



Opportunity to invest in an integrated chicken processing plant in Ethiopia

Developing an integrated chicken processing plant in Ethiopia is a promising opportunity, particularly for investors with expertise in feed, poultry, processed chicken products, and/or food retail. Here we feature an example of a potential debt partner investment in an upcoming greenfield chicken processing plant with a planned capacity of 9 million day-old chicks and 12 million kilograms of chicken meat, where a \$20 million debt investment with an interest rate of 15% and a payback period of 7 years is expected to have an IRR of 15-20%.

1 MARKET OPPORTUNITY

Ethiopia contains over 50 million poultry, of which 96% are non-commercially raised chicken. There is an enormous potential for a new commercial poultry producer to capture market share.

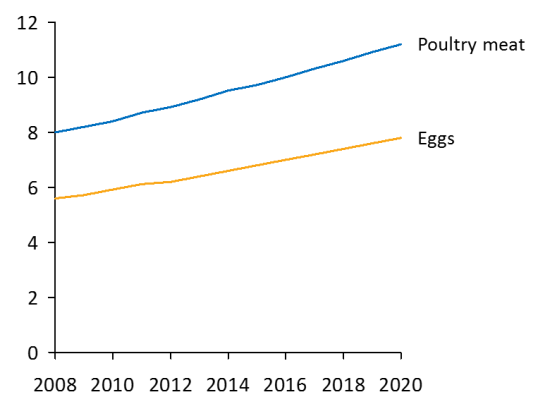
From 2006 to 2013, poultry meat production rose at 5.5% per year. Growth is projected to accelerate going forward: the Government of Ethiopia's Climate Resilient Green Economy (CRGE) strategy targets increasing the share of chicken meat in total meat consumption from 5% to 27% by 2030, to substitute red meat from high-emitting ruminants.

While Ethiopia has the second-largest population on the African continent and is one of the five fastest-growing economies in the world, Ethiopians currently eat an average of only 400g of chicken meat per capita per year, versus 4kg in Kenya and over 40kg in the US.

With rising incomes, among the fastest urbanization rates in the world, and shifting tastes and preferences leading to increased meat consumption, Ethiopia has one of the world's largest under-served poultry markets.

Projected demand for poultry meat and eggs in Addis Ababa, Ethiopia

Thousand tonnes



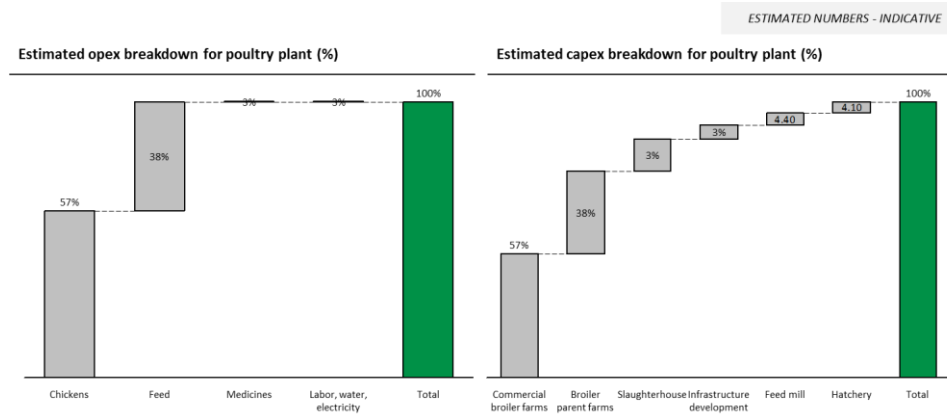
2 WHY INVEST IN ETHIOPIAN POULTRY?

Rapid growth in poultry is a national priority > The Ethiopian Livestock Master Plan has put forward ambitious targets to increase in chicken meat production by 247% and in egg production by 828% by 2020. The GoE recognizes that an enormous increase in production is essential to close the projected national meat production-consumption gap. Therefore, the GoE has prioritized interventions to support the sector, and is currently rolling out several initiatives including: importation of exotic crossbred chickens with higher genetic potential for eggs and meat, allocation of adequate land for poultry feed production, promotion of private investments to increase the number and size of specialized commercial-scale broiler and layer units, and encouragement of private sector investment in poultry agribusinesses.

Ability to produce feed locally > Aside from offering attractive prices for electricity, water, and land, Ethiopia also provides a key advantage in high potential for increased feed production. Feed is a critical input for chicken production, comprising 50-70% of the cost of raising chicken. In Ethiopia, key inputs such as maize, sorghum, soybean oil cake, cottonseed oil cake, and others are locally available at competitive prices against key producers such as South Africa and China. Furthermore, as Ethiopia has no winter, it offers the unusual opportunity for double-cropping and year-round production with minimal irrigation, providing reliable supply. The Ethiopian Government is promoting investment in compound animal feed through the Livestock Master Plan and Agricultural Commercialization Clusters Initiative. Specifically, the GoE has removed double-imposition of VAT and excessive customs duties on feed mill ingredients.

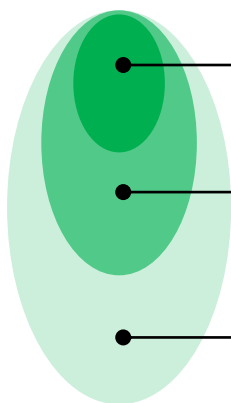
3 SPOTLIGHT ON A POTENTIAL INVESTMENT

An experienced poultry company is interested in expanding operations to Ethiopia, but seeks an investment partner who could provide a loan for approximately half of the project at \$20 million. This plant would include a feed mill, hatchery, broiler production, meat processing, and packaging for sale. As a new investment, this would include a staged business model whereby infrastructure is built from the hatchery to packing over time. The plant would be projected to reach nearly 10 million day-old-chicks and 12 million kilograms of chicken meat per annum and fully-functional chicken meat processing and packing facilities three years after the initial investment. The project is financially viable with an IRR of 15-20% on a debt investment of \$20 million over 7 years. For those interested in investing to expand existing Ethiopian operations, there are at least 18 large-scale commercial poultry farms (over 2,500 heads) located in and around Addis Ababa.



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. Poultry in particular is often raised in a decentralized model, contributing directly to smallholder farmer livelihoods, and increasing availability and affordability of chicken meat and eggs will be critical to combatting malnutrition in Ethiopia.



Direct impact. This investment would employ 500+ people in the rearing and processing of poultry, in addition to providing partial employment to smallholders if an out-grower scheme were used for raising chickens.

Indirect impact. By creating a demand sink for animal feed, particularly soybean and maize, this plant would support farmer livelihoods. Furthermore, by supporting import substitution, the investment would preserve foreign exchange earnings.

Ecosystem impact. By increasing production of eggs and chicken meat, will enable Ethiopia to increase availability and affordability of quality protein sources, addressing malnutrition.

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.