



## Time for Africa

***Opportunities Remain Wide Open  
for African Poultry Investments***

RaboResearch Food & Agribusiness, January 2020  
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# Capturing the African Investment Opportunity



The Sub-Saharan African poultry and egg industries have developed fast over the last decade, and this is increasingly attracting interest from local and international investors. Rabobank identified this opportunity in its 2017 report "[Time for Africa](#)," in which we highlighted the key drivers for investments in African poultry. We think opportunities for investors remain wide open. In this new report, we provide an updated view that also includes an egg industry perspective.

## **Time for Africa: The 2016-2019 investment story**

Following a short slowdown caused by economic volatility in mineral- and oil-dependent countries in 2016, we have seen an acceleration of poultry investments in Africa since 2017, with Eastern Africa and parts of Western Africa, like Nigeria and Ghana, attracting greater interest from local and international investors. Several international companies have developed their positions in Africa, including: modern retail and restaurant chains continuing their expansion; animal nutrition companies strengthening their positions throughout Africa; breeding companies establishing a more pan-African supply system; and equipment suppliers building distribution networks. Production is still dominated by local companies, and internationalization is managed by a few large African investors. But early international investors are taking positions to leverage the future growth path of Africa – one of the world's largest pending growth markets (around 15% of the upcoming 20-year growth in global poultry).

## **The opportunities remain wide open**

The middle class in Africa is expected to continue growing, as the population doubles and more people move to big cities. These core fundamentals, together with the untapped potential of local feed grain production, offer an attractive investment opportunity.

This will all lead to ongoing market growth and especially toward more products being sold via modern distributors and online platforms. Modernization at all stages of the value chain will continue, and such an environment will create an increasingly interesting platform for international investors. Investors need to realize that conditions in Africa can be challenging and require a very strategic investment assessment that takes all major factors (i.e. business climate, market growth, supply, and infrastructure) into consideration. If this is done well, the potential upside is big.

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# Sub-Saharan Poultry and Egg Market Outlook

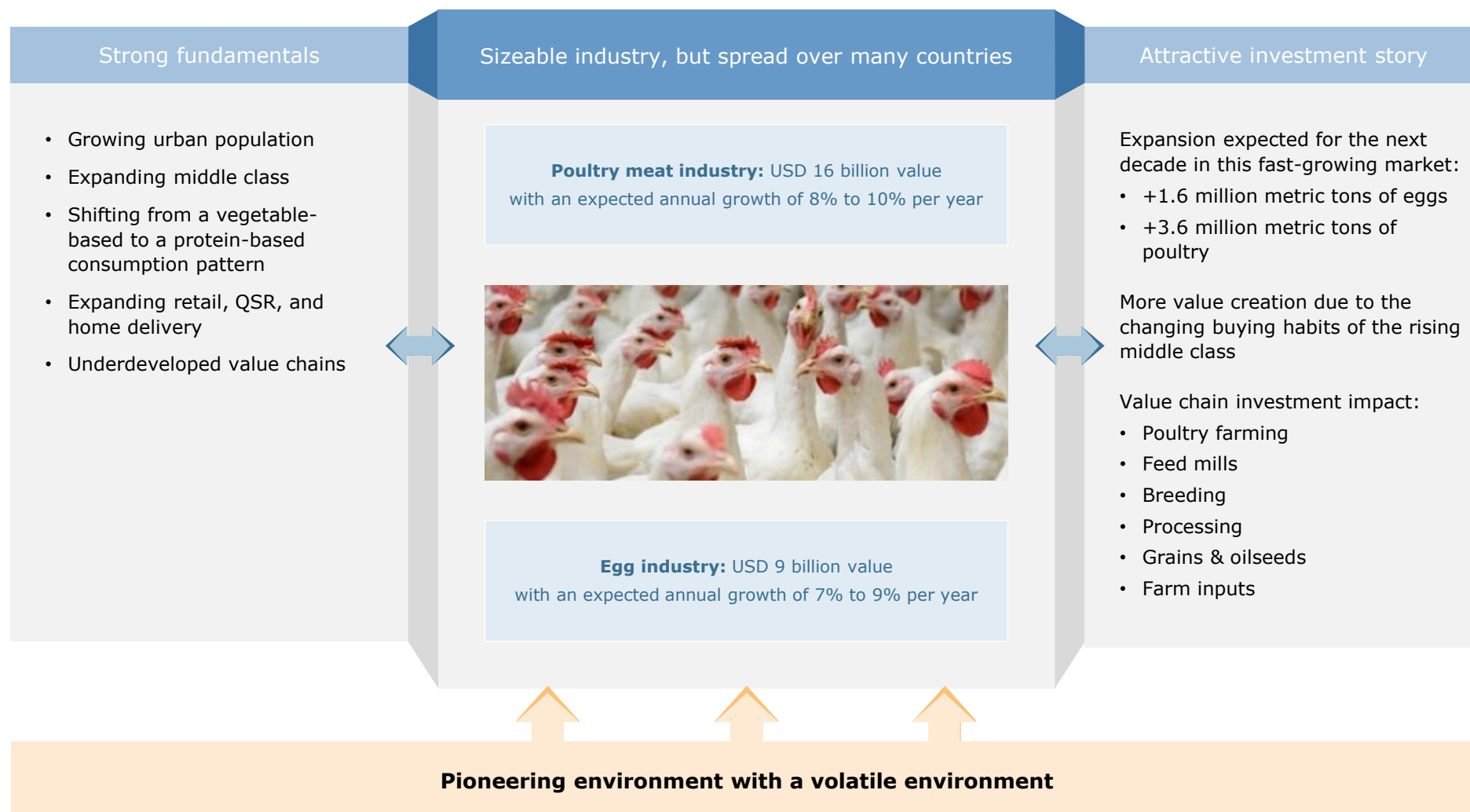
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# The African Poultry and Egg Investment Opportunity

Strong macro fundamentals are leading to an attractive investment story in a USD 25 billion industry

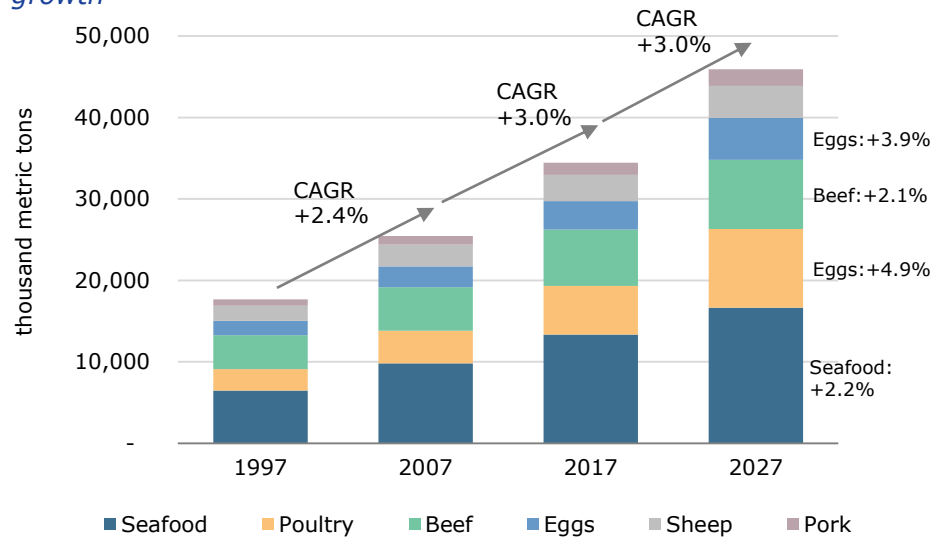


# Africa's Rising Animal Protein Market

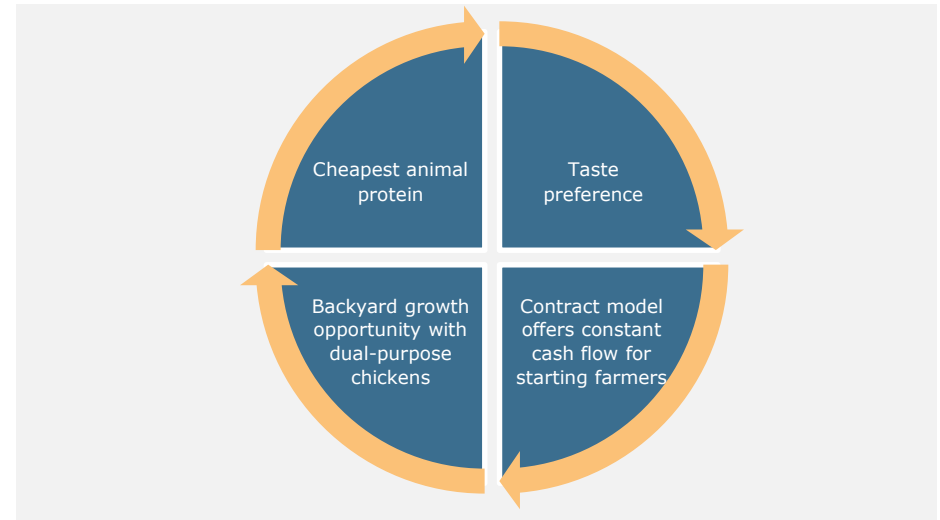
Poultry and eggs are the winning proteins, with demand for feed and genetics expected to rise sharply



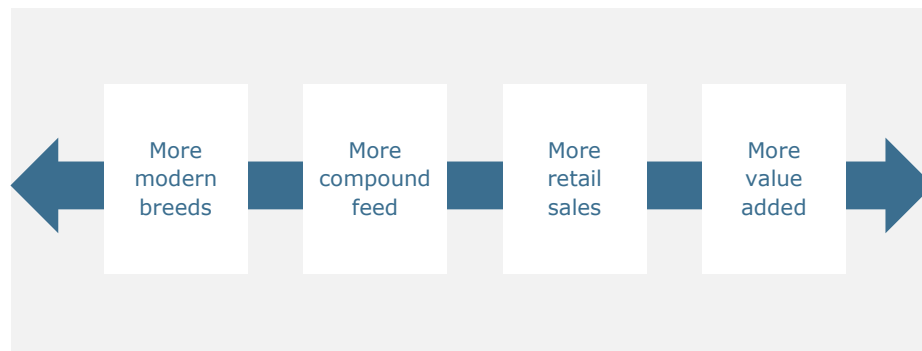
## African animal protein market outlook: poultry and eggs drive growth



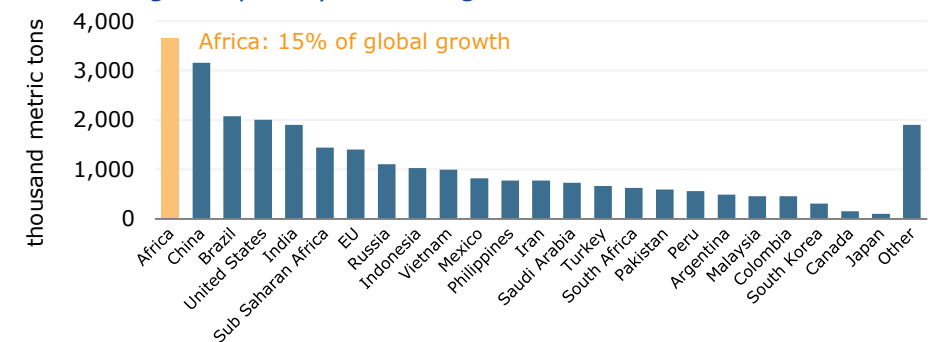
## Why are poultry and eggs best positioned to supply Africa's rising protein demand?



