

# AFRICA INTERNATIONAL FOODMARKET

An aerial night photograph of a large, modern commercial complex with multiple large, illuminated buildings and parking areas. The scene is lit with warm yellow lights, and some trees are visible around the perimeter.

**A FIRMLY ATTRACTIVE  
INVESTMENT IN  
AFRICA'S FIRST FOOD  
EMPORIUM**



## Background

Africa's urban population is **expanding more rapidly at 3.3% p/a** with half the continent's population expected to be living in cities by 2050. In South Africa alone, the population is projected to increase from **57,3-million** today to **65,5 million** by 2050, making it the 24<sup>th</sup> largest country in the world. Agriculture and trade therefore needs to keep pace in order to feed the growing population.

## Rising Food Prices

Globally, food prices have been rising, putting additional pressure on the world's poorest people. Past spikes in the price of food staples have been connected to periods of social unrest. Thus, if prices continue to rise, the world could be in for a bumpy future as price spikes are destabilizing not just because they induce a lot of hardship on communities and households, but also because the global food system is interconnected, with the world's poorest dependent on food flowing from the biggest producers.





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# Food Waste

While South Africa is somewhat deemed food secure, it is estimated that about **10 million** to more than **12 million tons** of food is lost or goes to waste every year - with a range of adverse implications on the country and its people. Overall, it is estimated that about **14 million** South Africans go to bed hungry every night. The value of the food lost or wasted is put at **R60-billion** (US\$ 4 billion) or 2% of SA's GDP.

## Where Food Waste Occurs

- In Sub-Saharan Africa, 39% of food loss and wastage occurs during Production,
- 37% during handling and storage,
- 7% during processing,
- 13% in distribution and market stages, and
- 5% in Consumption/household stage.

While lots of attention and resources has gone into funding primary production in South Africa and across the African continent, there seems to be general lack of fit for purpose infrastructure to stem food loss and waste along the food supply chain.



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# Lack of Food Marketing Infrastructure

Across the African continent, there is a general lack of cold chain infrastructure aimed at facilitating the trade and accessibility of food commodities in large scale in order to meet the needs of population growth. Also, there is lack of efficiency in the marketing of agricultural products, leading not only to food loss and wastage, but a **\$35 billion import bill**, which is the estimated amount that Africa spend a year on food that it already produces. In South Africa, the existing 21 National Fresh Produce Markets (NFPMs) were built some 47 years ago and are dilapidated due to lack of refurbishment and maintenance.

# Africa Food Spend

The World Bank projects that the African continent will spend about **\$110 billion** on food by 2025 due to population increase. The report further projects the food sector in the continent to grow to **\$1 trillion** by 2030. This, coupled with the fact that **65%** of the world's uncultivated land is in Africa portends a great opportunity for the continent to determine the future of food for the world.





# South African Agricultural Food Industry

Description	Product	Market Size in Rand	Market Size in UD\$
Fruits	Deciduous Fruit	R19 449 328 000	\$1 269 538 381
	Subtropical Fruit	R4 039 404 000	\$263 668 668
	Citrus	R18 001 227 000	\$1 175 014 817
Vegetables	Tomatoes	R2 496 125 916	\$162 932 501
	Onions	R2 144 867 754	\$140 004 423
	Potatoes	R7 082 062 268	\$462 275 605
Poultry	Meat	R47 900 000 000	\$3 126 631 854
	Eggs	R10 770 000 000	\$703 002 611
Red Meat	Beef	R30 600 000 000	\$1 997 389 034
	Lamb	R6 000 000 000	\$391 644 909
	Pork	R5 200 000 000	\$339 425 587
Grains	Maize	R94 300 000 000	\$6 155 352 480
Other	Nuts	R3 500 000 000	\$228 459 530
	Aquaculture	R6 000 000 000	\$391 644 909
	Various Other	R31 159 985 062	\$2 033 941 584
Subtotal	Subtotal excl. Viticulture	R288 643 000 000	\$18 840 926 893
Viticulture	Wine	R36 100 000 000	\$2 356 396 867
TOTAL		R324 743 000 000	\$21 197 323 760

