



REPÚBLICA DE MOÇAMBIQUE

MINISTÉRIO DA AGRICULTURA E SEGURANÇA ALIMENTAR

GOVERNMENT STRATEGIES AND OPPORTUNITIES FOR INVESTMENTS IN AGRIBUSINESS IN MOZAMBIQUE



March, 2015

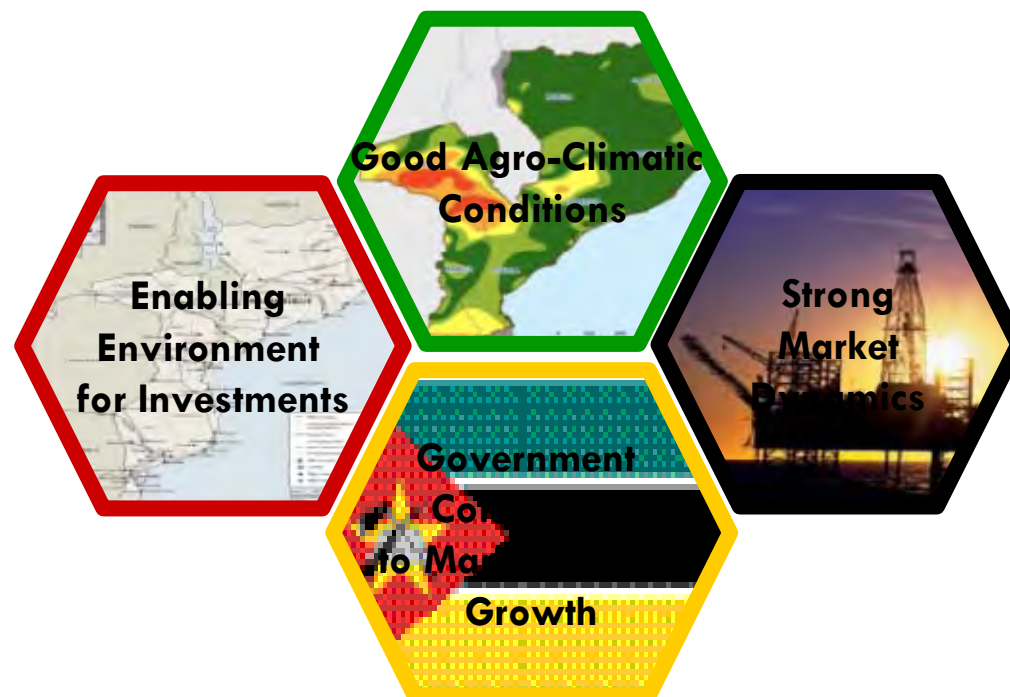
Mozambique: A Nation of Potential

2

The country's potential can be captured in four key areas

- **36 million hectares of arable land**, mostly unutilized
- Tropical to sub-tropical climate with **fertile soil and ample rainfall**
- **Tremendous irrigation potential** from major rivers

- Significant **private sector investments**
- More than USD 14 billion expected in **investments in infrastructure** until 2020
- Numerous innovative **public-private partnerships**



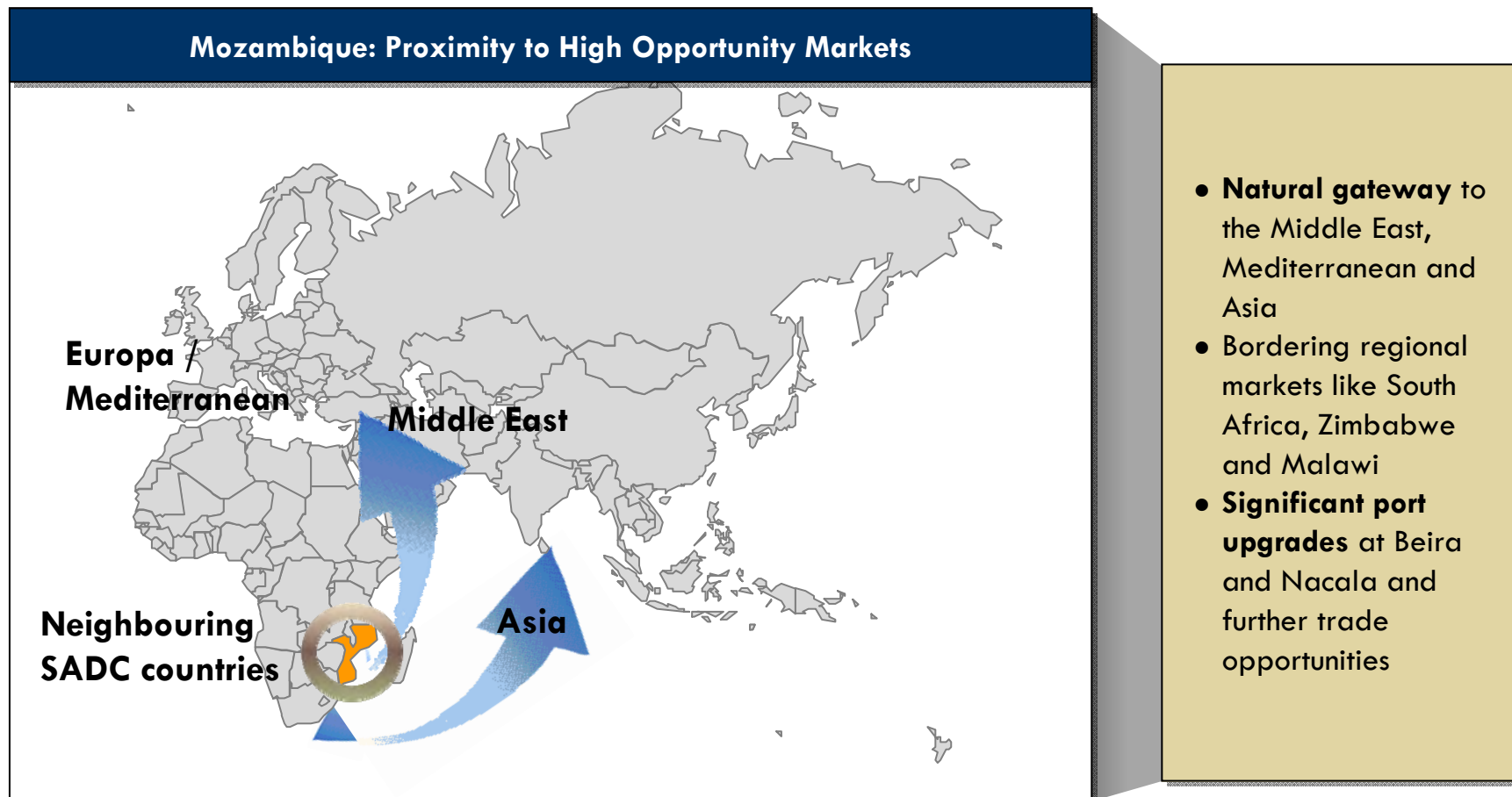
- **Strong and growing economy**(Average GDP growth ~8% per year between 2000 and 2010)
- Reliance on imports: **Large import substitution opportunity**
- Coastal position: Access to **international and regional markets**