## Outlook: More value creation above volume growth



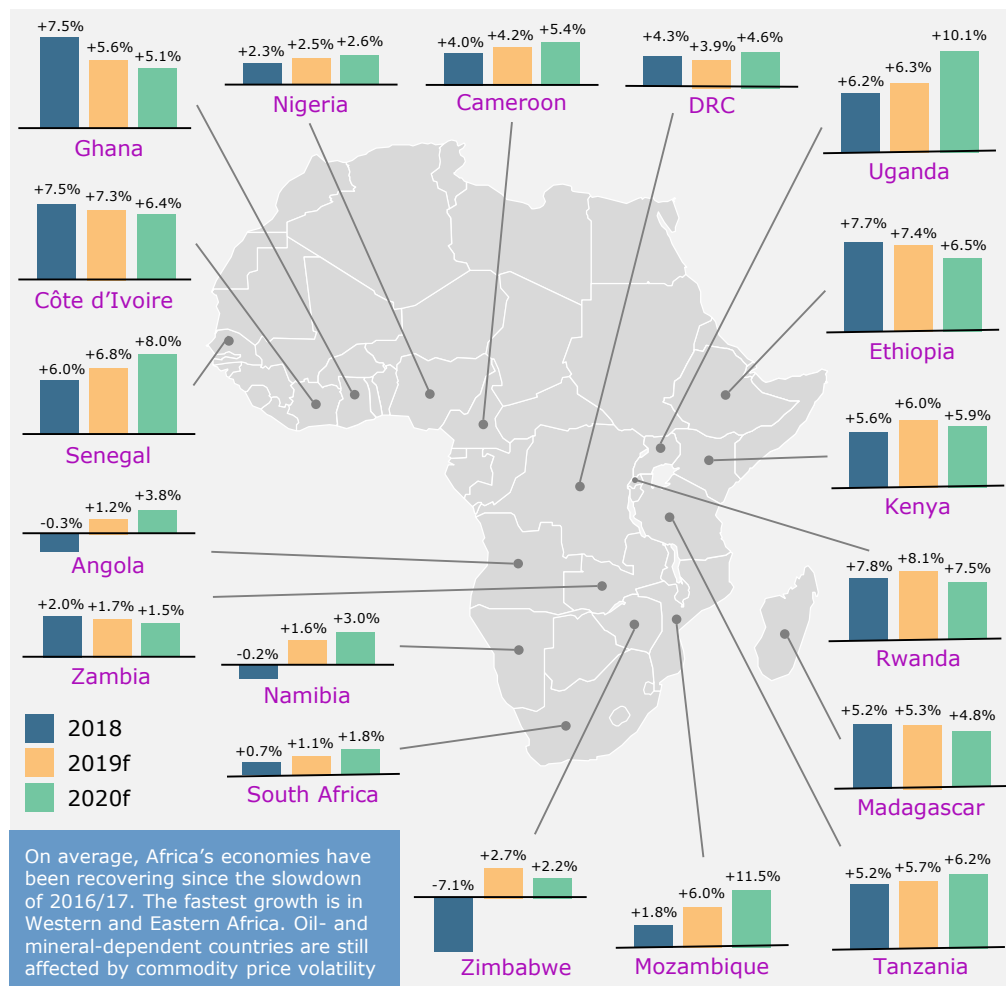
## Predicted global poultry demand growth 2017-2027f



# Macro Fundamentals in Sub-Saharan Africa Are Attractive

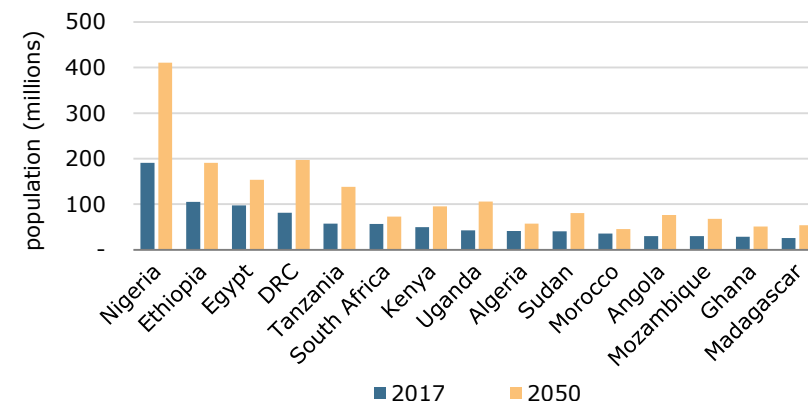
15 consecutive years of growth above the global average has created a bigger, urban middle class

## Real GDP change 2018, 2019f, and 2020f

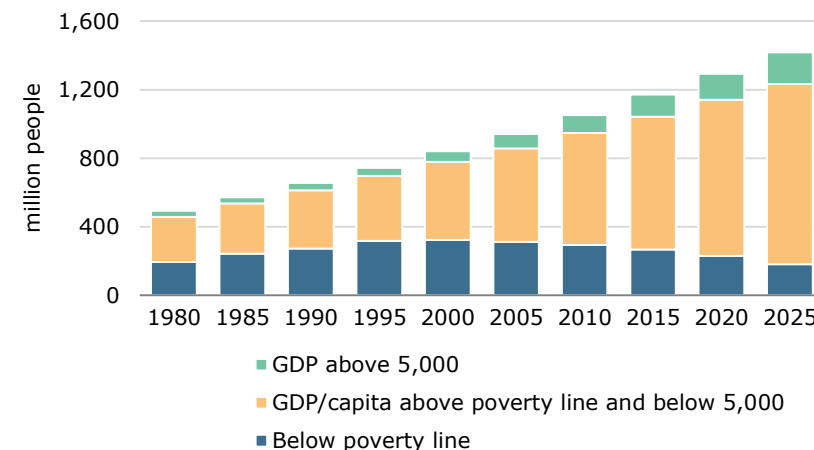


## Sub-Saharan Africa's population to double

All Sub-Saharan African countries to grow 2% to 3% per year



## African income distribution: Africa's rising middle class

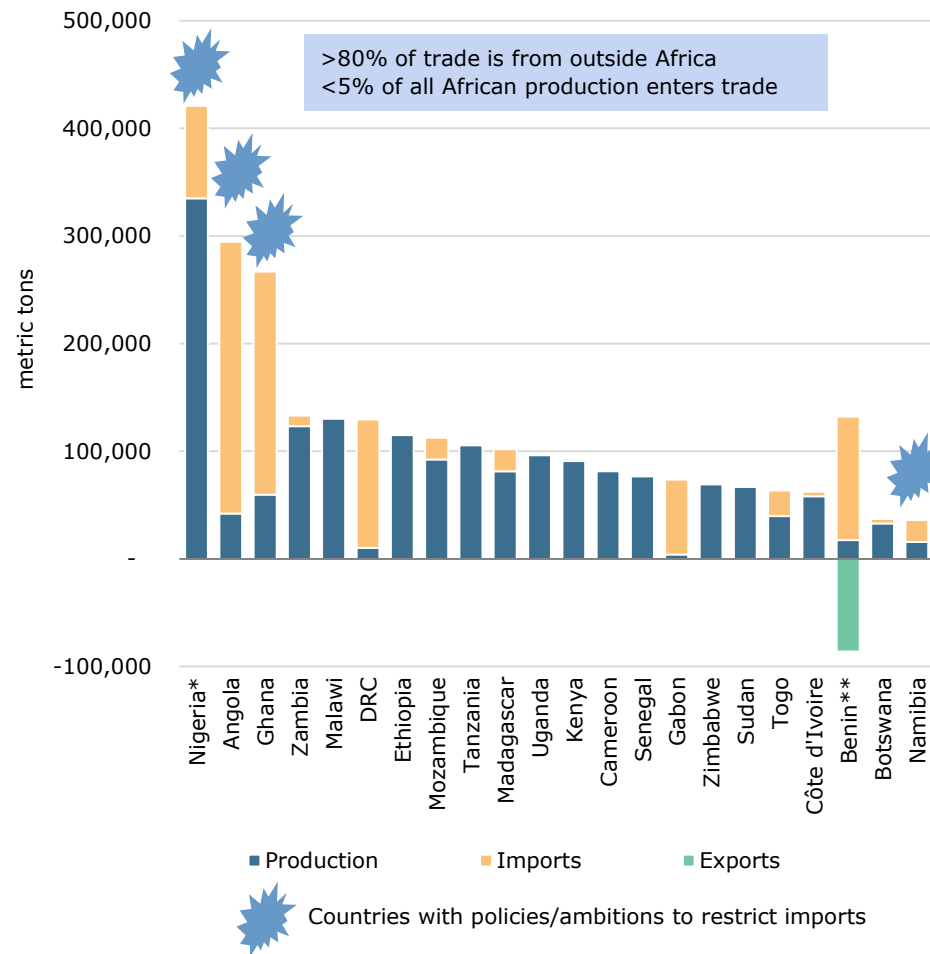


# A Changing Supply Perspective for African Markets

Trade flows to remain on the west and south coasts, but government strategies are gradually moving more toward local supply



## Africa poultry market: more protection to support local industries



## Investor's perspective on how to supply Africa's rising protein demand



### African supply: from global to local?

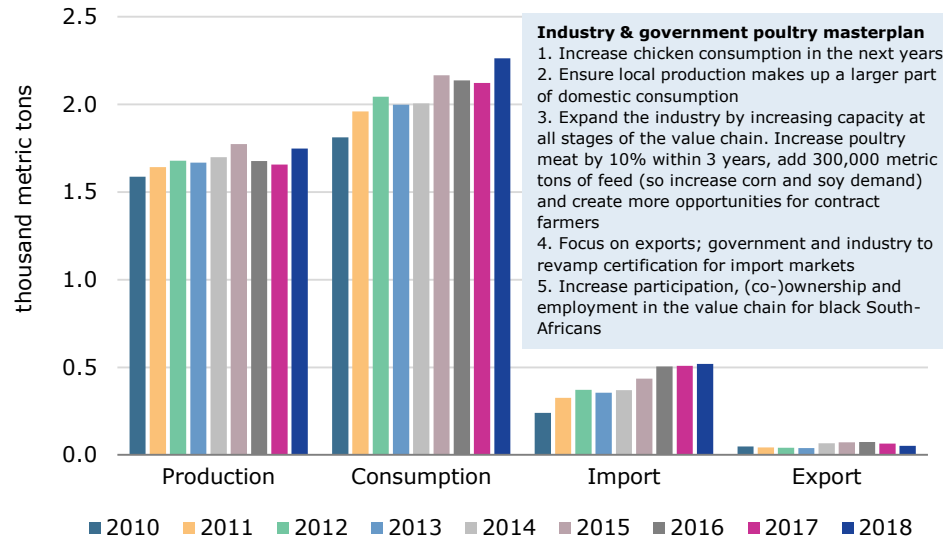
Western Africa and the southern coast of Africa are traditionally highly exposed to trade. Although trade flows are expected to stay, there will be a rising push toward local production to stimulate local development and employment. Investing in local poultry and egg production will also help to develop stronger input industries like grains & oilseeds, farm inputs (e.g. equipment and feed additives), genetics (e.g. seeds and breeding), and animal and plant healthcare.



