



Opportunity to invest in a cattle feedlot & abattoir in Ethiopia

Developing an integrated cattle feedlot and abattoir in Ethiopia is a promising opportunity for investors with expertise in feed, feedlots, abattoir, meat processing, or retailing. Here we feature an example of an investment-ready business on the ground today, in which an investment in the range of \$USD 1-5 million in a newly-formed integrated cattle feedlot & abattoir would be likely to realize an IRR of 30-40% and a cash-on-cash return of 3-4x over five years.

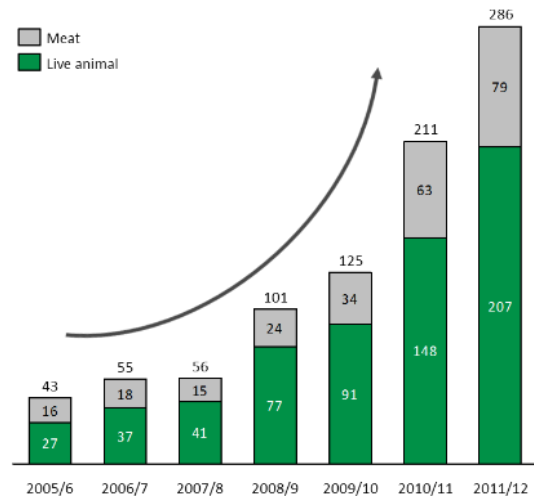
1 MARKET OPPORTUNITY

The global beef trade is growing at 4% per year, and consumption is expected to exceed 55 million metric tons globally by 2015. The Middle East and North Africa are the largest food-importing regions in the world, with the Middle East food service industry alone exceeding \$USD 31 billion in 2013.

The Ethiopian cattle sector has massive potential, with over \$USD 200 million in direct export earnings and meat exports growing at 25-30% per year. Livestock comprises as much one-sixth of overall GDP and contributed nearly 8% (or \$USD 211 million) of export revenues in 2011.

Oromia Region, in central Ethiopia, presents particular opportunity for investment. Near to Addis Ababa and the soon-to-be-completed rail line to Djibouti, home of the renowned Borena breed of bull, Oromia is a prime region for investment.

Meat & live animals export performance (2005/6-2011/12)
Thousand USD



2 WHY INVEST IN ETHIOPIA?

Open for business > Cattle is a priority sector for the GoE, which aims to raise red meat production by 52% from 2015-2020. Enhancing private investment in feedlots and ranches and feed production are particular priorities. The GoE targets an over 60-fold increase in production in small feedlots and over 30-fold increase in production in medium feedlots.

Geographic proximity to key consumer markets > The Middle East imports 50% of its food and 90% of its beef. India, Pakistan, and Australia currently fulfill most of the region's beef demand, yet Ethiopia has a geographic advantage, offering lower costs and longer shelf-life. Ethiopian meat can be on shelves only 5-7 days after production, boosting retailer margins versus Latin American or Asian products that can take 2-3x as long. There is potential for Ethiopia to capture market share.

Abundant stock at low prices > Ethiopia has the largest livestock inventory in Africa and sixth-largest in the world, but its share in the global meat export market is barely 1% - presenting enormous scope for growth. Furthermore, the cost per kilogram of calves in Ethiopia is half the cost of most countries in the world, making it one of the most attractive countries to produce in.

Ability to produce feed locally > Besides strategic advantages in electricity, water, and land, Ethiopia also provides a key advantage in feed production. Feed is a critical input to beef production, comprising 40-70% of the cost of raising cattle. In Ethiopia, key inputs such as maize, sorghum, soybean oil cake, cottonseed oil cake, and others are locally available. Furthermore, as Ethiopia has no winter, it offers the unique opportunity for double-cropping and year-round production with minimal irrigation. The Ethiopian Government is promoting investment in compound animal feed through the Livestock Master Plan and Agricultural Commercialization Clusters Initiative.

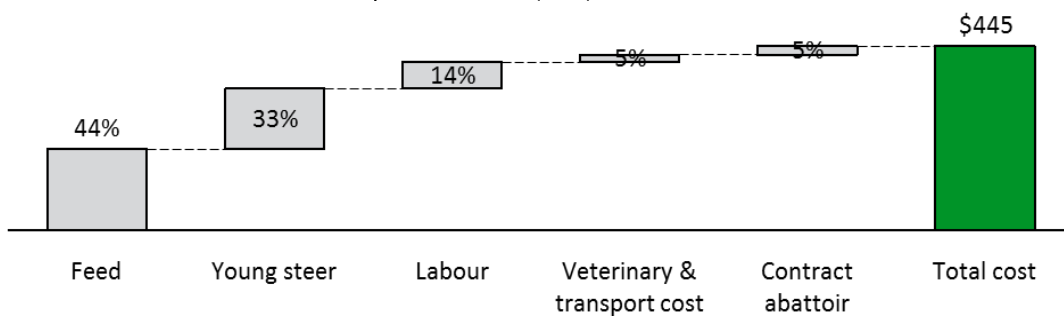
3 SPOTLIGHT ON A POTENTIAL INVESTMENT: VERDE BEEF



Verde Beef is a beef production and processing company founded in 2014 that aims to become Ethiopia’s premium and largest beef feedlot, producing high-quality cuts of beef for local and export markets. Based in Adami Tulu, approximately 160 km outside of Addis Ababa, Verde owns a 1,300 hectare farm that is led by an international team with deep experience in Ethiopia and in agribusiness.

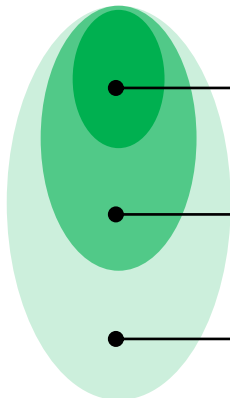
In 2015, Verde will focus on building feedlot facilities and begin domestic sales of carcass to restaurants and butcheries via a partner abattoir. In 2016, Verde will sell high-quality cuts in Ethiopia through its own cold store depot and retail outlet. In 2017, Verde will have fully-functional abattoir and processing facilities and begin export of prime cuts under Camden Beef branding. Verde would be open to considering an investment in the \$USD 1-5 million range.

Cost breakdown of one steer from inputs to market (USD)



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. Verde Beef already employs over 100 people, including 60 permanent staff and 70-80 construction workers. At full capacity, it will employ up to 3,500 local workers.

Indirect impact. By sourcing livestock from pastoralists and farmers, Verde will source calves from over 6,000 farmers per year, resulting in increased incomes for them and their families.

Ecosystem impact. Verde will increase the supply of quality meat on the market, at a lower price point, driving up demand and driving down prices, encouraging new entrants and the growth of the industry.

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.