



**i** INVEST IN  
AGRIBUSINESS

# MADAGASCAR, BREADBASKET OF THE INDIAN OCEAN



ECONOMIC DEVELOPMENT  
BOARD OF MADAGASCAR



**MADAGASCAR,** country rich in human and natural resources, is the ideal destination for any project in the agribusiness sector.

Located in the axis Africa-Asia and not far from the Middle East and Europe, Madagascar could become a breadbasket of the Indian Ocean .

The agriculture, livestock, fishery and aquaculture sectors represent more than 40% of GDP and employ 80% of the working population.

Madagascar offers ideal conditions for processors who want to work with local farmers to develop value-added products for export and local consumption, and has all the assets to develop a sustainable agribusiness industry.

## Madagascar at a glance

	Area : <b>587,295 km<sup>2</sup></b> , 4th largest island in the world
	Population : <b>24 million</b>
	Official languages: <b>Malagasy, French</b>
	GDG Growth rate: <b>4,2%</b>
	GDP per capita ppp (USD) : <b>1,506.0</b>
	Coastline : <b>4 800 km</b>

# WHY MADAGASCAR ?



## CLIMATE

Madagascar offers ideal conditions to produce a wide range of tropical and temperate products



## LAND

60 million hectares, most of which is suitable for agriculture, but less than 10% utilized - providing ample room for expansion by smallholder-suppliers



### 1 WARM WELL-WATERED PLAINS

- Ideal for extensive crops such as sugar, oil seeds, cereals, as well as tree crops : mango, cashew, etc.
- Low population density.

### 2 TEMPERATE HIGHLANDS

- Ideal for temperate fruits, rice, tea, dairy, poultry, shoats, etc.

### 3 DRY AND WARM

- Ideal for soya, sesame, pulses, cotton, dates, livestock, etc.
- Low population density.

### 4 HOT AND HUMID

- Ideal for tropical fruits, cocoa, coffee, spices, oil palm, etc.

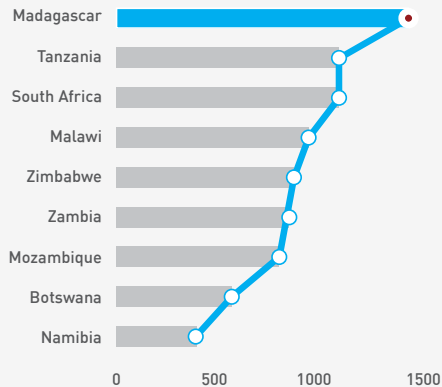




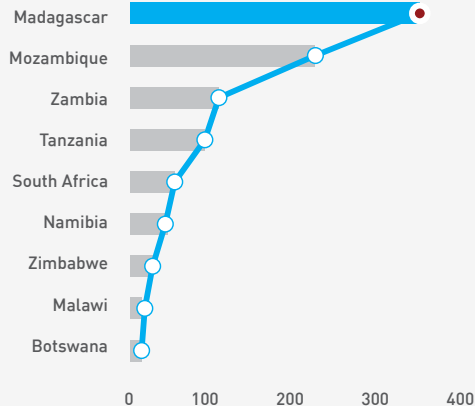
## WATER RESOURCES

Among countries in Southern Africa, Madagascar boasts the highest rainfall

### MEAN ANNUAL RAINFALL – NATIONAL AVERAGE (MM PER YEAR)



### TOTAL RENEWABLE WATER RESOURCES (CU KM PER YEAR)



## INPUT SUPPLY

Madagascar offers incentive measures for many types of inputs

Agricultural producers in Madagascar have access to two unique **local sources of fertilizers** : the extremely nutrient-rich, organic bat-guano deposits, and the new ammonium-sulphate production from a giant mining project, with the capacity to produce up to **210,000 T.**

Madagascar offers a **simple process for seed approval** and some unique fertilizer sourcing opportunities.

The process for approval, quarantine and multiplication of new seed varieties has been streamlined and simplified.