- **Agricultural development** seen as critical to country's development
- Government **business incentive programs**
- **Specific organizations** set up to organize and assist investors

Strategic Location

3

Mozambique has an advantageous geographic positioning, providing an ideal gateway to both international and regional markets



Government Support

4

Agricultural transformation is a priority withing the highest levels of government and investors are offered attractive incentives and support

FOCUS ON AGRICULTURE



- **Agricultural growth is a high priority** for the government to:
 - Enhance employment and income potential
 - Enhance food security
- **10-Year Strategic Plan (PEDSA)** for agricultural sector development in place
 - Focused on six growth corridors

INVESTMENT INCENTIVES



- **Exemptions on equipment importation duties**
- **Real property transfer tax reductions**
- **Reduction in corporate income taxes:**
 - Agriculture corporate income tax generally 10%
 - **Effective tax rate can be 2% until 2015 and 5% until 2025**
- **Low cost land**
 - 50 +49 year leasing of land for ~USD 1/ year/ hectare

INSTITUTIONAL SUPPORT



- Agencies dedicated to facilitating investment
 - The Investment Promotion Agency (**CPI**) and Centre for Promotion of Agriculture (**CEPAGRI**) **promote and support agricultural investment opportunities**
 - **GAZEDA** dedicated to the Nacala Economic Zone
- some corridors also have organizations focused on **developing and coordinating investments**

PEDSA – Strategic Plan

5

The Strategic Plan for the Development of the Agricultural Sector has been approved by the Government

Vision *A prosperous, competitive, equitable and sustainable agricultural sector*

Objective

Contribute to food security and farmers incomes in a competitive and sustainable way, guaranteeing social and gender equality

To realize its vision and objective, the PEDSA rests on 4 pillars of agricultural development

1

• *Increase in productivity, production and competitiveness of agriculture*

2

• *Services and infrastructure for better market access*

3

• *Sustainable use of natural resources such as land, water and forests*

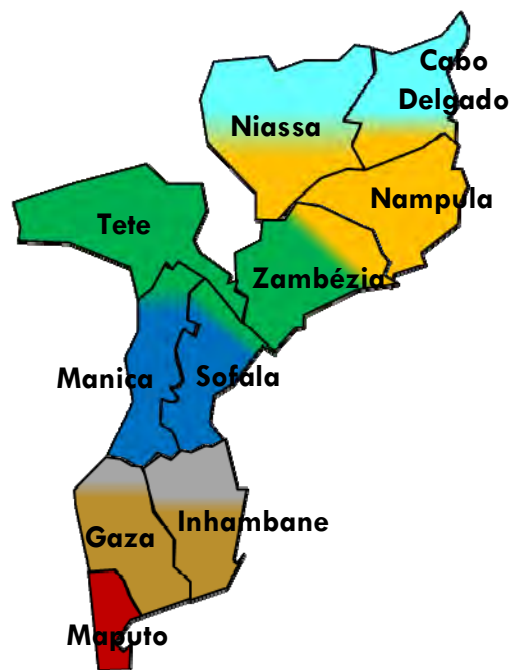
4

• *Strong agricultural institutions*

Corridors of Agricultural Development

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The PEDSA identifies six growth corridors for attracting investments - Maputo, Limpopo, Pemba-Lichinga, Nacala, Zambeze and Beira, as well as the specific value chains to receive special attention in each corridor



Approximate locations

Corridor	Value Chains
Pemba-Lichinga	Potato, wheat, beans, maize, soja, cotton, tobacco and poultry
Nacala	Cassava, maize, cotton, fruits, poultry and groundnuts
Vale do Zambeze	Rice, maize, potato, cattle, goats, cotton and poultry
Beira	Maize, wheat, horticulture, poultry, soja, rice and cattle
Limpopo	Rice, horticulture, cattle and poultry
Maputo	Rice, horticulture, cattle and poultry

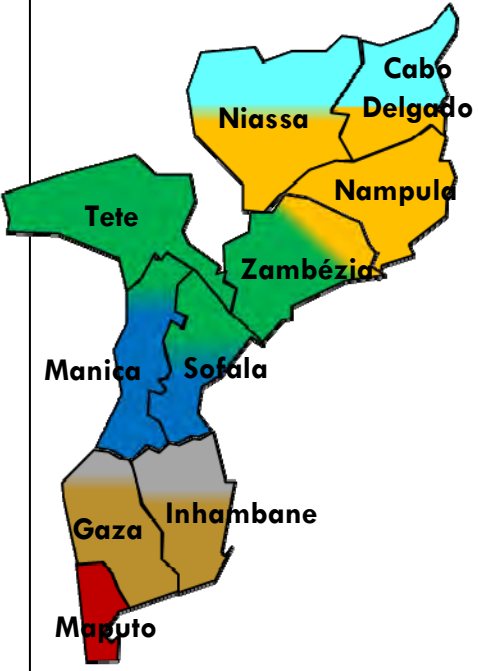
Note: This map does not consider the overlapping region of the Beira and Zambezi Valley corridors.

Source: CEPAGRI, PEDSA

Nacala, Zambeze and Beira Corridors

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Nacala, Zambezi and Beira, found in the centre and north of Mozambique, will be concentrated on here. They possess 80% of the water in Mozambique and have great access to export-orientated infrastructure

Provinces within Beira, Nacala, and Zambezi Valley Corridors	Attractiveness of Nacala	Attractiveness of Zambeze	Attractiveness of Beira
	<p>Nacala Special Economic Zone provides 500 ha industrial free zone with no VAT and customs duties, and technical assistance</p> <p>-----</p> <p>Upgrade of the deepest port on East African coast at Nacala</p> <p>-----</p> <p>The mining sector is increasing demand for agricultural products; currently imported from South Africa at high cost</p>	<p>80% of the country's water reserves are found in the Zambezi Valley corridor</p> <p>-----</p> <p>Diverse topography and good rainfall during cropping season provides perfect climate for a variety of crops</p> <p>-----</p> <p>Local market potential as one of the most densely populated provinces</p>	<p>Well-developed infrastructure with road and rail network linking Zambia, Malawi and Zimbabwe to port of Beira</p> <p>-----</p> <p>A number of multi-billion dollar mining investments are going ahead, which will improve access to infrastructure in the region and boost local demand</p> <p>-----</p> <p>First catalytic fund dedicated to agriculture in Africa, which is already leading to a number of investments</p>

Agribusiness Development

8

The Master Plan for the Development of Agribusiness was approved by the Government in 2013 and is one of the instruments of implementation of the PEDSA

Vision

A prosperous agribusiness sector, competitive in its response to challenges of food security and supplying agricultural products to national and international markets