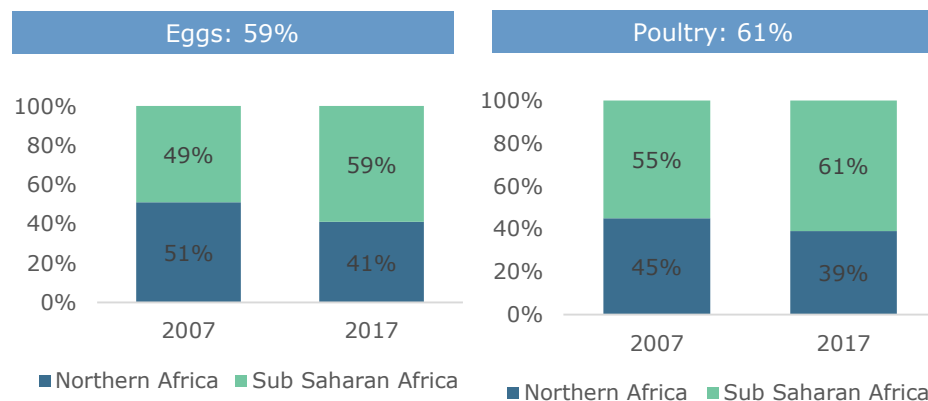
# Poultry Production Will Grow the Most in Eastern and Western Africa

South Africa to remain the biggest industry, but its share of total African production will fall further in the next decade

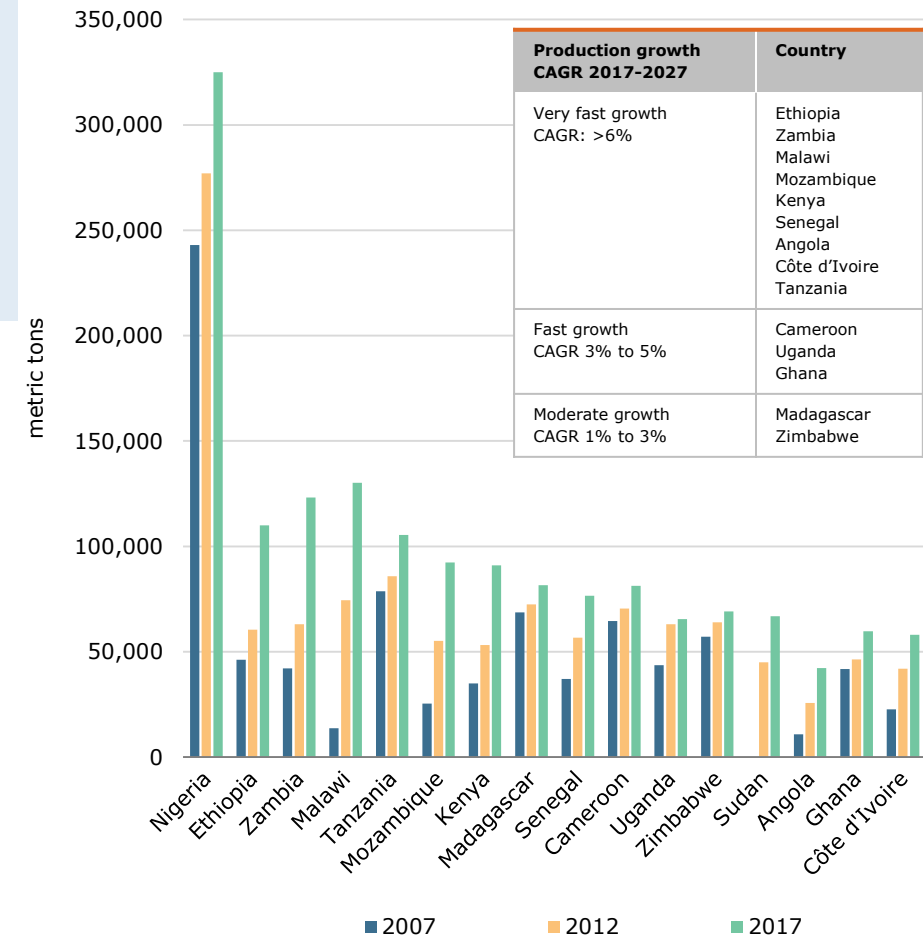
## South Africa's chicken supply: more import focused



## Share of Sub-Saharan market growth by African region



## Sub-Saharan African poultry production: small but fast-growing industries



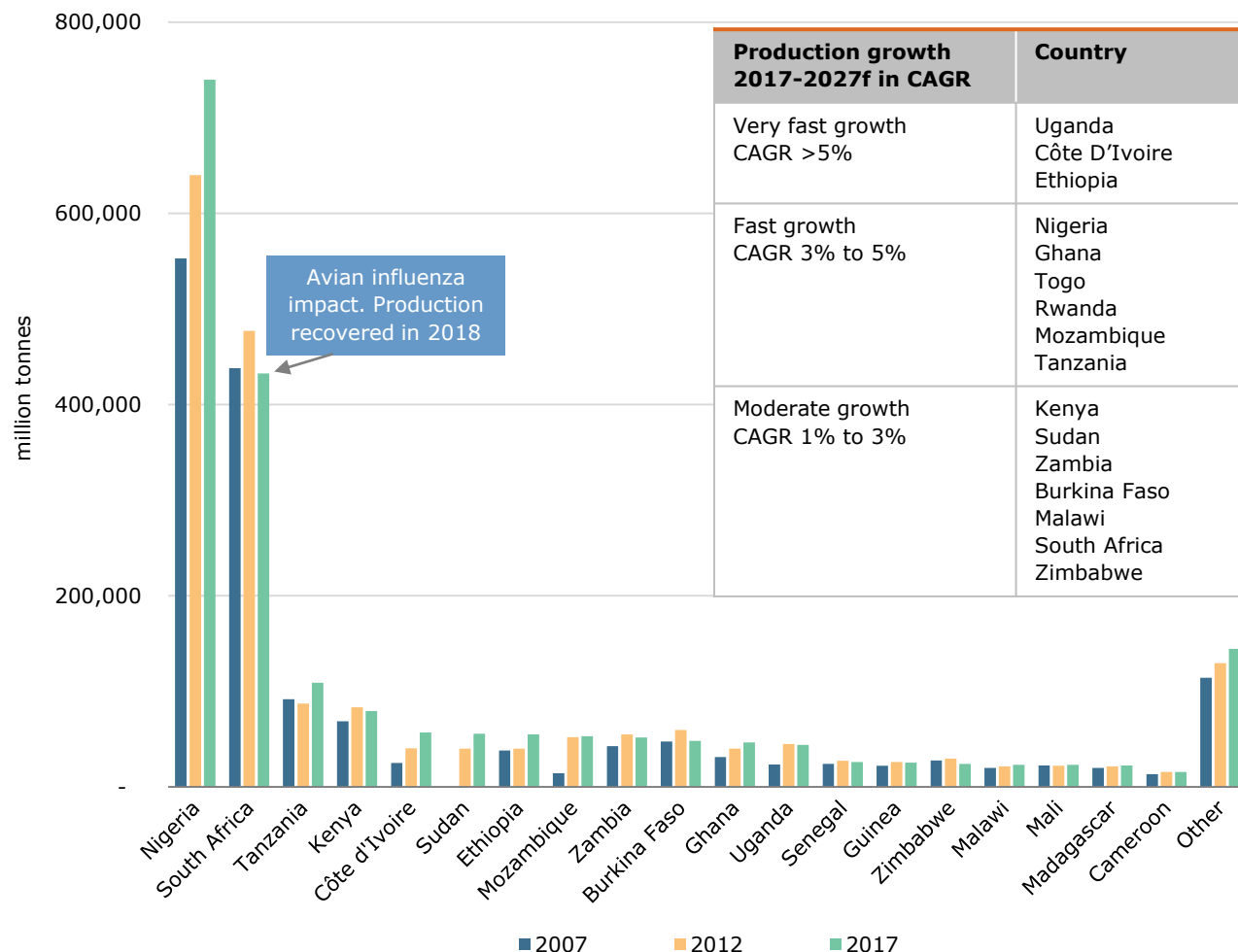
# Nigeria and South Africa are the Leading African Egg Markets

Fast growth in Western and Eastern Africa will make these regions more important in the next decade



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## Egg production in Africa: 2007-2017



## A perspective on Africa's egg industry

Africa's egg industry is growing by 3.9% per year. Nigeria is the biggest market in Sub-Saharan Africa, with an ongoing growth of 3% to 5% predicted for the period 2017-2027f, making eggs the preferred protein in Nigeria.

The South African egg industry has also seen solid growth over the last year, but it was hit by avian influenza (AI) in 2017, which killed more than 10% of the laying flock in South Africa.

In other regions of Sub-Saharan Africa, markets are recovering from a slowdown due to the economic volatility of the last three years. Eastern African markets like Ethiopia, Tanzania, and Uganda especially have shown solid growth, although disease outbreaks have at times impacted trade between regions, like Uganda-Kenya trade recently.

The ongoing expansion of the Sub-Saharan African egg industry will increasingly challenge current supply chains. Imported products from Europe and South America have been challenged by exchange rate volatility. Investors are increasingly looking into developing local breeding value chains with PS and GPS farms to establish a regional supply chain with a more stable supply of genetics and less dependence on trade.



## Why Invest in African Poultry?

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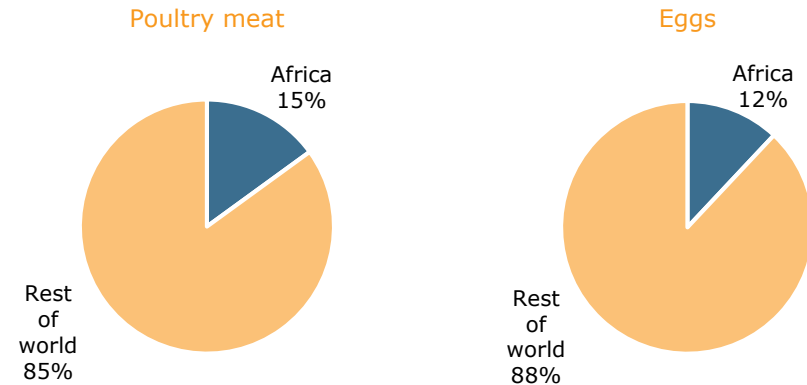
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# The Seven Key Drivers for Investments in Sub-Saharan Africa

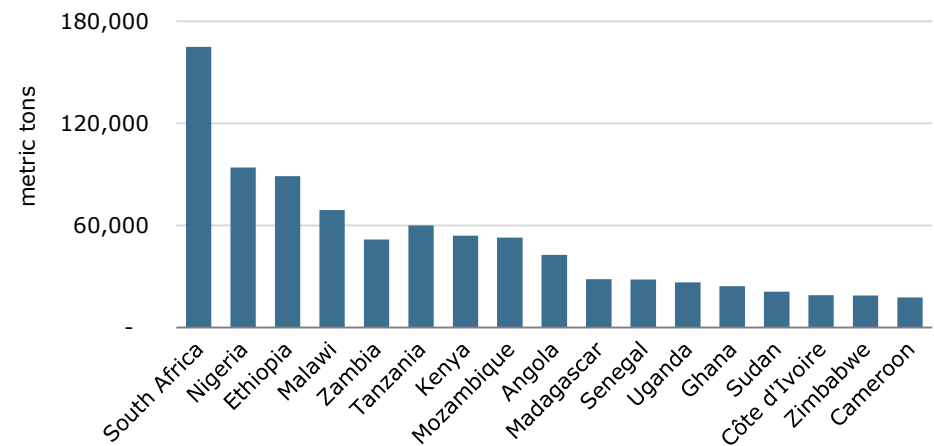
A large and increasing share of global growth will be in Africa, and this will be higher-value growth, due to improved fundamentals