All imports of fertilizers, agricultural materials, day-old chicks are **exempt from import duty and VAT.**



## ENERGY SUPPLY

Agro-processing units have the potential to generate their own power from the country's ample hydro, solar, wind and biomass sources

### HYDROELECTRIC POTENTIAL



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(SITES < 60 MW)

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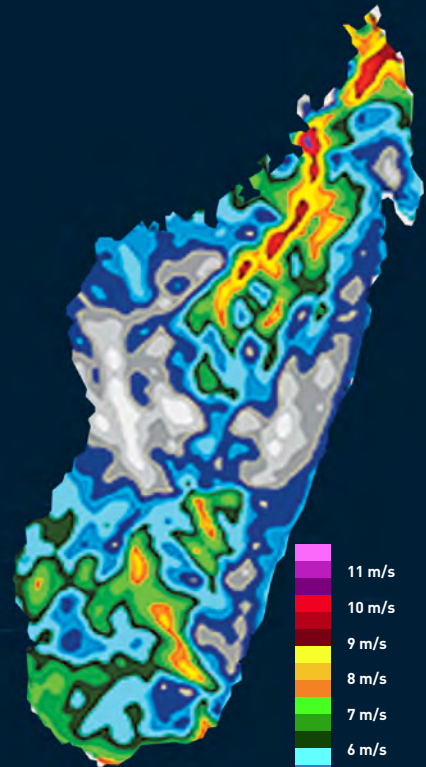
### GHI - SOLAR RESOURCE



Average annual sum, period 1994-2010

  
< 1500 1700 1900 2100 >k Wh/m<sup>2</sup>

### WIND SPEED



  
11 m/s  
10 m/s  
9 m/s  
8 m/s  
7 m/s  
6 m/s  
5 m/s  
4 m/s  
3 m/s



## FACTOR COSTS

Key factor costs for farmers and processors are highly competitive



### LABOUR

With a rural population of over 15 million and average rural incomes of less than \$1 per day, labour costs are extremely low, even by African standards.



### LAND

Local investors and smallholders are able to obtain long-term leases for agricultural land at low rates (as low as \$10 per hectare per year).



### WATER

Fees for water extraction are negligible.



### ENERGY

Agro-processing units have the potential to generate their own power from the country's ample hydro, solar, wind and biomass sources.



### TRANSPORT

Most agricultural areas are within 200 km of a major port, unlike many parts of Africa; the main ports in Toamasina and Tolagnaro have newly upgraded terminals, operated by private companies.



### COMMUNICATIONS

Like much of Africa, the telecom and internet sector is booming; intense competition between multiple players is driving down costs and ensuring coverage in all regions; 3 new fiber optic cables (EASSy, LION and AFRICA-1) now service Madagascar, further expanding capacity and driving down costs.



### RENT

Price of commercial rent competitive compared to other countries in the region.



## EXPORT INFRASTRUCTURE

Madagascar offers very good access to international markets for exporters

Unlike many production areas in Africa, all the main agricultural areas in Madagascar are within 200 km of a port. The country has 9 international ports in operation.

Investors in agribusiness, aquaculture and mining operations near the coast have also received approval to build their own terminals and jetties to enable exports of products direct from their own facilities.

With improved ports, rising imports and growing exports of textiles and other products, the frequency and competitiveness of international sea-freight to and from Madagascar is also increasing.

**Madagascar has put in place a one-stop shop for exportation allowing a quick management of exportation procedure**





## MARKETS

Agro-processors based in Madagascar enjoy duty-free, quota-free access to most major markets, thanks to a number of trade agreements

### US MARKET

- Madagascar is an Africa Growth Opportunities Act (AGO) eligible country.
- As such, companies with food processing operations in Madagascar can have duty-free access to the US market – as long as they meet relevant phyto- sanitary conditions.

### EU MARKET

- Under the EU Economic Partnership Agreement (EPA), Madagascar has tariff-free access to the EU market.
- While EU phyto-sanitary standards are challenging, several Madagascar-based producers have succeeded in meeting these standards and are exporting to the EU – examples include more than 40 lychee exporters.