Objectives

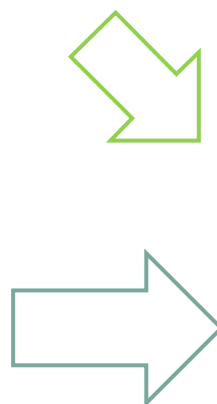
Increase the contribution of agribusiness to national agricultural production

Add value to agricultural products, increasing the contribution of agriculture and agribusiness to GDP

Higher diversification of agricultural production and exports

Reduce the dependence on imports of agricultural products

Generate employment



Strategic Pillars

Institutional Framework

Human Capital Development

Investigation and Research

Finance

Fiscal Incentives

Infrastructure

Markets

TRENDS:

Production of Food Crops

9

The growth rate of the production of several food crops, especially rice, sorghum, potato and beans, was higher than the general economic growth rate or the population growth rate

Crop	Average Yearly Production, 2003 - 07	Average Yearly Production, 2008-12	Growth rate 2003-07 vs 2008-12	Average Annual Growth
Sorghum	166,652	359,868	115.94%	16.65%
Rice	94,845	217,969	129.82%	18.11%
Potato	95,722	167,494	75%	11.84%
Maize	1,236,198	1,746,824	41.31%	7.160%
Beans	115,640	184,224	59.31%	9.76%
Sweet Potato	765,061	896,511	17.18%	3.22%
Cassava	5,557,138	7,921,528	42.55%	7.35%

The Mozambican economy is growing around 7-8% per year, partially driven by large investment projects in the energy sector (coal & natural gas). However, the production of various food crops has been growing faster than the economy as a whole.

TRENDS:

Production of cash crops

10

The average annual production of various cash crops, especially sesame and banana, more than doubled during the last decade.

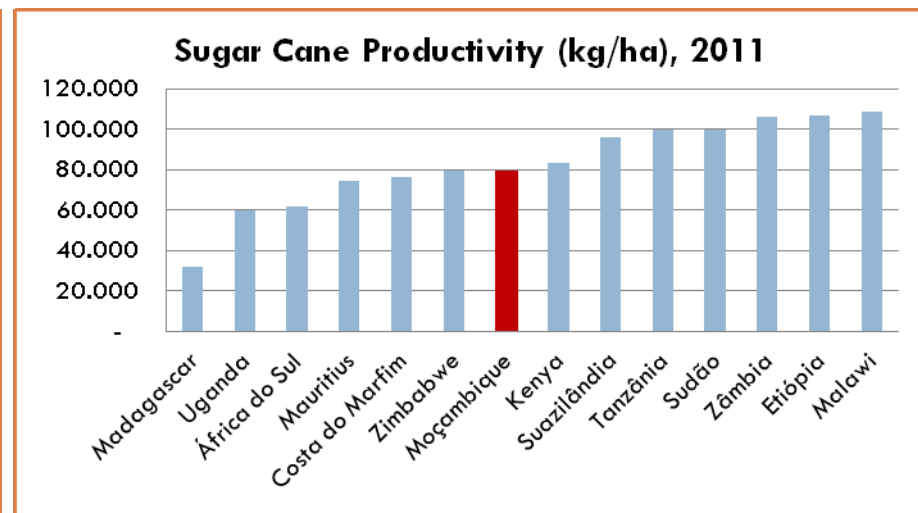
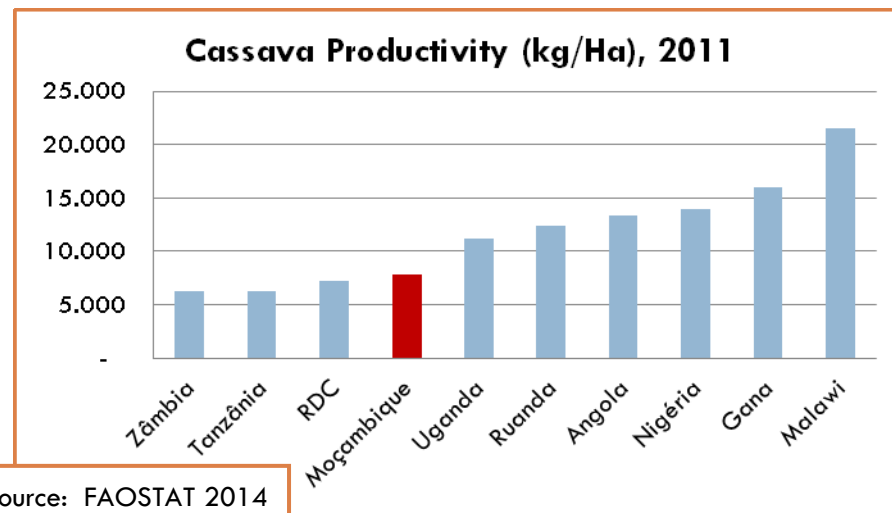
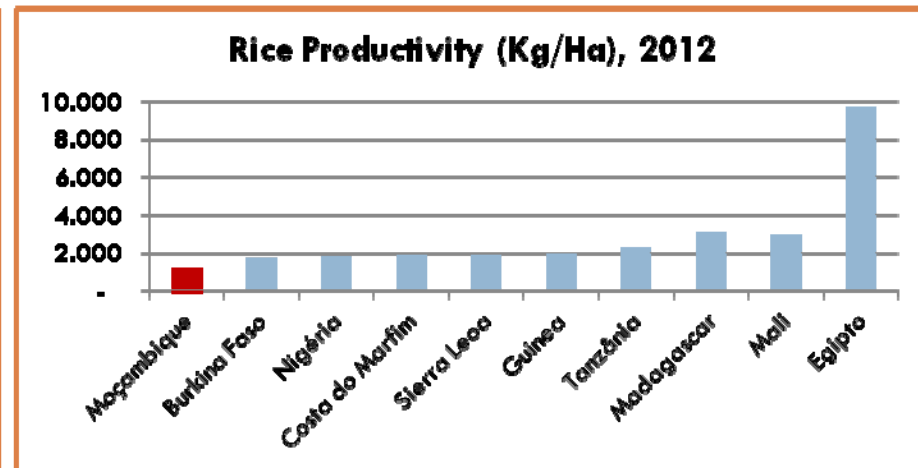
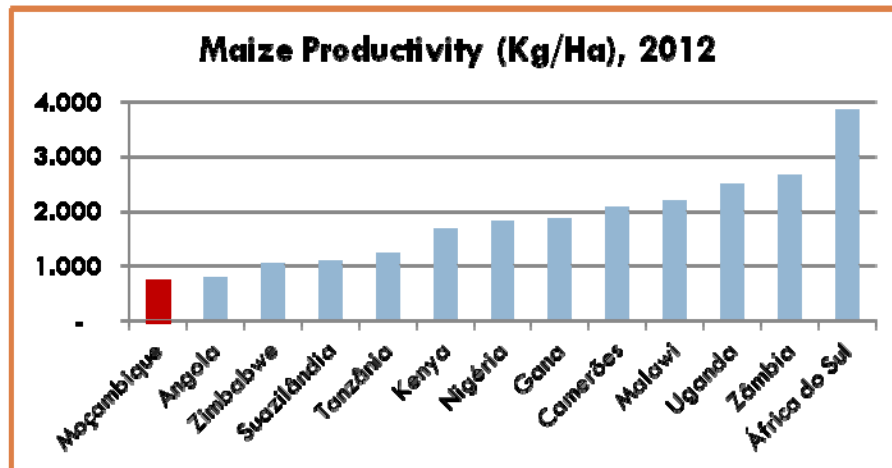
Crop	Average Yearly Production, 2002-06	Average Yearly Production, 2007-11	Growth 2002-06 vs 2007-11	Average Annual Growth
Sesame	19,533	73,693	277.28%	30.42%
Banana	146,300	331,263	126.43%	17.76%
Tobacco	56,732	63,755	12.38%	2.36%
Cashew	69,672	2,833,762	21.45%	3.96%
Sugar Cane	2,036,406	2,833,762	39.16%	6.83%
Peanuts	91,921	113,164	23.11%	4.24%