Share of African poultry and egg markets in global market growth, 2018-2028



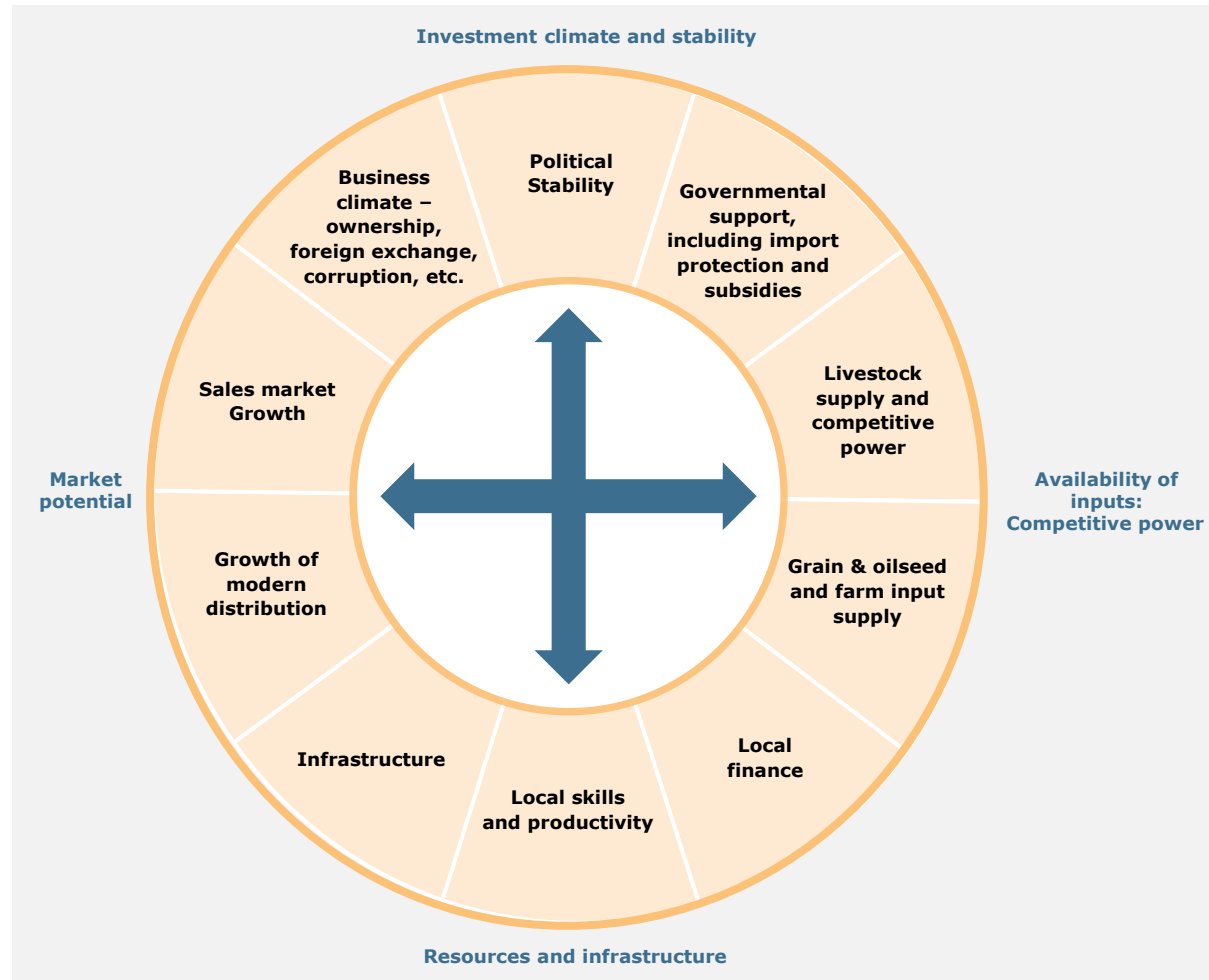
Predicted poultry production growth 2018-2028: many markets benefit



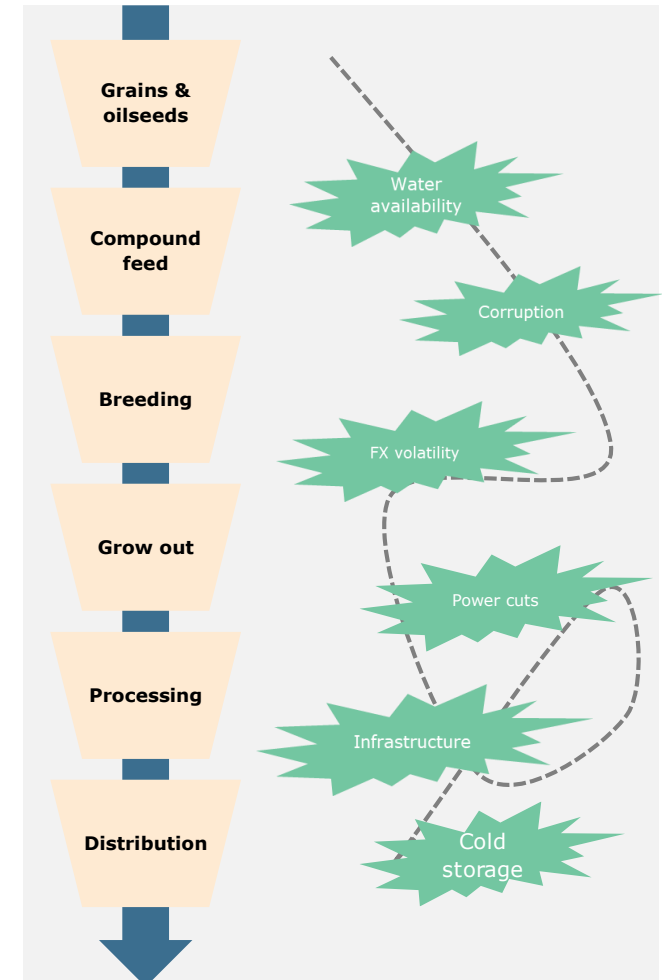
# Identifying Markets and Investment Opportunities in Africa

Detailed mapping of the business environment is necessary to tackle the risks of investing in Africa

## Identify the right countries for investment



## Expect the unexpected





## Where to Invest in Africa?

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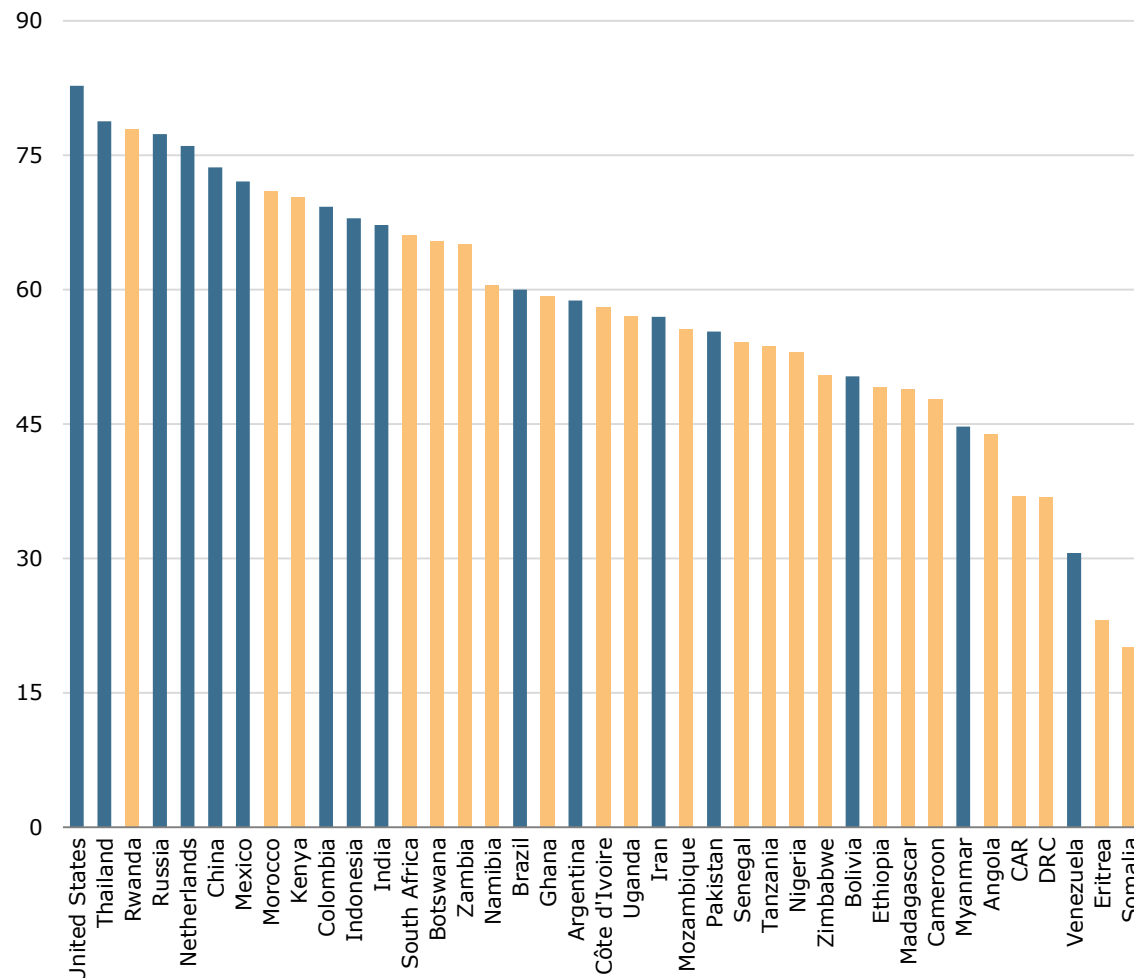
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# Identifying the Most Attractive Markets for Investment – Business Climate

## Significant differences in the business climates and local support programs for agriculture in Africa



### Ease of doing business index 2019



Source: World Bank 2018

### Countries with a poultry development strategy

#### Zambia

Plan to develop agriculture since the 1980s:

- Investment incentives
- Import ban
- Fast growth in soybean production and crushing
- Animal protein industry is one of the most modern in Sub-Saharan Africa

Very successful



#### Ethiopia

Plan to double production in the next few years

- Investment incentives
- Fast-growing market environment
- Limited FX for investments

Challenging to find investors



#### Rwanda

Ambition to become a leading F&A supplier in the region

- Poultry is an important part of the F&A industry
- Government aims to push industry development via incentives
- NGO funding is an important part of the economy
- Being a relatively small, landlocked country restricts investments