### REGIONAL MARKETS

- Madagascar is a member of the Common Market for East & Southern Africa (COMESA), the Southern African Development Community (SADC) and the Indian Ocean Commission (IOC).
- Together, these regional agreements give Madagascar-based producers duty-free access significant importers of food in the region totaling 600 million consumers.



## INCENTIVE REGIME

Agribusiness export-oriented companies can benefit from Free Zones and Companies law

A Free Zones and Companies law is designed to encourage export-led growth.

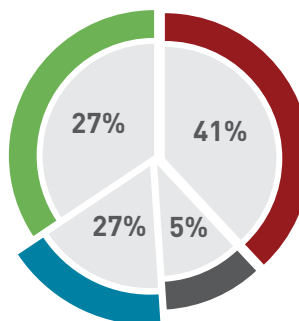
Agricultural companies are eligible for this law.

In 2016, 1/3 of free companies established are in the agribusiness sector.

Income tax exemption :

- First 15 years for free zones, then 10%
- First 5 years for processing companies, then 10%
- 2 years for service companies, then 10%

Customs duty and VAT exemptions for imports



- Agriculture
- ICT
- Manufacturing
- Textiles



## PREMIUM BRAND

Leverage the good reputation of products from Madagascar

Manufacturers want to put the “Madagascar” brand on their products, leveraging its image as a source of exotic natural products.

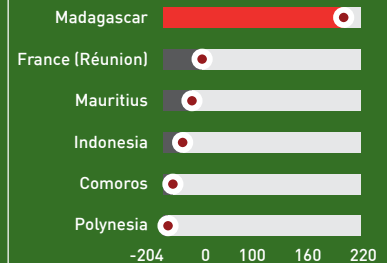
Madagascar is the world’s top exporter of vanilla and cloves, and #2 in lychees.

The cocoa and shrimp from Madagascar are considered as one of the best in the market: Fine cocoa and certified organic and Label Rouge shrimp.

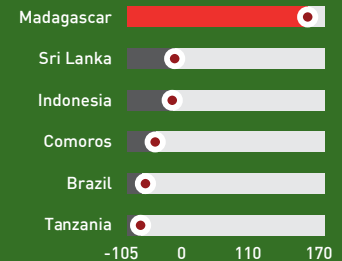
A brand of chocolate produced in Madagascar won in 2016 the Academy of Chocolate Awards as the world’s finest chocolate.



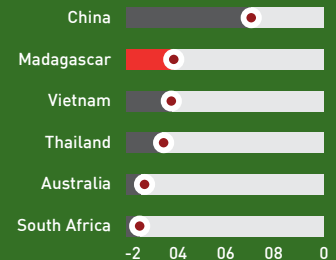
### VALUE OF VANILLA EXPORTS (US\$ MILLIONS, 2015)



### VALUE OF CLOVE EXPORTS (US\$ MILLIONS, 2015)



### ESTIMATED LYCHEE EXPORTS (THOUSAND TONS, 2014)





# OPPORTUNITIES FOR INVESTMENT



## AGRICULTURE

### FRUITS AND VEGETABLES

#### A diversified production of Fruits and Vegetables

Over the last 10 years, the global demand for fruits and vegetables has increased. In response, Madagascar can produce sustainable farming complying with organic and fair trade standards.

More than 40 Madagascar-based companies are already involved in the collection, production, processing and export of lychees. Also, more than 20 companies and cooperatives involved in the production and packaging of fruit and vegetable products for the local and export markets.

As the fruit harvesting period is rather short, much of the Madagascar production for lychee, pineapple and other fruits is destroyed or poorly valued. This provides an opportunity for investors to transform the surplus for the local, regional and international markets.

Here's a non-exhaustive list of possible fruit and vegetable cultures in Madagascar:

- **Tropical and semi tropical fruits** : banana, lychee, mango, coconut, citrus fruits, pineapple, papaya, etc.
- **Temperate fruits** : dessert grapes, apple and pear, peach and plum, strawberry, melon and watermelon, etc.
- **Fruit-vegetables** : eggplant, chili, pepper, tomato, cucumber, etc.
- **Sheet-vegetables** : round cabbage, cabbage of china, parsley, leek, etc.
- **Root-vegetables** : carrot, celery, beet, turnip, radish, endives, potato and other one tubers, etc.
- **Flower-vegetables** : cauliflower, artichoke, etc.
- **Stalks-vegetables** : splash, etc.
- **Vegetables with bulb** : garlic, onion, ginger, etc.
- **Vegetables of legumes** : bean, pea, etc.