TRENDS:

Agricultural Productivity

11

There is much potential for further growth; The productivity of the major food crops is very low, also in comparison to other African countries. In sugar cane, Mozambique's performance is better.

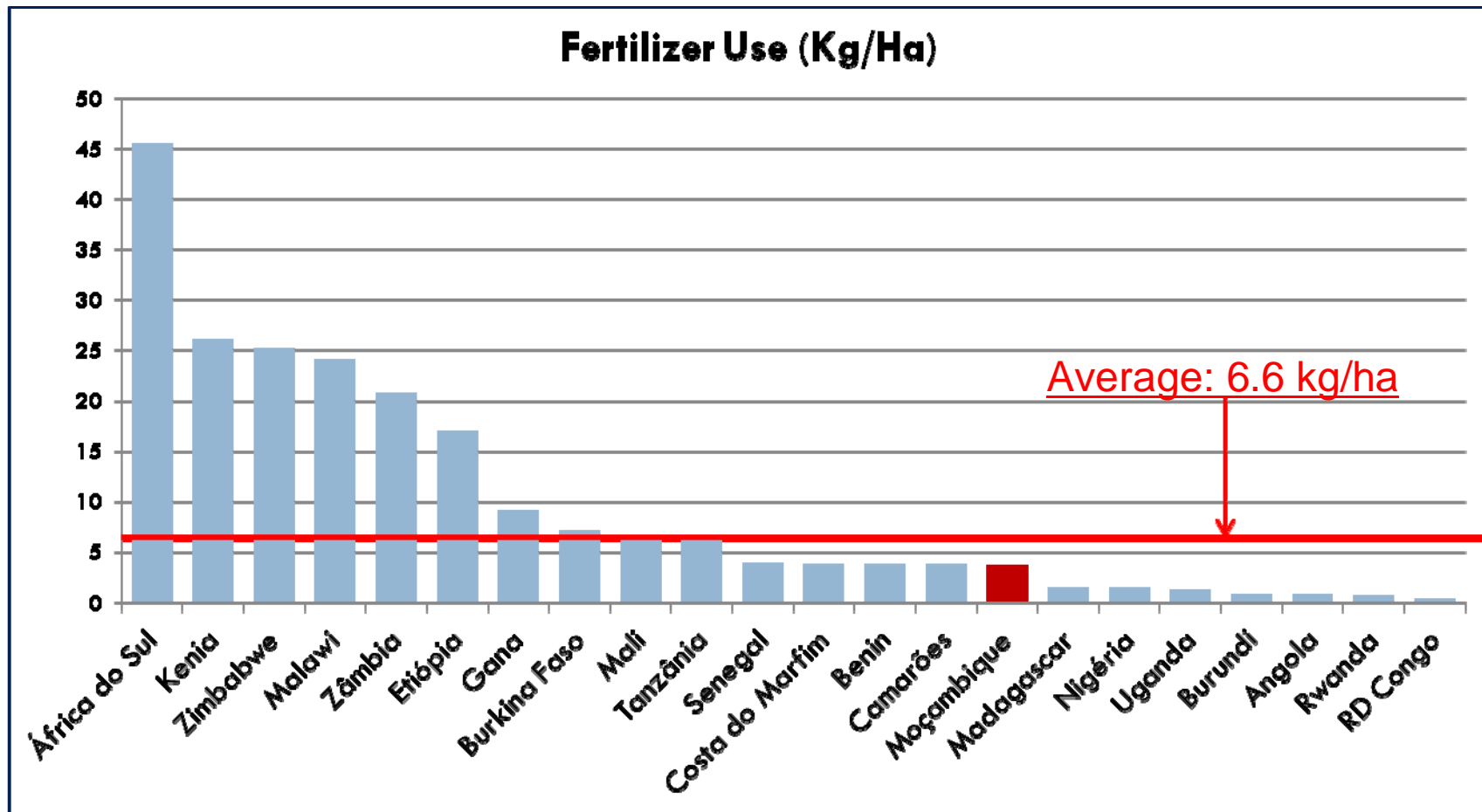


TRENDS:

Fertilizer Use

12

One of the reasons for the low agricultural productivity is that the use of fertilizer per hectare is below the average level countries in Sub-Saharan Africa.