On track



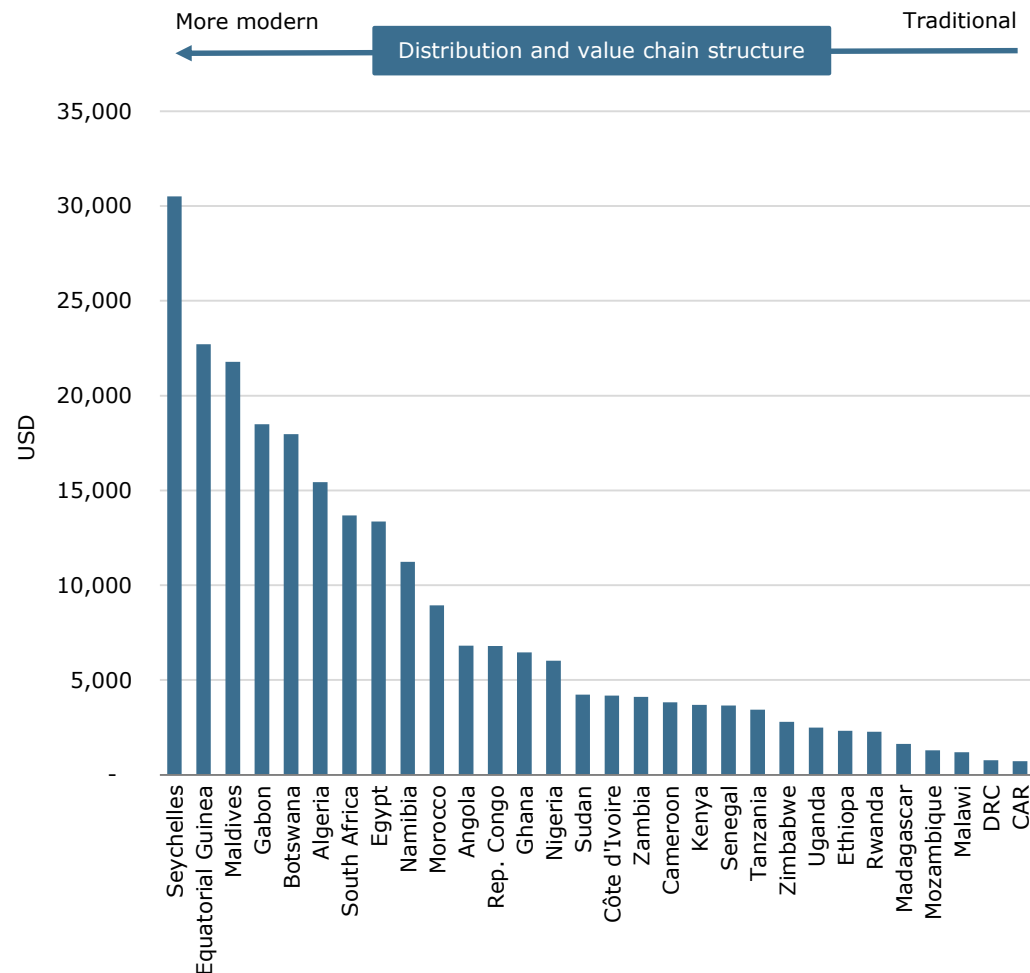
Source: Rabobank analysis 2020

# Identifying the Most Attractive Markets for Investment – GDP Levels

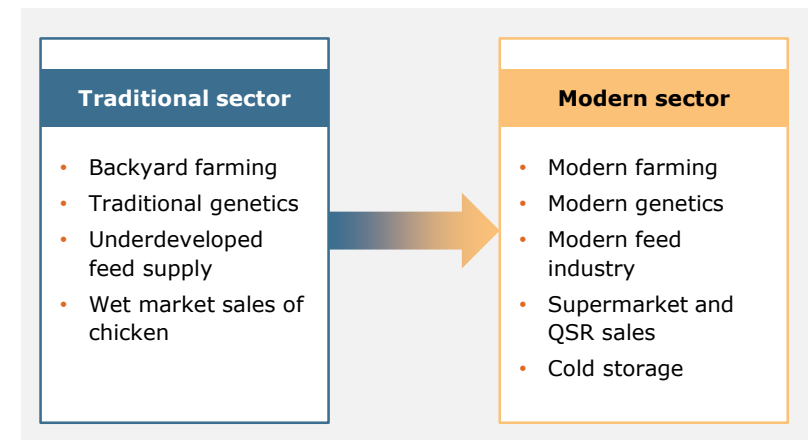
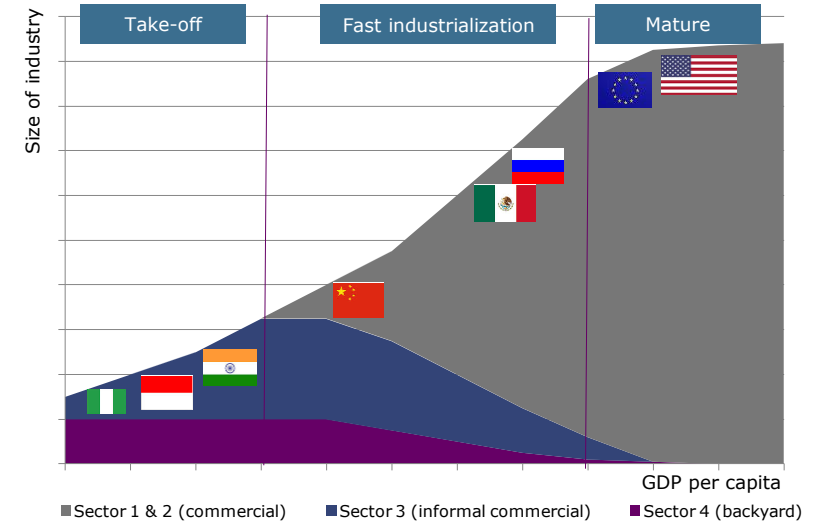
Income levels and economic growth are major drivers behind industry modernization in Africa, and they can predict industry development



GDP per capita in Sub-Saharan Africa by country



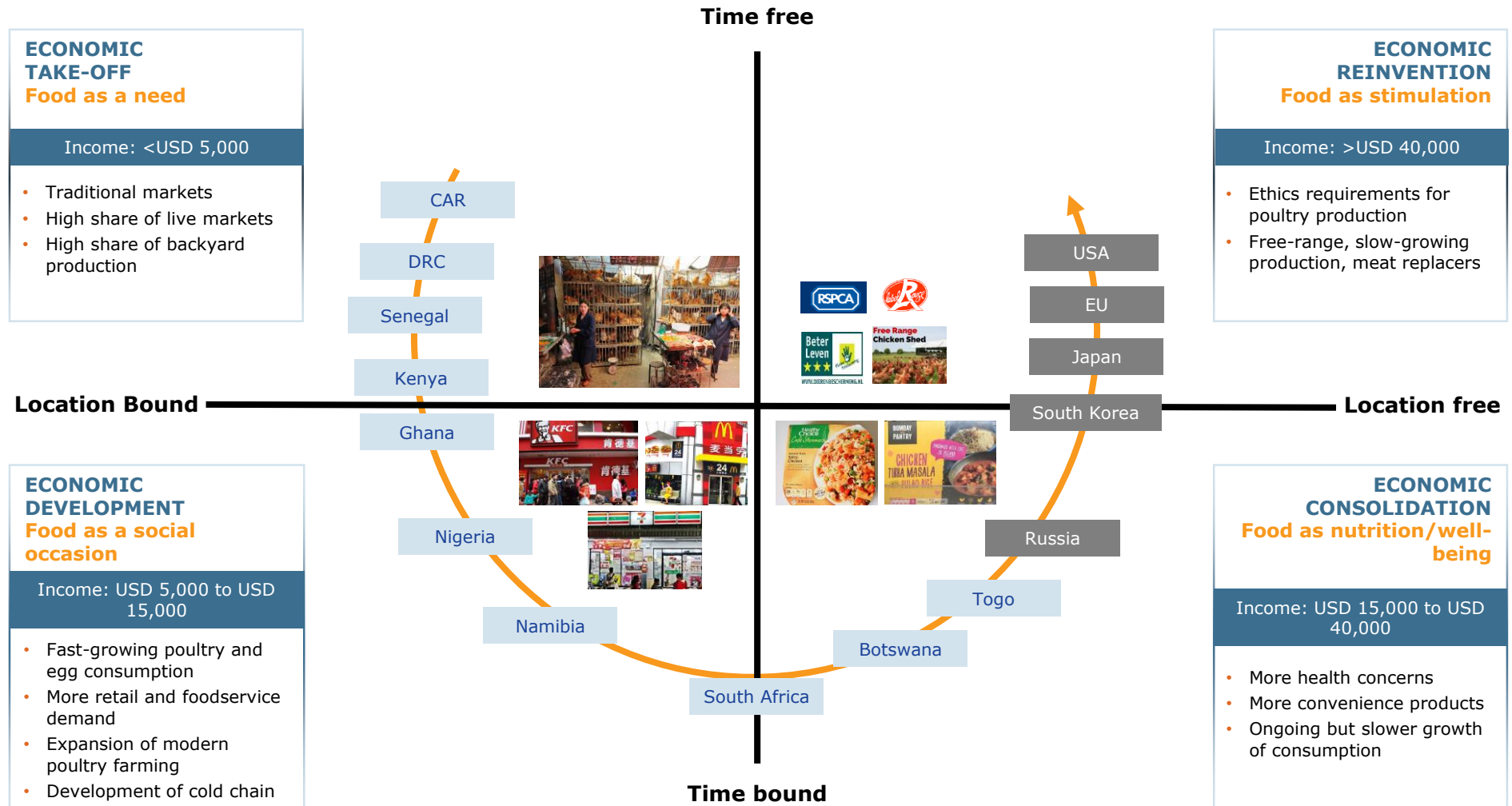
GDP growth as driver for industry change





# Africa's Economic Growth Is Impacting Poultry Demand Significantly

Ongoing changing consumer demand, with more modern distribution and higher-value products, will push poultry investments



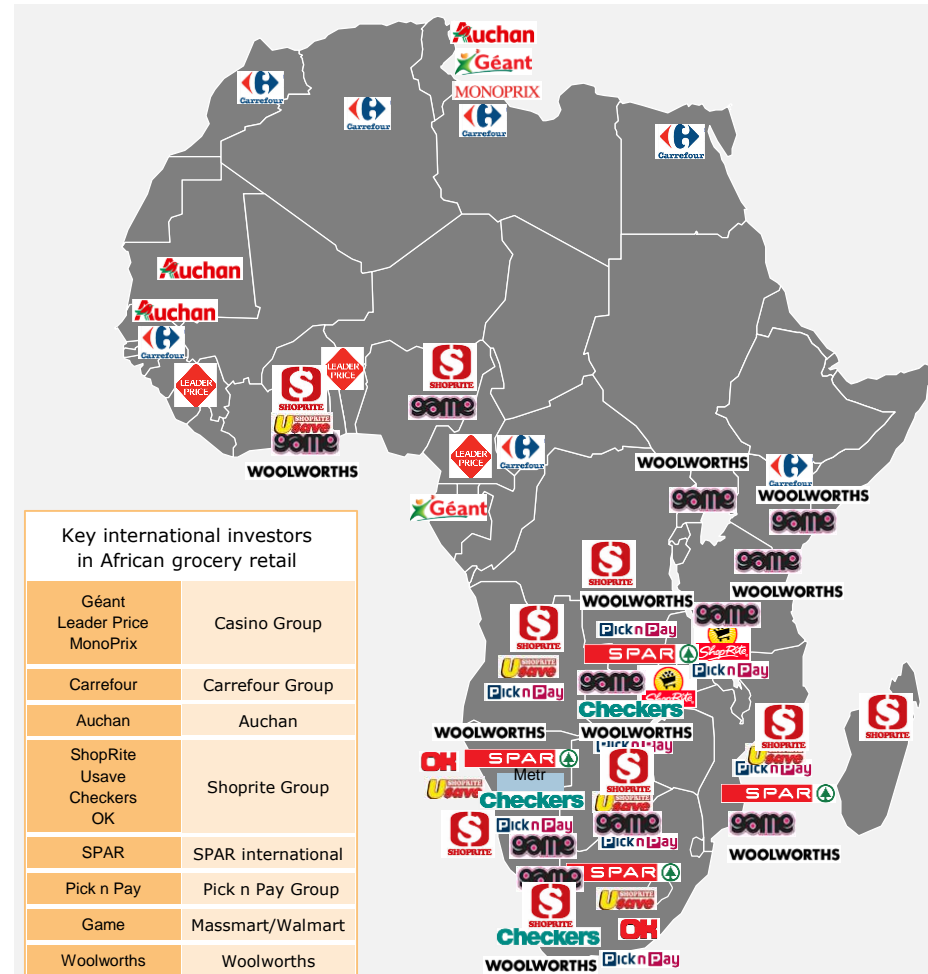
# The Rise of Modern Distribution as a Platform for Poultry Growth