## PALM OIL

### Leverage excess capacity in Madagascar's palm oil resources and favorable access to the largest markets to satisfy booming global demand

Madagascar offers ideal conditions for farming palm oil, there are large unused existing and potential sites throughout the country, but their potential is going to waste.

There are only a few large-scale palm oil companies which cannot even meet local demand, the country's imports of palm oil are actually increasing over time.

With much of world supply limited by deforestation, Madagascar remains an untapped sustainable supply source.

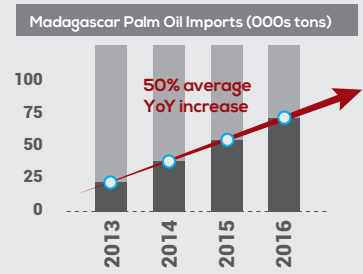
### Palm oil market opportunities

Driven by changing tastes and the food processing industry, domestic demand is booming.

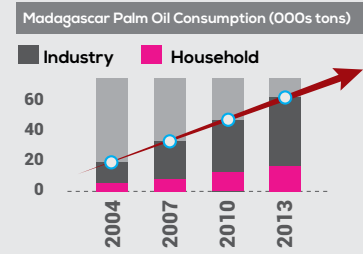
Also, thanks to its trade agreements with the EU and US, and membership of regional trading blocs (COMESA, SADC and IOC), Madagascar has favorable access to over a 1/3 of the world imported palm oil market (> USD 9 bn).

Existing companies are beginning to leverage Madagascar's premium brand to tap into the growing organic market.

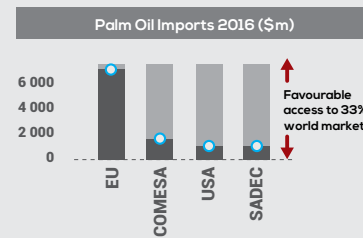
TO SATISFY GROWING DOMESTIC DEMAND, MADAGASCAR ACTUALLY IMPORTS A GROWING AMOUNT OF PALM OIL



DUE TO CHANGING TASTES AND USE IN INDUSTRY, DOMESTIC PALM OIL CONSUMPTION IS BOOMING



MADAGASCAR HAS FAVOURABLE TRADE AGREEMENTS (REDUCED TARIFFS) WITH FOUR MAJOR WORLD IMPORTERS





## SPICES AND ESSENTIAL OIL

### Madagascar climatic conditions enabling diversity of supply

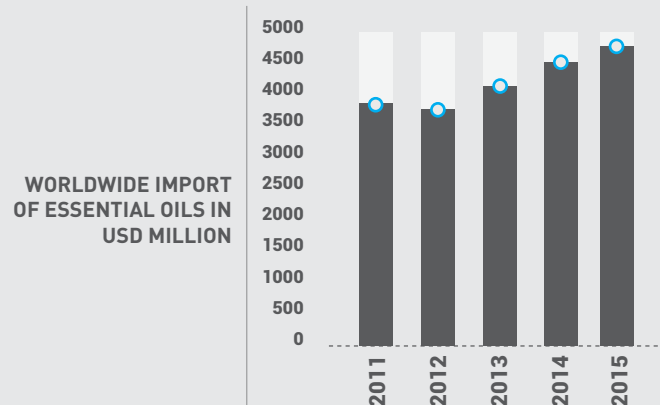
More than 100 companies already carry out the production, collection, processing and export of spices and aromatic and medicinal plants in Madagascar. Many of these companies export high quality and certified organic or fair trade products.