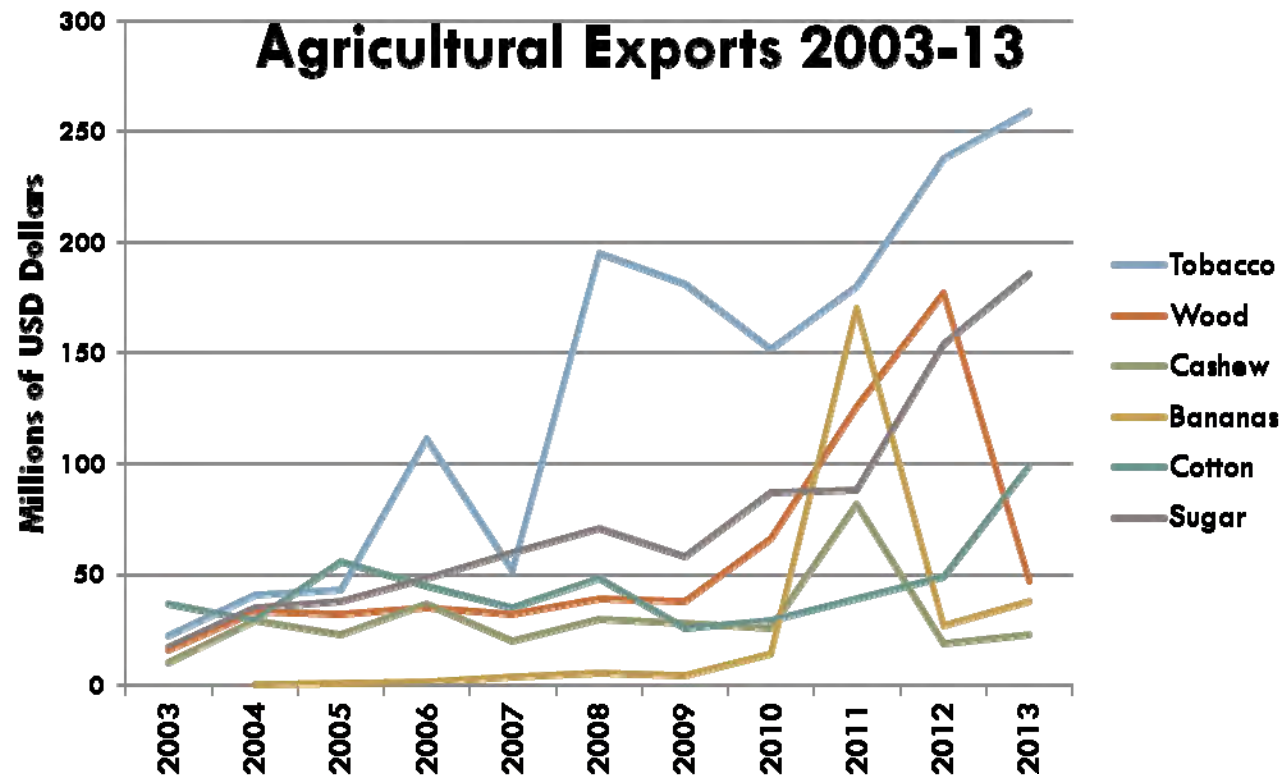
Source: FAOSTAT 2009

TRENDS:

Agricultural Exports

13

The value of the most important agricultural export products increased significantly over the past decade, particularly so for tobacco, sugar, banana, sugar and cotton.



TRENDS:

Agricultural Exports

14

The emerging Asian economies already count among the principal destinations of Mozambique's agricultural exports

Country of Destination	Export Value in 2012 (Millions USD)	Main products exported
Iran	151,7	Banana
China	87,9	Timber, Oilseeds, Cotton
Malaysia	82,8	Timber
India	67,7	Fruits, Vegetables
Italy	59,5	Sugar
Zimbabwe	56,5	Cereal Flour
Poland	51,9	Sugar, Tobacco
Spain	51,4	Sugar, Fruits
Netherlands	40,6	Tobacco
South Africa	36,6	Fruits, Oilseeds, Vegetables

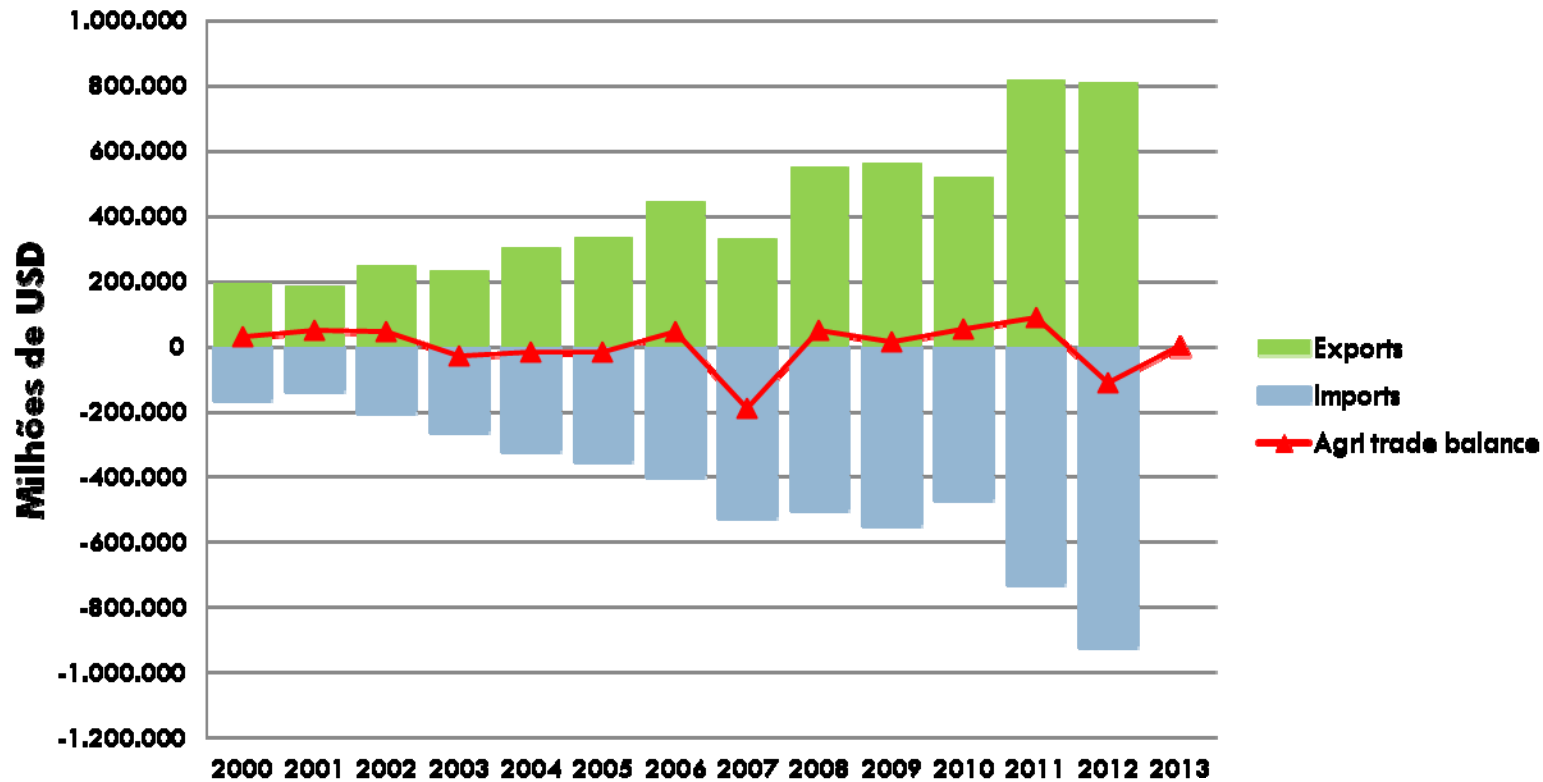
TRENDS:

Agricultural Trade Balance

15

But agricultural imports increased as well, to such an extent that the agricultural trade balance continues to be slightly negative – Mozambique is still a net importer of agricultural goods

