



Immediate opportunity to invest in a wheat processing plant for flour, pasta and biscuits

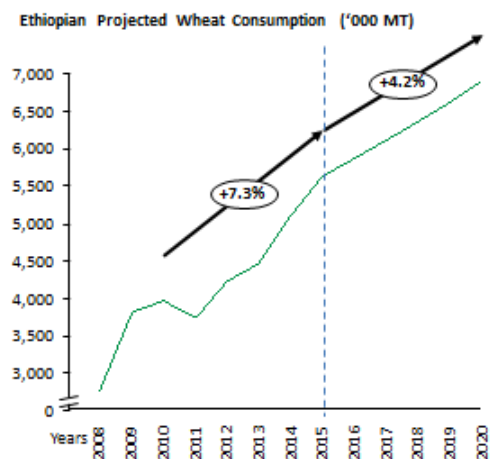
Establishment of a wheat processing plant in Ethiopia offers an opportunity for investors with expertise in the food, wheat and agricultural sectors. Here we feature an example of an investment-ready business on the ground today with a NPV of \$USD 49 million and an IRR of 30%.

1 MARKET OPPORTUNITY

There is opportunity to install agro-processing capacity for the wheat sector in the production of domestically produced wheat flour, pasta & macaroni and biscuits.

Ethiopia is the largest grower of wheat in Sub-Saharan Africa and produced 3.4m metric tons (MT) of wheat in 2012. The projected consumption of wheat in Ethiopia is set to increase by a steady average rate of 4.2% over the next five years. While the forecast annual growth rate is lower than the previous five years of 7.3%, increases in wheat yields and cultivated area are critical to avoid dependence on wheat imports.

Increase western taste palates and expats in Ethiopia gives rise to demand in processed goods such as cookies, pastries and pasta and macaroni.



2 WHY INVEST IN ETHIOPIA?

Open for business. Ethiopia's bread wheat and durum wheat value chains are strategically important to the Government of Ethiopia (GoE). In Ethiopia's Growth and Transformation Plan-2 (GTP II), the GoE has prioritized wheat as a major implementation strategy, with targets to increase bread and durum wheat production volumes from a collective 42.3 million quintals in 2015 to 62.08 million quintals by the year 2020. The GoE has explicitly prioritized private sector investment in the wheat sector, with investors in prioritized regions eligible for an additional one year income tax exemption and import of duty-free capital goods and materials to establish or expand existing businesses.

Suitable climatic conditions. Ethiopia is endowed with favourable weather, altitude, adequate water and availability of suitable soils for wheat production across much of the country. A variety of improved seeds are also capable of growing in Ethiopian soil and the ATA is currently working with farmers to increase yield and train on efficient handling processes.

Increasing domestic demand. Ethiopia is one of the most populous countries in Africa, with increasing demand for value added products such as pasta and biscuits. Wheat is also used for many popular local products – to produce bread (injera, dabo), local snacks like dabokolo, some local beers, and wheat straw can be used for roof thatching and animal feed. We have already identified a domestic B2B wholesaler, who is struggling to obtain sufficient supply of wheat products and is looking for domestic processors for value added wheat products such as pasta and biscuits.

Potential for import substitution. Despite the resource potential for local production, wheat continues to be of the highest imported commodities in Ethiopia, along with meslin, sugar and palm oil. Second only to Egypt, Ethiopia is among the largest wheat producers on the continent. Despite the large production capacity, Ethiopia is a net importer of wheat. Therefore, there is huge market potential to fill the gap between demand and supply domestically Ethiopia imported over \$390 million worth of wheat and wheat flour in 2013, demonstrating the scale of the opportunity for import substitution. Further, nearby Egypt, which Ethiopia does not currently export wheat to, is the world's largest importer of wheat and presents a specific opportunity.

3 SPOTLIGHT ON A POTENTIAL INVESTMENT: Maed Food Complex Project

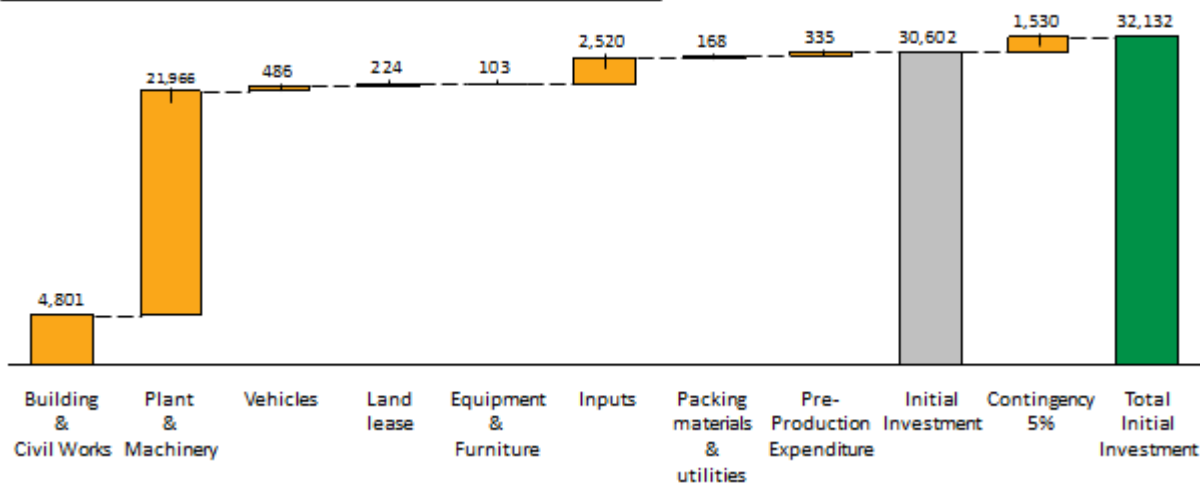


Maed Food Complex Project (Maed), a company of TIRET Corporate is looking to develop a large-scale wheat processing plant, producing wheat flour, pasta and macaroni and biscuits. The selection location for the plant, Debre Markos, is accessible to both Addis Ababa and Bahir Dar by road. At full capacity (year 3 onwards), the plant can process up to 250 tons of raw wheat per day and 75,000 tons per annum.

Maed Food Complex Project requires an initial investment of \$USD 32 million, including a 5% contingency. At a minimum, Maed are looking for an investor to contribute at least \$USD 9.6m (30%), with the rest funded by a bank loan if necessary. The majority of the funds will be allocated to plant & machinery, building & civil works and inputs to the plant, in order of allocation.

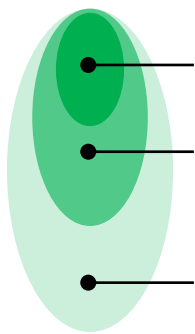
From its initial year of operations at 70% capacity, Maed predicts an average annual growth of 19.5% in the two years of ramp up to 100% capacity. Over 60% of Maed’s revenue will be derived from pasta and macaroni products, which is also estimated to absorb 23% of the domestic market share.

Investment required for Maed Food Complex Project (USD '000)



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, Maed will employ over 191 direct staff. Further job creation will be created through storage, delivery, and the retail outlets for sale of end-products in the market.

Indirect impact. 625,000 households and their families will also be positively affected by the project via the direct procurement of wheat from smallholder farmers.

Ecosystem impact. The establishment of the plant will create a conducive environment for the local industry to obtain accesses to price competitive animal feed (via the bran by product). It will also support local community and help develop a market for restaurants, bakeries, hotels, pasture food factories, amongst others.

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.