Immediate opportunity to invest in soybean meal processing for Ethiopia’s booming livestock and poultry sectors

Establishment of a soybean meal processing factory in Ethiopia offers an opportunity for investors with expertise in the animal feed, soybean and livestock industries. Here we feature an example of a local business on the ground today seeking an investment of $1.5 million to expand capacity to process 6,600 tons of soybeans per year, with a NPV of $USD 3 million and an IRR of 25-35% for an investment of $1.2 million.

1 MARKET OPPORTUNITY

There is high potential for demand for both soybean meal as an input to animal feed and other soy consumer products.

In terms of the animal feed market, we conservatively estimate that there is at least a demand gap of over 120,000 metric tons for poultry production alone in 2015, representing a >$150 million market without even considering the cattle and other livestock sectors as demand sinks for feed. There is opportunity to install agro-processing capacity for the soybean sector in the production of soybean meal. Soybean meal fills the gap in the demand for high protein feed, with soy containing 2.5 times the protein content of wheat and 4 times the protein content of maize.

Furthermore, there is significant potential for soy-based consumer products such as soymilk and soy-based protein and meat substitute products to increase market share in the Ethiopian market. Ethiopian Orthodox culture requires over 200 days per year of fasting, or vegan consumption, including a 55-day period, Tsom, in March/April.

2 WHY INVEST IN ETHIOPIA?

Animal feed as a government priority > The GoE has explicitly prioritized private sector investment in animal feed production. The GoE, via the Growth and Transformation Plan-2 (GTP-2) targets to increase the average productivity of soybean by 49% between 2015 and 2020 and total volume of production from 72,000 tons in 2015 to 120,000 tons over the same period. Soybean is a critical investment in an area that is currently the key bottleneck for the development of a strong local compound feed industry.

Ample soybean supply due to suitable climatic conditions > Ethiopia’s production in soybean has increased by over 100 fold in the last decade, with a compound growth of 46% in the last 3 years. Ethiopia has favorable climatic and soil conditions for production in South and Western Ethiopia; therefore, soybean can be easily produced both for commercial purposes as well as for subsistence farming.

Soybean is a natural choice for intercropping and crop rotation with maize, which grows abundantly across Ethiopia. As Ethiopia has no winter, it offers the unique opportunity for double-cropping and year-round production. Although Ethiopia produces significantly less soybean than South Africa, Ethiopia has managed to achieve higher yields in recent years.

3 SPOTLIGHT ON A POTENTIAL INVESTMENT: KUNIFIRA PROCESSING

Kunifira Agro-Processing Plc. (KUNAP) was established in 2011 for the processing and marketing of soybean products. At present, KUNAP cleans, extrudes, presses, refines and packages soybean products in the form of soybean meal, soya oil, and fortified blended food for different target groups. Based in Gelan in Oromia Region, approximately 30 km outside of Addis Ababa, KUNAP is centrally located to allow for accessible supply of soybean meal to Ethiopia’s livestock and poultry sectors.

For more information, please contact the ATA’s Private Sector in Agriculture Team
PrivateSector@ata.gov.et
The extensive experience and intimate knowledge of the food processing sector by KUNAP’s founders is the main factor that would determine success of this company. The management members, which also include the shareholders of the company, have extensive experience and exposure in management, marketing, and processing of food products. KUNAP is seeking investment in the range of $1 to 5 million USD for the completion and expansion of a soybean processing factory, with annual capacity to produce at least 5,214 tons of soybean meal cakes and 860,000 liters of soy oil. In addition to soybean meal, the investor would be entitled to a participating interest of KUNAP’s total activities. The average annual gross margin for the project is 25%.

4 INVESTING IN SOCIAL CHANGE

Ethiopia is a unique investment destination in that your investment can contribute to improving incomes and livelihoods. With the largest rural population in the world, Ethiopian agriculture is the lifeblood of the country.

Direct impact. At full capacity, KUNAP will employ over 100 people, including 49 permanent staff and other contractual employees on a seasonal basis. The additional employees will be all levels of production and distribution.

Indirect impact. KUNAP will be contributing to food security and commercialization of small holder farmers as producing and consuming more soy would provide a cheap source of protein for poor farmers, who have less access to animal source protein due to their low purchasing capacity.

Ecosystem impact. The availability of high protein animal feed via soybean meal will significantly contribute to the development and health of the poultry and livestock sectors which currently substitute soybean with less protein rich alternatives wheat and maize.

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.

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