Agricultural Exports and Imports*



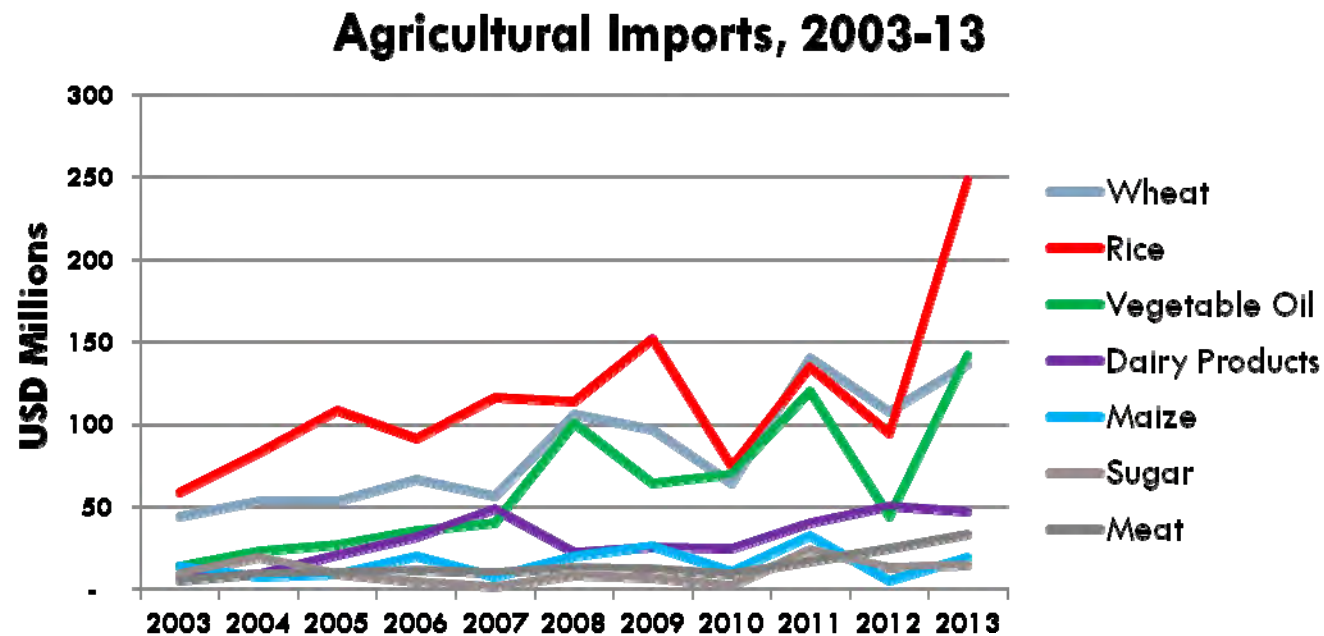
* SITC Revision 3 Categories 0+1+2-(27+28) were used as definition of 'agricultural'. These include fishery products

TRENDS:

Agricultural Imports

16

Cereal products, namely rice and wheat, contribute most to Mozambique's agricultural imports. Other imported products include vegetable oil and dairy products.



Note that several of these products present potential investment opportunities for import-substitution, given that Mozambique does have the agro-climatic conditions for their production.

Agribusiness Opportunities

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Of the many opportunities in Mozambique, we will highlight the potential of 12 strategic value chains, of which 4 were prioritized

**Investment
Opportunities**



Rice



Soybeans



Maize



Banana

PRIORITIZED



**Sugar
Cane**



Cassava



Cotton



**Fruits and
Vegetables**



Poultry



Cashew



Livestock



Forestry

Agribusiness Opportunities

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Highlights from value chains



Rice

- The National production registers the same growth rate with the imports in the last years;
- 60% of the country rice consumption is imported and Mozambique is the third largest importer of rice in the SADC region



Soy beans

- The increasing demand due to the edible food and poultry subsector development;
- The soya represents the main component of chickens feedstock costs (~ 74%)



Maize

- The food crop in Mozambique and basic food crop in the whole Southern Countries
- Offers huge investment opportunities for local agri-processing in order to supply the local and regional markets



Banana

- Enough capacity installed to contribute to the deficit reduction in the Middle East, Mediterranean market and with minor incidence in the Southern region;
- Good competitiveness due to low operational, dredging and export tariffs costs

Agribusiness Opportunities

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Highlights from value chains



Sugarcane

- **National production almost doubled** in the past 5 years and should continue to grow
- **Ideal climate and land** available of high quality
- Trade treaties with EU and SACU permit **export** on favorable terms



Cassava

- **New uses of cassava** as animal feed and as raw material for beer, alcohol and bio-ethanol industries
- **Costs** for cassava are approximately **half of other related crops**



Cotton

- Increases in **international prices** heightened profitability from production
- Opportunities for **ginning of cotton** for export of high quality cotton lint and processing of cotton seed into oil and cake



Fruit and Vegetables

- **Favourable agro-ecological conditions** and potential of **year-round production**
- **Counter-Seasonal demand** with Middle Eastern and Asian markets – ideal for **export**
- Recent **entry of large supermarket buyers** such as Shoprite and Massmart / Walmart

Agribusiness Opportunities

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Highlights from value chains



Poultry

- **Demand for poultry** has grown meaningfully across Africa
- In Mozambique, **consumption** is expected to **more than triple** in 10 years
- Impact of considerable growth in mining and oil & gas on working population will help **fuel domestic demand**



Cashew

- **Third largest agricultural export** from Mozambique
- Most exports are of raw nuts, providing opportunity for **investments in cashew processing for export markets**



Livestock

- **High imports of beef**, mainly from South Africa, provide opportunity for import substitution
- Potential for production of pig, cattle, and goat for local consumption with significant **export opportunities for goat meat to the Middle East**



Forestry

- Growing **global demand for forestry products** can be an opportunity for Mozambique, given its strategic location
- Large **commercial plantations** are **already being developed** in the northern and central regions of Mozambique

Agribusiness Challenges

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The central challenge is to translate the agro-ecological opportunities in inclusive wealth generation dynamics through job creation and promotion of emerging farmers

Area	Main challenges	Main actions subscribed in the Agribusiness Development Plan
Appropriate Technologies	<ul style="list-style-type: none"> • Increase the agricultural productivity • Improve access to technology and improved inputs; 	Service centers establishment (Pillar I) – <i>mecanization, inputs shops, processing plants and technical support</i>
Technical Support	<ul style="list-style-type: none"> • Building capacities of farmers and entrepreneurs and to promote youth inclusive business 	Human Capital Development (Pillar II) – Business orientation, technology tranfer and agribusiness incubators
Financing	<ul style="list-style-type: none"> • Improve access to financing • Improve the risk management 	Financing(Pillar IV) – Line of credits, risk capital and <i>agricultural insurance promotion</i>
Infra-structures	<ul style="list-style-type: none"> • Improve the infra-structure provision 	Infra-structure (Pillar VI) – access to road, electricity and agri-processing plants provision
Market Access	<ul style="list-style-type: none"> • Improve the market access 	Market (Pillar VII) – Promotion of Export, <i>Agricultural fairs and market information system</i>

THANK YOU



For agriculture productivity, food security and wealth generation

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ANNEXES

DETAILED INFORMATION ON AGRIBUSINESS OPPORTUNITIES

Rice

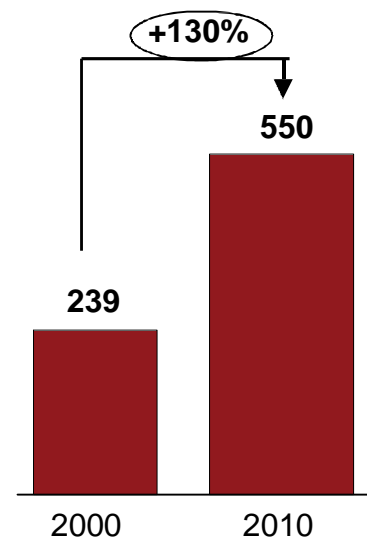
24

Rice consumption has doubled over the past decade, but without reducing the level of imports. Increasing population and incomes will drive future demand growth.

