



الشركة المصرية الأفريقية للإستثمار والتنمية
Egyptian African Co. for Investment & Development

Sugar Cane Investment Opportunity

AGRO FOREST PLANTATIONS LIMITED- RUFJI

Tanzania

10-8-2015



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Africa

Growth across Africa continues to be promising. Africa's GDP growth is expected to strengthen to 4.5% in 2015 and 5% in 2016 compared to 3.9% in 2014 and 3.5% in 2013 (Source: African Economic Outlook 2015).

Growth has been driven by a variety of factors including increased investment appetite, rising population and consumer spending, investments in infrastructure, and improvements in agricultural production.

Meanwhile, growth has been specifically witnessed in the East side of the continent, a fact that paves the way to many potential investment opportunities.

Out of EAC's aim to contribute to the efforts to achieve an integrated and sustainable development in the African continent and increase the economic and investment interrelationships among African countries, EAC has adopted the promotion of a major sugar cane production project in the Rufiji district in Tanzania.

Why Tanzania?

From an African view, Tanzania is one of rising stars with a stable political system, abundant natural resources and serving many land locked countries.

- **Economically**

Tanzania has sustained an average rate of 6-7 % economic growth since the late 1990s, due to a stable political environment, reasonable macroeconomic policies and structural reforms.

The IMF projects the economy will continue to grow around 7 % in the medium-term as both public and private investment accelerates.

Besides Tanzania's membership in The South African Development Community (SADC), The East African Community (EAC), The African Caribbean and Pacific Group of States (APEC), Tanzania is also an active member in many associations and groupings such as: The World Trade Organization (WTO), The African Union, The African free Trade Area (FTA) and The Multilateral investment Guarantee Agency (MIGA).



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- **Businesswise:**

The Government of Tanzania (GOT) has a favorable attitude toward foreign direct investment.

Except in the mining sector, there are no laws or regulations that limit or prohibit foreign investment and participation in any activity in the country.

The Government has redrawn tax codes, floated the exchange rate, licensed foreign banks and created the Tanzanian Investment Centre (TIC) to cut red tape.

Investors can negotiate special incentives from the Tanzanian Government for foreign-owned investments offering specific beneficial impacts to the society or economy.

Investments exceeding USD 20 million are also eligible for 'Strategic Investor Status which grants them exceptional tax exemption and many other facilities.

- **Strategically**

Investing in food security projects, particularly sugar projects in Tanzania has strategic dimensions in addition to the economic return, especially that there is an increasing demand for sugar as a commodity in both Egypt, Tanzania and in the neighboring countries in East Africa.

- It is an opportunity for further incursion into Africa.

Tanzania is the main entrance to landlocked countries: Rwanda, Burundi, Zambia, Malawi, and Zimbabwe, thus being present in Tanzania with a strategic project, grants Egypt a strong and influential presence in Africa both politically and economically. Such strategic location shall be considered the backyard for Egypt in the Nile basin region.

- It is an opportunity for exporting a strategic commodity to various African countries.

Tanzania borders Kenya and Uganda to the north; Rwanda, Burundi, & the Democratic Republic of the Congo to the west; Zambia, Malawi & Mozambique to the south, which can serve as a gateway to more investments and trade opportunities with these countries.

- **Politically**

Tanzania has a long record of political stability. It has had nearly half a century of political stability as a sovereign country, including over ten years as a multiparty democracy; there have been no coups or civil wars in Tanzania.



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Tanzania is a presidential constitutional republic. The ruling party (CCM) has been dominant in government and parliament and is expected to remain, in that respect, in the coming elections in October 2015.

Sugar Industry in Tanzania

Agriculture

Tanzania, in essence, is an agricultural country in which over 80% of the people there live in rural areas where agriculture is their main source of livelihood.

Agriculture is the foundation of the Tanzanian economy. It accounts for almost 26% of the GDP and provides 85% of exports. It employs about 72% of the work force.

Sugarcane and rice are amongst the priority crops.

Sugar industry

Tanzania Sugar Industry is an old industry that dates back to the 1920's.