Source: Economic Review of South African Agriculture 2018 et. al DAFF



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## Market Opportunity

South Africa's total addressable market at the gross value of agricultural production level, before incorporating the wine segment is estimated at **R288.6billion (US\$18,8 billion)**. The potential market-share achievable by a new player with fit for purpose infrastructure, appropriate IT Trade system, wider basket offering, and larger addressable market is estimated at conservative **3.5% to 4%** of gross value of agricultural production. Inclusive of the wine segment, this works out to throughput projection of about **R11.4bn to R13.0 billion (US\$ 742 million to US\$ 848 million)** in value. The throughput can even be higher given the advent of African Continental Free Trade Agreement (AfCFTA), **a single market of 1.2 billion people** with a combined gross domestic product of **\$2.5 trillion**.

## Business Proposition

The underlying dynamics above is what gave rise to the establishment of Africa International FoodMarket (Pty) Ltd, a privately held **food emporium aimed to disrupt the food ecosystem** by consolidating and serving the needs of the Food Industry in South Africa, the African continent and the world.





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# Business Philosophy

The AIF subscribes to the philosophy that **“People matter most”**. And where there are people, there must be affordable nutritional food. The emporium thus is dedicated to **improving and optimising Africa’s channelling of food to advance society, drive global impact and change.**

## AIF Role

AIF will play a critical role in both continental and national food security plan in regard provision of the following services:

- ✓ Market access
- ✓ Transparent platform for price recovery
- ✓ Market certainty
- ✓ Efficiency in the marketing of agricultural products
- ✓ Produce value addition
- ✓ Optimisation of export earnings from agricultural products
- ✓ Enhancement of the viability of the sector.



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# Product Offering

The product offering will include amongst others:

Item	Category	Type
1	Animal Production	<ul style="list-style-type: none"> <li>Red Meat (beef, lamb and goat)</li> <li>Poultry</li> <li>Pork</li> <li>Venison</li> <li>Eggs</li> <li>Milk</li> <li>Cheese</li> </ul>
2	Grains	<ul style="list-style-type: none"> <li>Maize Meal</li> <li>Wheat (Flour)</li> </ul>
3	Cereals	<ul style="list-style-type: none"> <li>Pasta</li> <li>Rice</li> </ul>
4	Horticulture	<ul style="list-style-type: none"> <li>Fruit</li> <li>Vegetables</li> <li>Nuts</li> </ul>
5	Viticulture	<ul style="list-style-type: none"> <li>Wine</li> </ul>
6	Drinks	<ul style="list-style-type: none"> <li>Coffee</li> <li>Tea</li> </ul>
7	Aquaculture	<ul style="list-style-type: none"> <li>Marine</li> <li>Fresh water fish</li> </ul>
8	Floriculture	<ul style="list-style-type: none"> <li>Fresh cut flowers</li> </ul>





# Target Market

AIF is targeted at a wider spectrum of buyers comprising retailers, wholesalers, exporters, hospitality industry, informal traders and household end users. The Emporium will play a critical role in both **continental and national food security plan** in regard to provision of platform for better coordination and commercial exchange of food commodities from producers regardless of scale.

# Location

AIF will be located in Ekurhuleni Metro, in Gauteng, the most populous province in South Africa with approximately **14,2 million people** and the foremost consumption hub for food. The targeted for AIF development location is just 21 km from OR Tambo International Airport, South Africa's biggest airport and an easy access to international markets.



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## Infrastructure

The **AIF** infrastructure will turn convention on its head, completely set a new benchmark according to which FoodMarkets should stack up. The infrastructure will feature a fresh new astute player on the block-type of look. With **250 000 m2** warehouse infrastructure under roof, the AIF will become the largest food trading facility in Africa with capacity to house **over 1 million pallets (tons)** a day. The Emporium will operate 24/7 and offer flexible chambers that can be used for ambient, chilled, frozen and super frozen products.