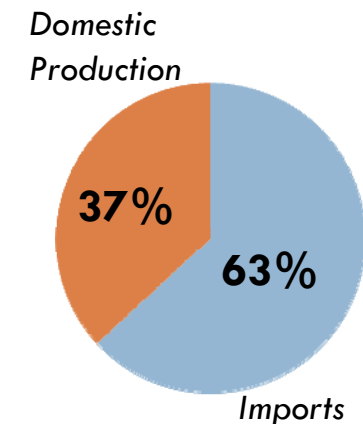
Growth Potential

- Major **gap** exists between domestic production and demand – Mozambique has the **3rd highest rice consumption** in SADC, but **imports** around 60% of rice consumed.
- Despite the significant growth potential for rice (very well-suited climate and soil for year-round rice production), **domestic production has only grown at the same rate as imports.**
- Domestic demand is projected to **increase at 7%** per year in the medium term.
- Significant investment is underway, which may dramatically improve current infrastructure and raise rice yields (e.g. PROIRRI with USD 90M investment, and OLAM with USD 50M)
- There are **business opportunities** in several parts of the value chain as well as for an **integrated producer.**

Rice Consumption In Mozambique
(‘000 tons)



Market Composition (2010)



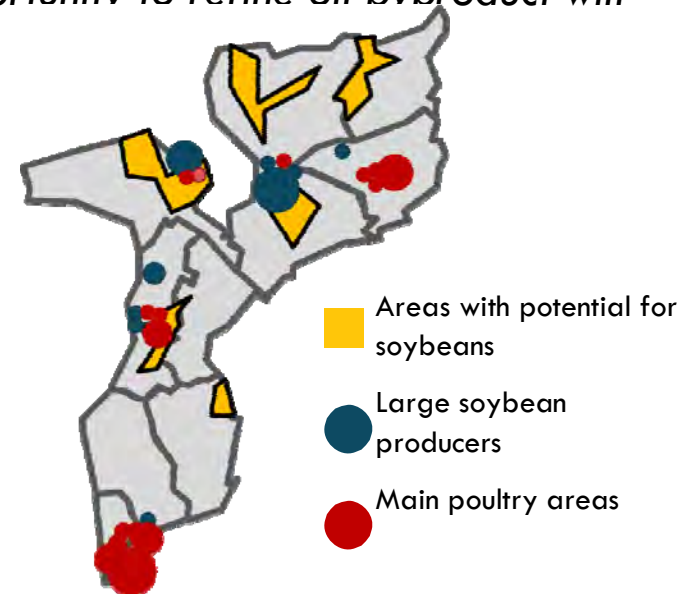
Soybeans

25

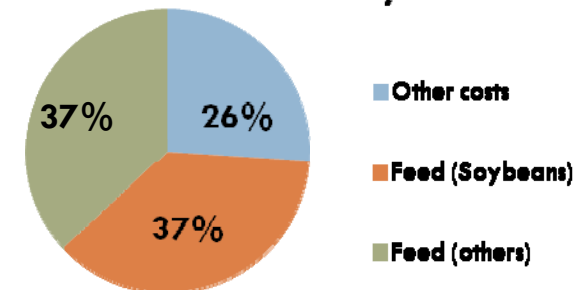
Soy cake is a considerable cost for the poultry industry and could be a key driver of domestic production substitution of imported chicken. Further opportunity to refine oil byproduct will increase alongside production.

Growing Importance

- **Demand** for soybeans is **increasing** due to the development of **poultry** and **soy oil** sectors – **Poultry** is projected to **expand at 13% a year** for the next decade.
- Government is actively **encouraging** growth of domestic soybean industry to **substitute imported soy cake**, which is a critical and expensive feed component for poultry.
- Importation of high-priced soy cake is **driving up prices for domestic poultry**, making competition with imported chicken difficult.
 - Leading component of domestic poultry cost is **feed** (~74%).
 - Local production of **soy cake** should reduce costs, improving competitiveness of the **poultry industry**.



Total Costs for Poultry Farmers



Maize

26

Domestic and regional markets are large and growing sources of demand for this important food crop. Mozambique has the conditions to take advantage of this.

Breadbasket Potential

- Maize is Mozambique's **most important food crop** and an important food crop throughout southern Africa. 1.9 million tons of maize was produced in 2010/11, but productivity levels are still very low.
- Most of the production takes place in the provinces of **Zambezia, Manica and Niassa** – in the centre and north of the country.
- Mozambique could become a **regional breadbasket** with increases in productivity.
- High **potential for increased productivity and production**, especially in **northern Zambezi Valley**.
- **Investment opportunities** exist in the array of processed products from maize and also large scale plantations



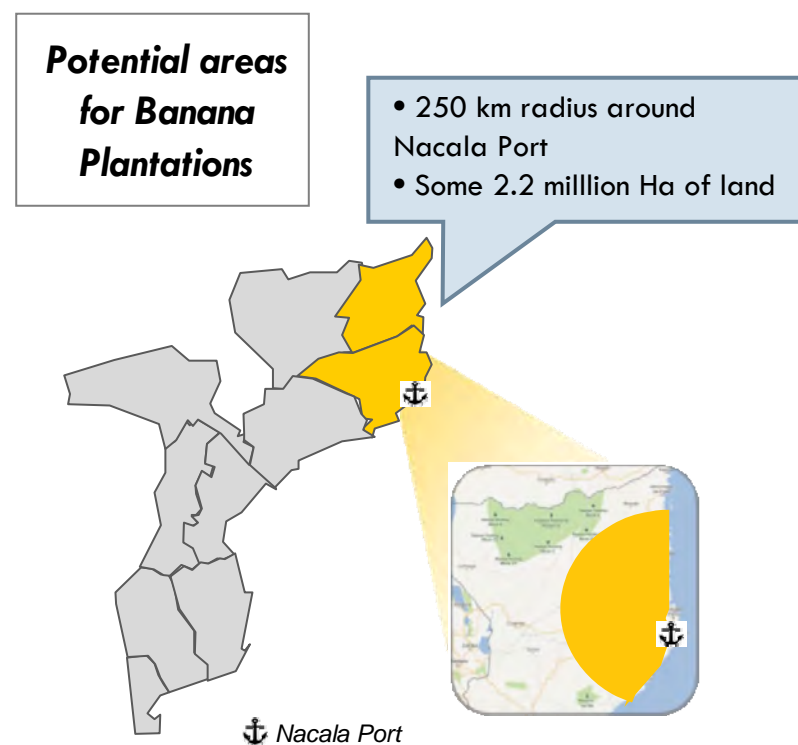
Banana

27

Mozambique's banana industry is well situated to benefit from both its geographical position as well as potential cost advantage