Supermarket and restaurant chains are expanding in Africa to tap into changing market interests among Africa's rising middle class

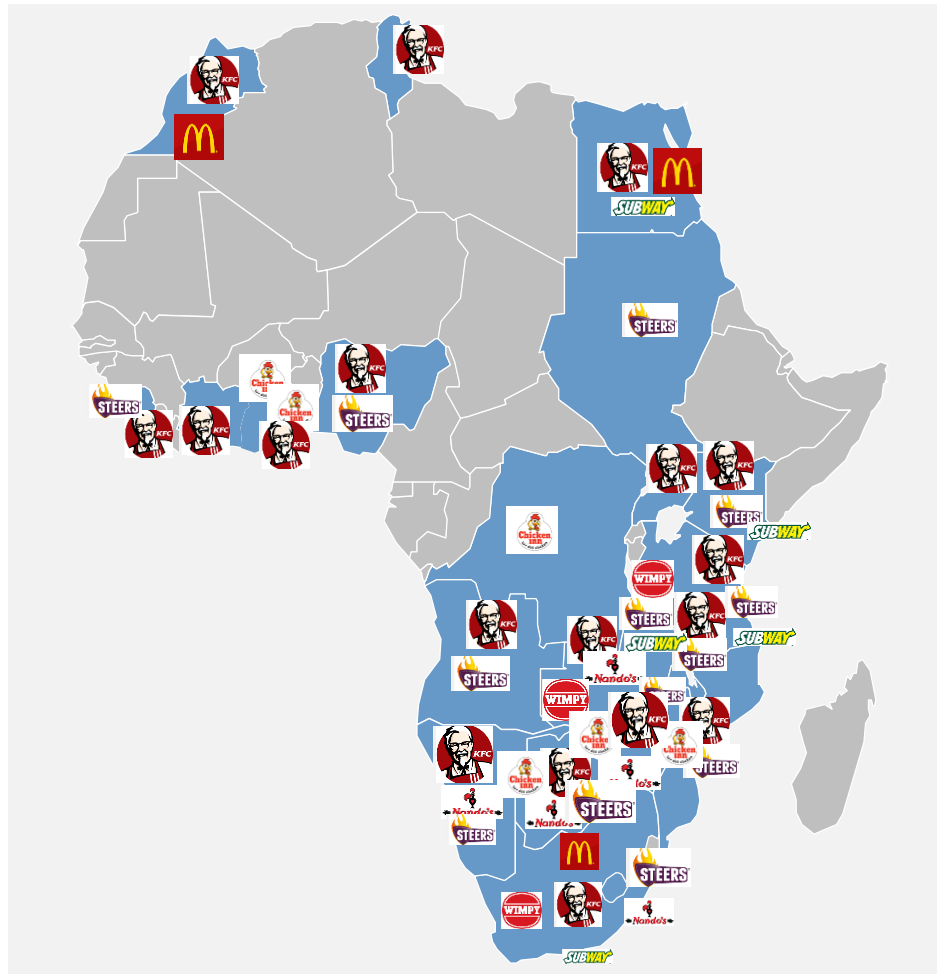


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*Internationalization of modern grocery distribution in Africa*



*Quick-service restaurant expansion in Africa*



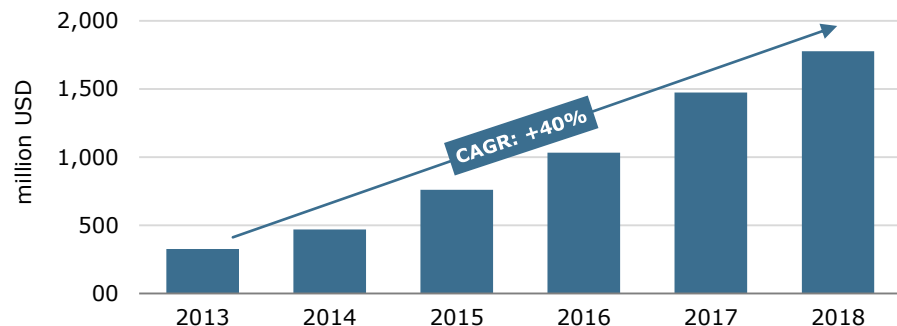
# Africa's Online Food Distribution Is Expanding Fast

Fast growth in home delivery will offer poultry and egg suppliers an additional platform for growth

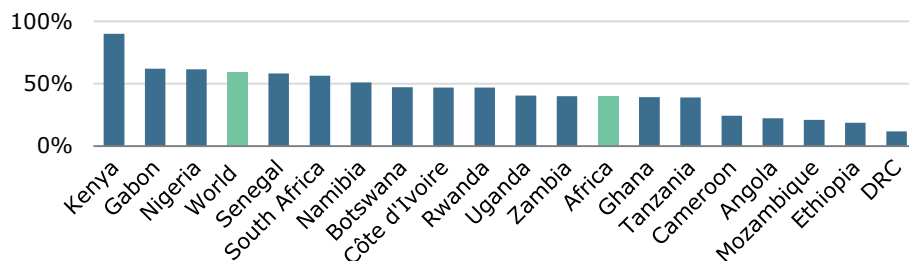


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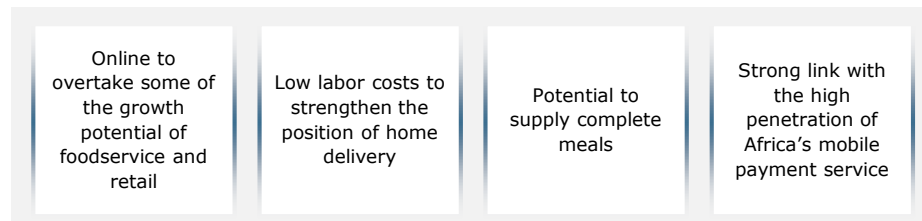
Food and drink online retailing in the Middle East and Africa



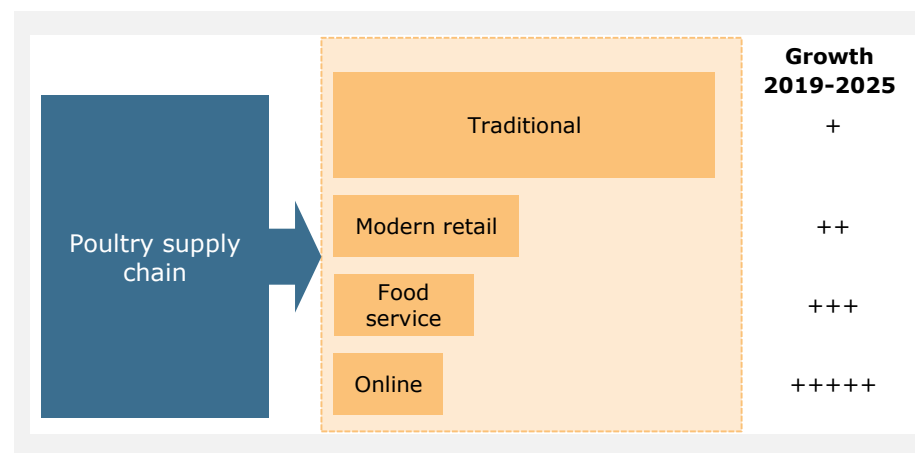
The internet penetration rate in Africa is below the global average but growing fast



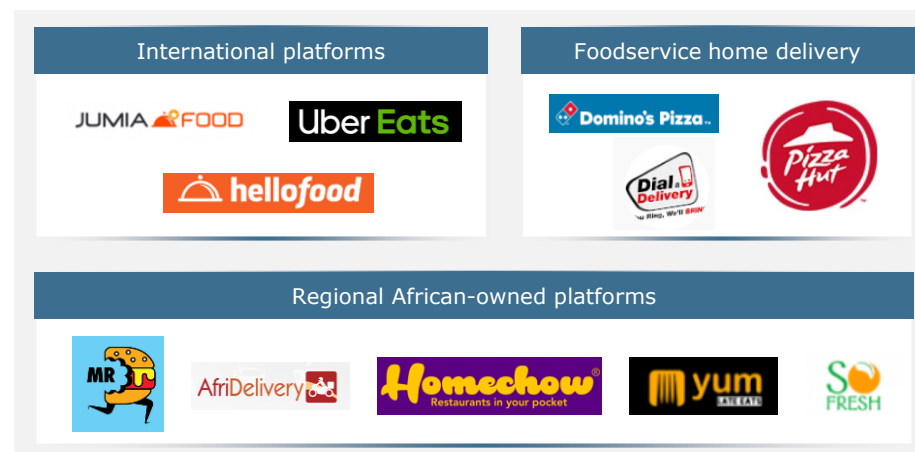
Poultry distribution in Africa: online growth will drive change