Tanzania's sugar industry has mainly four companies which commercially produce sugarcane: Kilombero Sugar Company (KSCL), Mtibwa Sugar Estates in Morogoro region, Tanganyika Planting Company (TPC) in Kilimanjaro region and Kagera Sugar in Kagera region.

All the companies were privatized between 1998 and 2001. The government retained 25 % stakes in two of them (KSCL and TPC). Mtibwa Sugar Estates was acquired by the Tanzanian company Super Group, which also owns Kagera Sugar.

- **Opportunities:**

- 1- The supply-demand gap for sugar in Africa and in Tanzania

Africa today produces 9.9 million ton of sugar and consumes around 13 million ton. Due to the high consumption rate and slow production growth, it is expected that African sugar imports reach around 3 million ton per year.



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Tanzania's current sugar demand is more than 590,000 metric tonnes, while its production stands at 300,000 metric tonnes, creating a deficit of nearly 290,000 metric tonnes.

Sugar Production vs. Consumption

- Per capita consumption : 12.78 kg
- Population growth : 2.8% per annum

- Current Demand : 590,000 mt
 - Domestic Consumption : 420,000mt
 - Industrial Consumption : 170,000mt

- Local production : 300,000 mt
- Deficit : 290,000 mt

Tanzania is importing around 290,000 tons of sugar annually. The current imports in Tanzania are approximately 50% of all sugar consumed.

Per capita consumption of sugar is relatively low compared to other African countries and the rest of the world, which leaves a potential gap to be filled. Accordingly, consumption is anticipated to more than double within the next 15 years due to rapid population growth and an anticipated increased consumption per capita.

2- Regulations of sugar industry in Tanzania

Tanzania, in accordance with the World Trade Organization (WTO) is allowed to apply an import tariff of up to 100% on imported sugar.

3- The prioritized national policy to attract direct foreign investment into modern and industrial scale agriculture.

Tanzania aims to attract 10 new Greenfield sugar projects during the next 15 years. This involves developing the rural economy and transforming itself from being a major net importer of sugar to become a net exporter.



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Agro-Forest plantations Limited- Rufiji project

AGRO FOREST PLANTATIONS LIMITED

At Rufiji District, Pwani Region, Tanzania

In a nutshell:

- This is an estimated 360 million USD project on a 30000 hectares of land (approx. 73,500 acres). The scope of the project entails a plantation of sugar cane, arrangements with outgrowers, area rehabilitation and establishing a plant for sugar and ethanol production.
- The project location has good accessibility to water resources, and is near the main national highway, close to the national electricity grid and can be supplied by natural gas as well.
- The land allocated for the project (30000 hectares) is leased by the government for 99 years (the title deed for the land is in its final stage). The lease fee is between \$0.5-\$1.5 per hectare per year.
- All permits and documentations have been granted; the land title deed has reached the final stage.
- The owner of the factory Mr. Abbas Rizfi is looking for interested investors to buy an 85% stake in the project against 10-12 million USD.
- Mr. Abbas Rizfi is to retain the minor stake (15% of the project capital), an advantage for ensuring that the project progresses smoothly because as a local partner will be capable of communicating and handling the local authority requirements.



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The project plan:

The factory's production capacity can reach 6000 tonnes of sugar cane daily operating for 180 working days annually (approximately 1,080,000 tonnes per year).

The anticipated cost of the project is 350 to 360 million USD.

The following table indicates the initial estimates of capital cost:

Item	Cost in USD
Factory Construction	160 million
Plantation Development	120 million
Foundation, Civil Works, Housing...etc	60 million
Total	360 million

Tangible possessions:

- 30000 hectares of land (approx. 73,500 acres) with a 99 years lease.
- A feasibility study prepared by an Indian company "GLOBAL SUGAR SERVICES LIMITED" Coimbatore, Tamil Nadu, India, available for reference.
- All necessary permits and licenses concerning the project granted by the Tanzanian government.
- 10 year tax exemption for all taxes and duties for the construction and operating of the factory under Strategic Investors Permit.
- Final stages concerning the land title deed
- A local partner capable of communicating and handling local authority requirements.