and livestock are government priorities** > Livestock and animal feed have moved to the forefront of the Government of Ethiopia's (GOE) priorities under the second Growth and Transformation Plan (GTP II). The GoE aims to raise red meat production by 52%, chicken meat production by 247%, and egg production by 828% by 2020. Enhancing private investment in feed processing is a priority to support this planned growth. The Oromia Maize Cluster in particular aims to grow revenue from processed maize products by over 200% and to increase productivity by 40% by 2020.

### 3 SPOTLIGHT ON A POTENTIAL GREENFIELD INVESTMENT

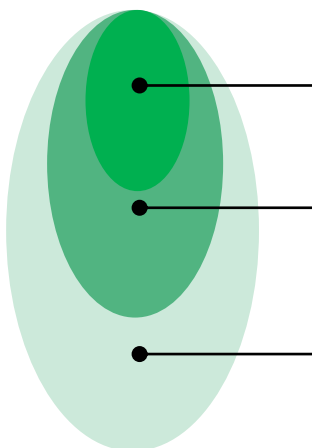
A ~\$3 million investment has the potential to deliver an IRR of 35-40% over the next ten years. We propose a model that involves a phased investment: first in a compound feed processing facility, with initial sourcing of inputs from traders and other processors, and in years two and three in soy extrusion and contract farming relationships for sourcing raw soybean.

Total investment required	\$3 million
Installed capacity	30,000 liters/year
Employment	50 employees
Estimated return	IRR of 35-40% over 10 years



### 4 INVESTING IN SOCIAL CHANGE

Ethiopia is a unique market in which investment can contribute to improvement in incomes and livelihoods. With 42% of GDP and 77% of employment, agriculture is the lifeblood of Ethiopia and presents an opportunity for impactful investment.



**Direct impact.** This investment would employ 50 permanent employees in the processing of compound feed, as well as additional contractual employees on a seasonal basis for building and plant construction, distribution, etc.

**Indirect impact.** By sourcing maize and soybean from farmers, this investment will source raw material inputs from over 11,400 farmers per year, resulting in increased smallholder farmer income. Moreover, the demand sink for maize and soybean production created from the feed

**Ecosystem impact.** Lack of affordable improved feed has been a major bottleneck to the growth of the livestock sector. Thus, the spillover effects of lowering feed prices increases affordability of feed by commercial and smallholder farmers. In addition, availability of high protein animal feed will increase the supply of quality meat in the market, contribute to the development and health of the poultry and livestock sectors.

### 5 INTERESTED TO LEARN MORE ABOUT ETHIOPIAN AGRICULTURE? WE CAN HELP.

In the coming decade, the private sector will play an even greater role in Ethiopia's agricultural transformation, creating markets for Ethiopia's farmers. The Private Sector in Agriculture Team engages early with serious investors to understand interests and concerns, works with them to identify promising opportunities, provides relevant market analysis, and helps navigate the local environment. With support from USAID's Investment Support Program, the ATA has developed detailed investment cases on opportunities in beef & dairy, poultry & feed, soybean, fruit & vegetable, wheat, and sesame.