Poultry distribution in Africa: online growth will drive change



Fast-growing online food distribution platforms in Africa



# IV

## How to Invest in Africa

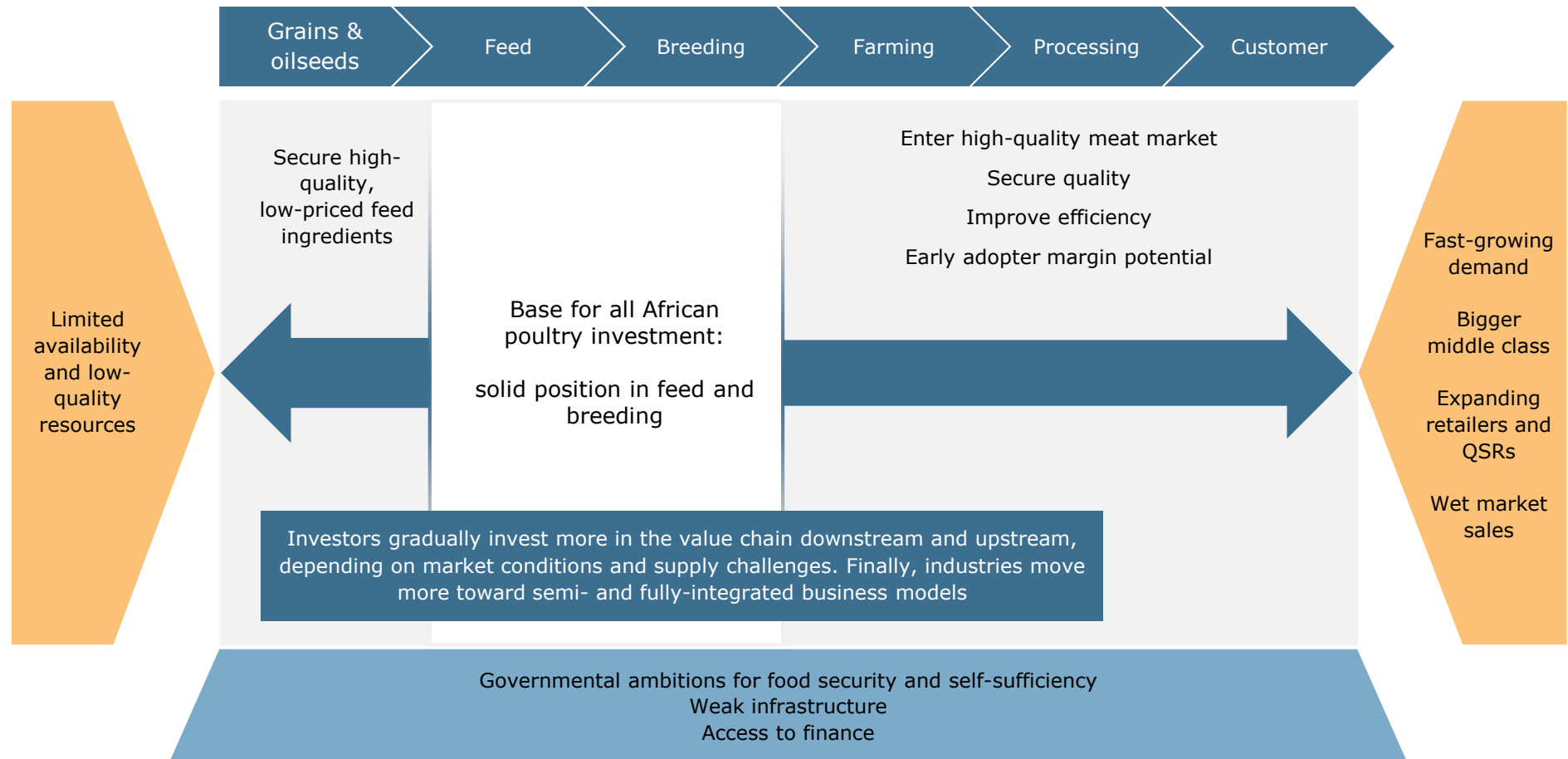
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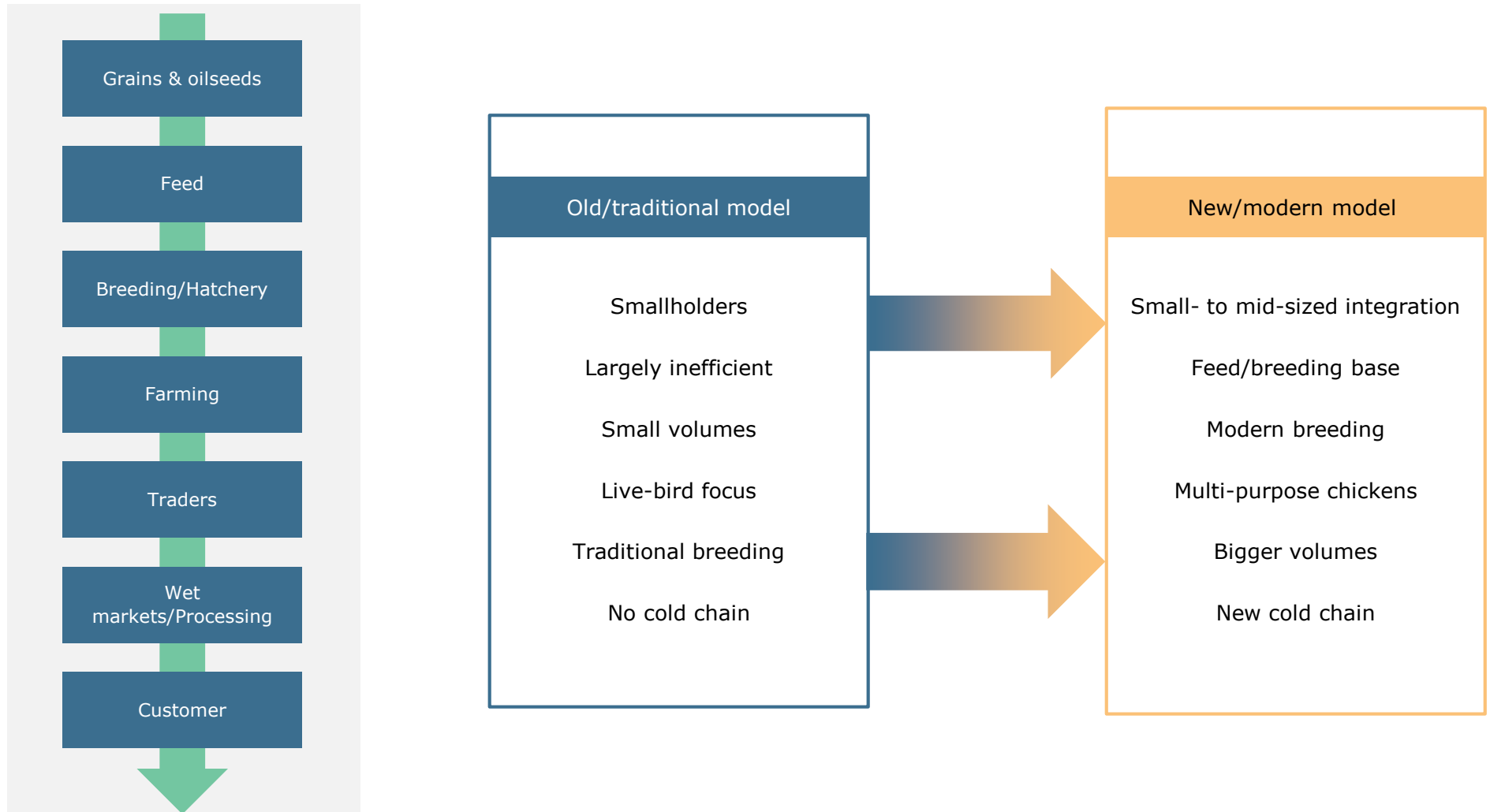
# Building up a Poultry and Egg Value Chain in Africa

Compound feed and breeding offer a base for further value chain development



# Africa's Poultry and Egg Value Chains Are Changing

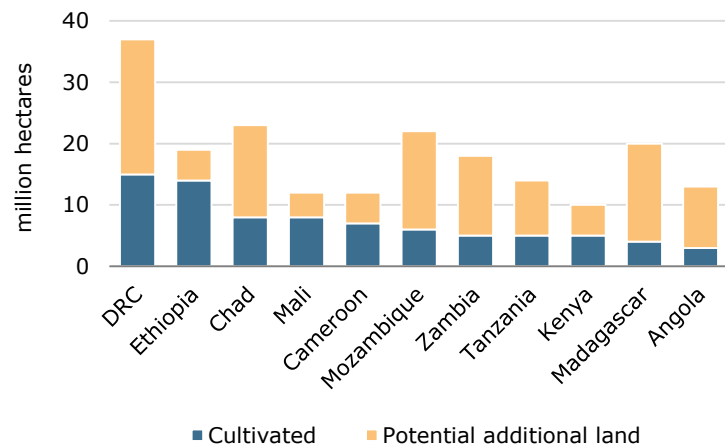
Changing consumer demand will gradually push a shift from traditional to modern



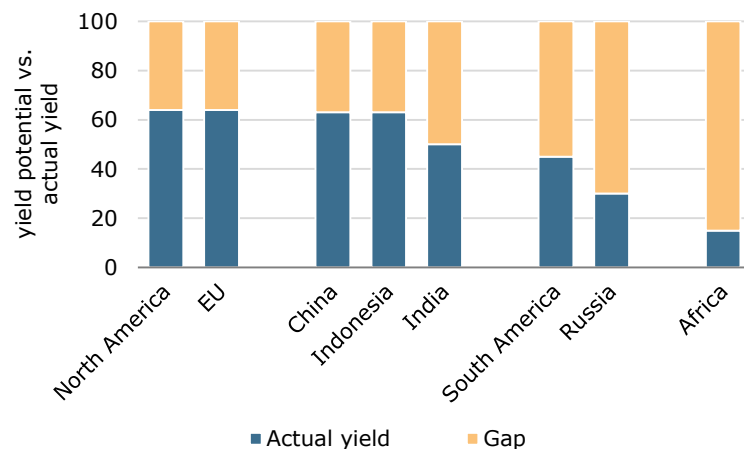
# Sub-Saharan African Feed Grain Supply

Big potential, but lacking supply due to inefficiency in the supply chain

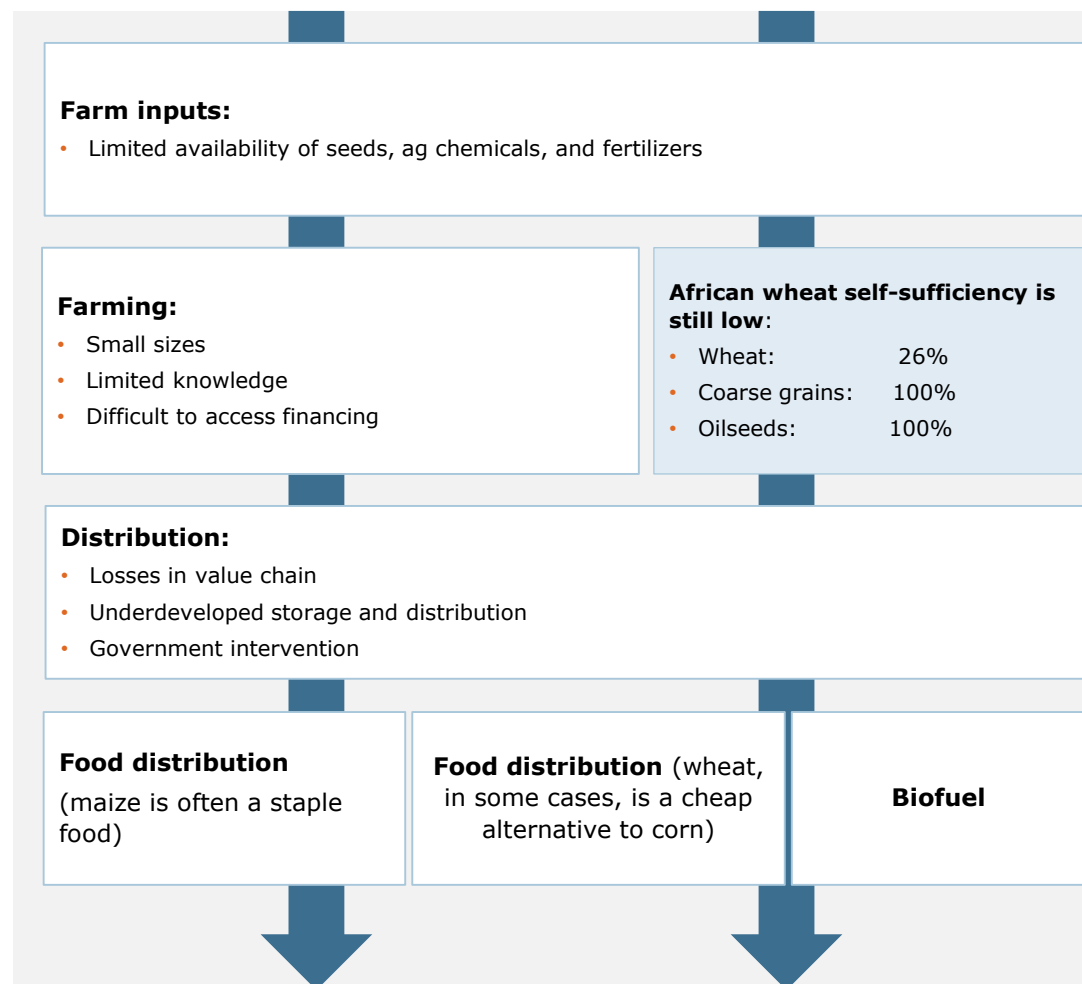
*Land availability: a lot of unexploited arable land*