Mozambique Competitive Advantage

- Ability to feed large demand imbalances in the **Middle East**, the **Mediterranean**, and to a lesser extent **Southern Africa**
- Demand imbalances **have increased at different paces** in these regions over the last years, with **greatest growth in Europe**, where African countries have **competitive export tariff advantage** over most of Latin America, (value of USD 3 per box)
- Mozambique's **lower farm to port costs** than Philippines, coupled with Philippines production being diverted to China, has **heightened opportunity in the Middle East**
- **All year round production and high productivity** in Mozambique offer **additional export opportunities and higher margins**



Sugarcane

28

Sugarcane has become a success story having benefited from recent investment, but there still exists capacity to raise production and export more.

Export Potential Under Advantageous Tariffs

- **Domestic production** has almost doubled over the last 5 years and is **expected to keep growing** in both yield and area:
 - **Optimal weather** conditions and **high-quality, available land** benefit the sector's expansion.
 - **Training of local farmers** has enhanced the quality of sugar cane harvested, which has led to **increased yields** of sugar per ton crushed.
- **Commercial agreements** in EU and SACU allow for exporting with favorable financial conditions.



- **Significant focus on sugar cane** has created enabling environment for success. Examples:
 - **Action Plan:** this partnership with EU has **invested more than \$13m** in transferring technologies to sugar farmers
 - **Rehabilitation:** launched after Civil War, this plan has recovered drainage systems and infrastructure used by sugar industry

Cassava



29

New processing technologies expands market opportunities for cassava, the most consumed crop in Mozambique

Opportunities

- **Cassava** does and will continue to have a **strong demand advantage versus other staple crops**.
- Substitute opportunities exist for Cassava, given **strong cost advantages** over other **commodities**:
 - **Cost** for cassava is **roughly half** of some related commodities.
 - Example: Up to 25% of **wheat** used in bread **can be substituted by cassava at 55% of the cost**.



- **Potentially significant market opportunities created** by new technology and a mobile processing unit created by DADTCO:
 - Additional uses of cassava in **livestock feed, industrial raw materials, alcohol brewing, and bio-ethanol**.
 - Example: **SABMiller** will invest **additional \$124m** over the next two years to continue to develop its **cassava beer (Impala)**.



Cotton

30

Cotton has been an historically strong sector due to excellent agro-ecological conditions and potential for export

Traditional Cash Crop

- Mozambique's cotton lint has a long history in accessing important international markets, traditionally in **Europe as well as recently in Asia**.
- In 2011, **\$30m** of cotton fibre was produced. The majority of production occurs in the North of the country in **Nampula and Cabo Delgado**.
- **Rising international prices** has increased the profitability of cotton production, especially due to the high potential for **increased levels of productivity**.



High Value Added from Processing

- Opportunities for **ginning of cotton for export of high quality cotton lint** and **processing of cotton seed into oil and cake**.
- Further opportunities exist in utilising **industrial processes** requiring cotton as a raw material (textiles, etc.).



Fruit and Vegetables

31

As a tropical country, Mozambique has high production potential for a large number of fruits and vegetables such as pineapples and mangoes

Export Potential

- Favourable agro-ecological conditions and potential of year-round production leads to a comparative advantage in certain fruits, creating huge investment opportunities.
- **Counter-seasonal demand** with Middle Eastern, Asian and European markets – ideal for export.
- Demand exists for **value added fruit products** such as dried fruit, jams and juice could be produced from fruit not meeting export quality grades.



Improving Domestic Markets

- Recent **entry of significant supermarket buyers**, such as Shoprite and Massmart/ Wal-Mart.
- **Large markets** in **Maputo and South Africa** for vegetables such as tomatoes, onions, and green peppers. For examples, production potential in the Chókwè Irrigation Scheme (South of the Country) to supply these markets.

Poultry



32

Significant potential for import substitution makes poultry a strong investment

Expected to Grow at Over 12% A Year

- **Demand for poultry** has grown meaningfully across Africa:
 - **Poultry's consumption** has more than doubled in over **10 African countries** over the last decade, with high dependence of imports from **Brazil, Asia, and US**.
 - **Opportunity** for local players to supply this demand due to geographic advantages.



- While domestic demand in Mozambique has grown slightly in past, **future demand is expected to more than triple** in the next 10 years, with consumption predicted to increase from **42,000 tons in 2010 to 137,000 tons in 2020**.
- Impact of considerable growth in mining as well as oil and gas sectors on working population will help **fuel domestic demand**.
- **Feed costs** correspond to **~75%** of total costs – with growth in the domestic soy cake industry, potential for reduced input costs could further drive demand.

Cashew



33

Before the civil war, Mozambique was the world's leading producer and exporter of processed cashew nuts

Reconstructing the Industry

- Significant effort from donors and government has been **invested in improving market conditions** for growers, processors and exporters operating in the cashew sector.
- **Demand** in the international market is **increasing in both value and quantity**, providing excellent export-led opportunities for investment in a once-thriving industry.
- Cashew exports are currently the 3rd highest agricultural export from Mozambique in value.



Opportunities

- Most exports are of raw cashew nut, providing **opportunity for investment in cashew processing for export markets.**
- The majority of the production and processing exists in the province of **Nampula**, which boasts world-class agro-ecological conditions for cashew nut production.

Livestock



34

As Mozambique becomes richer, preferences are expected to shift towards increased meat consumption

Growing Incomes Creates New Markets

- A **growing middle class** places a **higher demand on quality meat products** within Mozambique.
- The market has been **consistently growing**, especially in **Maputo** and tourist areas.
- Currently **high imports of beef**, mainly from South Africa, provide an opportunity for import substitution.



- Potential for production of pig, cattle, and goat for local consumption with **significant export opportunities for goat meat to the Middle East.**
- The wealth being created by **mining operations in the north** of the country is a market that is currently being filled by **expensive imports.**



Forestry

35

Significant opportunities exist in a recently expanding sector, buoyed by increasing internal and external demand

Sustainable Timber Production Needed Globally

- The **growing worldwide demand** for timber products can be an opportunity for Mozambique due to its strategic global position, particularly with **Asia's trade deficit** in timber.
- **26 million hectares potentially suitable for forestry**, of which **3 to 7 million hectares** have the potential to be developed into **commercial plantations**. Forestry concessions can be obtained at a **very low cost** (\$0.10/ha/year).



- The commercial forestry sector is currently under **serious development** and receiving **significant investment**.
- Large **commercial plantations** are **already being developed** in the northern and central regions.
- 3 high capacity ports are well equipped to facilitate exports.