## Amenities

The AIF Emporium will have many **1<sup>sts</sup>** for South Africa and the African continent. It will feature amongst others temperature-controlled warehouses, each measuring about 16 000 m2 to act as hubs for trade in Fruit and Vegetables, Meat, Eggs, Dairy Products, Processed Grains including the staple maize meal, Aquaculture, Wine, etc.





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## Value Proposition

AIF will also be the 1<sup>st</sup> major Food Emporium to be built in South Africa and the African continent, and the second largest in the world. It is a Game Changer as it is aimed to serve as the **food stock exchange**, thus making it the foremost food basket for the African continent. The Emporium will provide **platform for unbridled/transparent price setting and recovery** for a wider range of basket offering which include various staple foods and thus creates a unique value that instills confidence on the business model and its sustainability.

## Investment Plan

Description	Amount
Capital requirement	R4,6 billion (\$307 million) capital
Capital structure	75:25 debt to equity ratio
Debt	R3,45 billion (\$230 million)
Equity	R1,15 billion (\$77 million)
Finance Cost	Calculated at prime lending rate of 7,5% on R3,45 billion (\$230 million) borrowing
Debt repayment	R3,45 billion (\$230 million) 10 year Senior Debt, moratorium period during construction phase (c.24 months)
Equity	25% equity stake in the business for cR1,15billion (\$77 million)



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## What the investment will be used for?

### Sources of Finance

- 10 year Senior Debt (R3,45 billion)
- 25 % Equity (R1,15billion)

### Uses of Finance

- Land – R528 million (\$35,2 million) Phase 1 cost
- Improvement up to turnkey - R3,9billion (\$260 million)
- Other assets - R22 million (\$1,5 million)
- Professional Fees - R36,8 million (\$2,5 million)
- Contingency to mitigate under budgeting, escalation etc. – R77,6million (\$5,2 million)

## Key Investment Highlights

- Ten year compound annual growth rate (CAGR): **10,4%**
- Conservative Weighted Average Cost of Capital: **13,3%**
- Internal rate of return (IRR): **18,5%**
- Positive Net Present value (NPV): **Approximately R1,5 billion (\$100 million)**
- Payback Period: **5,2 years**
- Ten year average EBITDA Margin: **72,0%**





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## Socio Economic Impact

The AIF Emporium is a peerless project with high social impact that offers good, long-term and sustainable returns on investment. The biggest impact that AIF will have in broader society is the **opportunity to facilitate the trade and accessibility of food commodities in large scale whilst also managing the imbalance between supply and demand through fair, unbridled and transparent price setting mechanism with modern infrastructure facilities that safeguards product shelf life (maintain cold chain and thus reduce food waste), food quality and safety, and is led by competent management with unsurpassed operational and technical experience.**

## Strong UN SDGs

Further entrenching AIF's peerlessness is that the project has strong UN Sustainable Development Goals (SDGs) outcomes, notably: **Goal 1: No Poverty, Goal 2: Zero Hunger and Goal 3: Good Health and Well-being**, which are key priorities for peace and prosperity for people across the globe, now and into the future.

Not only will the project contribute positively to the achievements of SDG 1, SDG 2 and SDG 3, but will also **impact positively no less than thirteen (13) out of the seventeen (17) UN SDGs**, including driving sustained Inclusive Growth which is critical for the African continent and the world.



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# Project Milestones

Item	Milestone	Status
1	Bankable Business Case (feasibility)	In Progress
2	Financial Model	Completed
3	Environmental and Social Impact Assessment – Site Specific	Completed
4	Secure Land	Secured Reservation
5	Support from government and local authorities	Secured
6	Off-take Agreements	Obtained and ongoing
7	Identification and appointment of Technical Service Providers (Technical Assistants)	Completed
8	Capital Raising	In Progress



# AIF Management

AIF is led by a team with insight understanding of the food and agribusiness industry including the mass consuming market. The team share distinct advantage of having served together at Joburg Market, the world's leading market for fresh fruit and vegetables. A large part of the Joburg Market's success with regard to global leadership and market share are due in large part to the foundation laid by this team. The team thus bring real and practical knowledge to the project and possess a **combined experience spanning over 30 years** with demonstrable success in forging effective partnerships at both corporate and trading level.

## Contact Us

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