*Yield gap by region*



*Grain & oilseed supply: a bottleneck for growth*

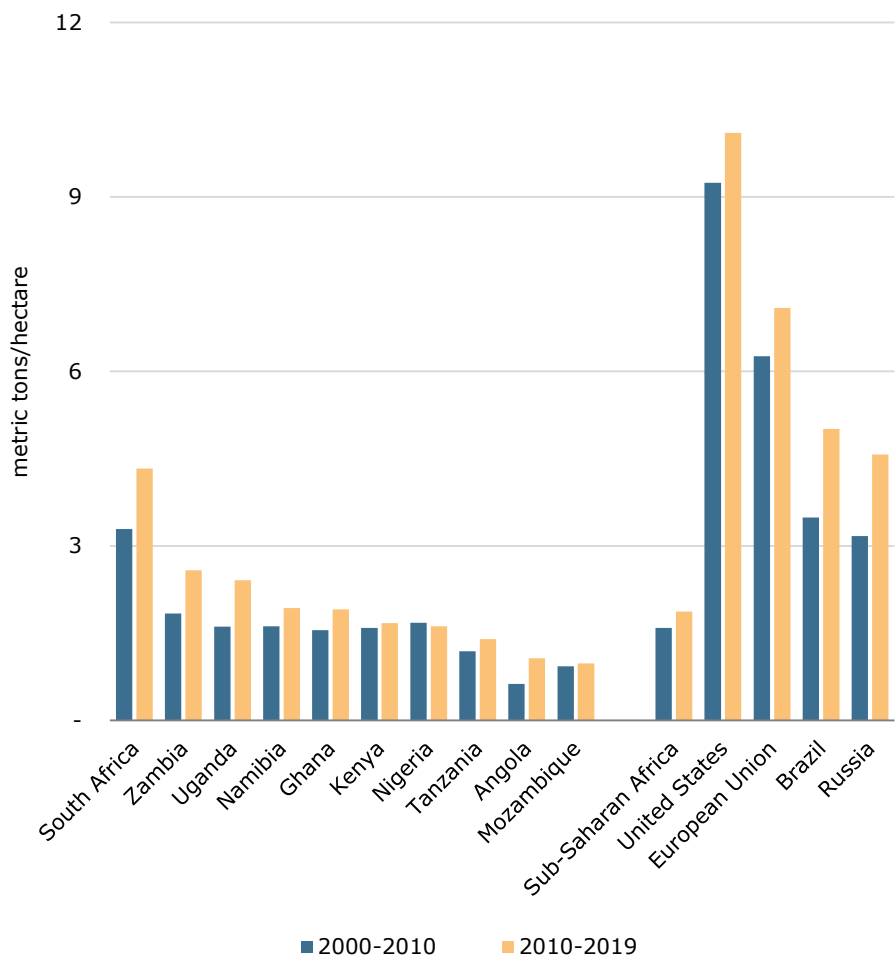


# Corn and Soybean Yields in Africa, Compared to Peers

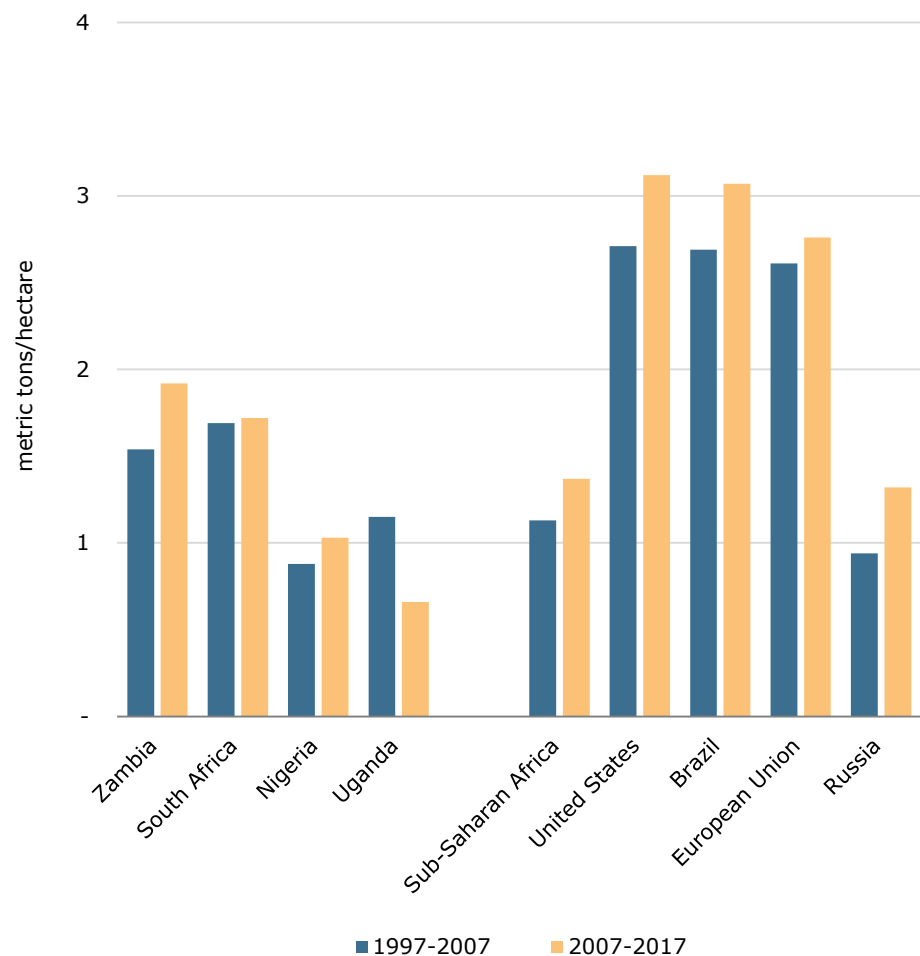
Upgrades are needed to make food more affordable and industries more competitive



Corn yields in Sub-Saharan Africa and globally, by country



Soybean production yields in Sub-Saharan Africa and globally, by country



Source: USDA, FAO, Rabobank 2020



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Investments Are Accelerating as  
Interest Grows

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# A Strong Investment Story Will Drive More Sizable Investments

This will lead to ongoing upgrades of the value chain

## A strong investment story

### Investment drivers

**Fast growth potential**  
all over Africa,  
especially:  
poultry in Eastern Africa  
eggs in Western Africa

**Early investor** benefit

**Create synergy:**  
invest in regional and  
pan-African operations

Opportunities for  
**greenfield and  
buy-and-build**

**Synergy** with  
international business:  
trade and emerging  
markets

**Social link:** develop  
local economies



Expect the unexpected:  
Economic, political, business, and market  
risks

## Sub-Saharan African poultry and egg value chain strategies need to be upgraded

### Grains

- Improve skills and knowledge
- More and better inputs needed (i.e. equipment, seeds, fertilizers)
- Improved infrastructure
- Better distribution and storage

### Feed

- Bigger and more modern feed mills
- Export of premixes and concentrates

### Breeding

- Opportunities for local GPS production to replace imported products
- Gradual shift from traditional to modern breeding
- More multipurpose and colored chickens for traditional sector

### Farming

- Farm expansion, need for know-how
- More modern farms, gradually shifting to more closed farming

### Processing

- Gradual shift from traditional to modern distribution, starting with 1,000 to 4,000 birds/hour
- More cold storage opportunities
- Further processing

# Time for Africa

2020: Investments are accelerating, and global interest is growing



## *Investments in the region are accelerating*

**Long-term market growth** is roughly in line with expectations. Eastern Africa will remain in the lead, in terms of growth. Western African countries, like Nigeria and Ghana, will advance, driven by increased food security ambitions

**More sizeable industries:** Local industry will expand, due to ongoing growth, and this will make more sizeable investments in the region possible

**Volatility** is a business reality in Africa, but it can be handled by strategic investment assessments and risk-mitigating investment strategies

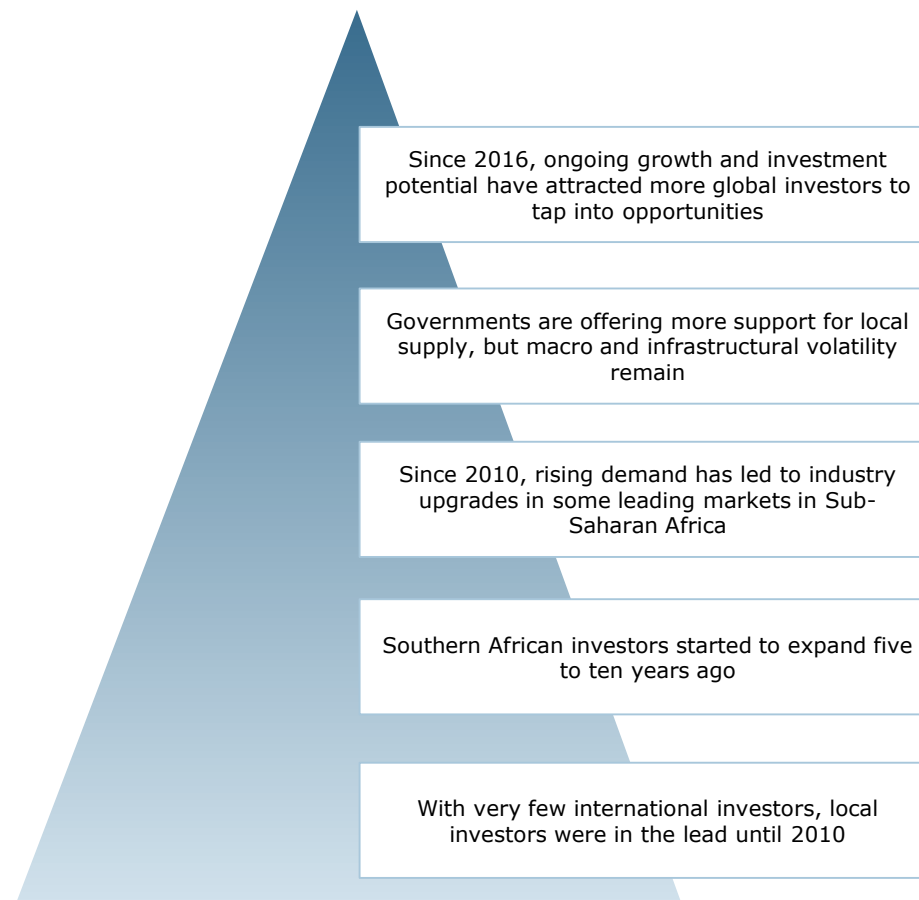
**Regional trade** in Africa is increasing, with Zambia increasingly acting as a hub in Southern Africa and Kenya and Uganda operating as hubs in Eastern Africa

**Breeding** is growing significantly, and more modern genetics are gradually being used in growing markets. Meanwhile smallholder producers are increasingly shifting to multi-purpose breeds, making their businesses more productive

**Equipment** is growing in line with investments. Feed milling, hatchery, and farming technology are in the lead, but processing equipment is growing gradually

**Animal nutrition** is one of the earlier industries to benefit from growth in Africa, with the rising use of compound feed and (indirectly) feed ingredients, including premixes and concentrates

## *International interest in Africa's investment story is rising*



# Important notice

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