Large plantations exist and in several regions of Madagascar, small producers or cooperatives work with companies that collect the raw materials :

- Black pepper : East Coast, Sambirano (Northwest)
- Cinnamon : East Coast and South East
- Clove : East Coast and South East
- Ylang-Ylang : Nosy be, Ambanja, Vatomandry
- Basil : Sambirano, East Coast
- Geranium : Highland
- Vetyver : Sambirano, Bongolava

- Combava : Sambirano, Anjozorobe
- Patchouli : East Coast, Ambanja
- Ginger : East Coast and Highlands
- Vanilla : Sava Region and Est coast

### Rising global demand for essential oils





## SUGAR

### **Increasing demand**

Local and global demand for sugar and cane-based products (ethanol, electricity, molasses, rum, etc.) are outpacing supply and expected to remain strong in future years.

Madagascar has exceptional potential to become a major supplier to world markets: more than 60,000 hectares suitable for sugar production have already been identified. The North-West quadrant of the country offers ideal growing conditions with high temperatures, ample rainfall, rich alluvial/volcanic soils, and several large, lightly populated river-basins.

Madagascar consumes about 190,000 tons of sugar, but produces only 90,000 tons. Based on current trajectories, this supply gap is set to increase.

Global demand is rising, driven by increased sugar consumption and demand for ethanol, while output in key producing countries is declining; as a result, while prices of other commodities are expected to decline from recent peaks, the FAO projects that the price of sugar will continue to rise.

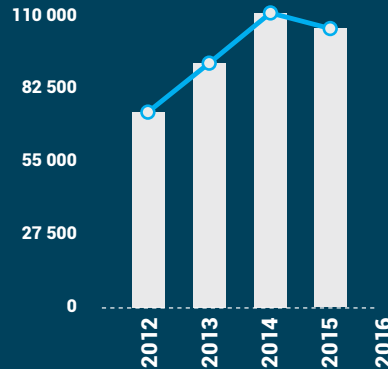
# FISHERY AND AQUACULTURE

Being an island, Madagascar has high potential in fisheries and aquaculture :

- The Exclusive Economic Zone (EEZ) is covering 115 million hectares and an extensive continental shelf of about 12 million hectares rich in fish resources.
- 4,800 km of coastline with a favorable part to marine constituting a true ecological niche culture: algae, sea cucumber, oyster, etc.
- More than 300,000 ha of mangroves, constituting a true ecological niche for conversion to shrimp farming.
- Over 50% of algae useful to human can be found in Madagascar.
- Several companies already exist and export products to the European market. The main exports from Madagascar are currently: shrimp, crab, octopus, lobster, fish, squid and eel.

Potential sites :

- **Shrimp** : 6 areas identified in the management plan by the Ministry in charge of Aquaculture (Mahajamba, Namakia, Morondava, Antsiranana, Ambilobe and Cap Saint-André). They are composed of a total of 30 sites with a production potential of 33,000 t/year.
- **Crabs** : all mangrove back areas in the west coast of the island are ideal for crab aquaculture.
- **Oysters, sea cucumber, sea lettuce and sea asparagus** : the southern and northern parts of the island are ideal for these crops.
- **Fish farming** : can be developed in several areas of the island notably in the vicinity of big cities where there is high local demand for fish and in coastal regions for exports.



Madagascar export of fish and crustaceans, molluscs and other aquatic invertebrates of Madagascar (kUSD)





## LIVESTOCK

The livestock sector represents 60 % of the incomes of rural households. Due to its numerical size, diversity and specificity, this sector has a real potential for development, especially since the pasture area is around 35 million ha. 8 million cattle with a milk production of about 400 l/year, over 3 million sheep, goats and pigs and 30 million chickens make Madagascar one of the African countries with large herds of animal's livestock. His strong expertise in the preparation of meat duck/foie gras and exotic meats (ostrich, crocodile), honey production and various other distinctive bee products is recognized worldwide.

### Animal products consumption in Madagascar

PRODUCTS	QUANTITY (t)
Meat and products from meat	295,449
Milk and dairy products	13,599
Egg	16,901
Seafood and aquaculture products	114,678
Others	4,050
Animal feed	743,962

*Source (IOC 2009)*



**Improving the business climate in Madagascar,  
promoting local and foreign investment,  
facilitating the implementation of investment projects.**



### **The Economic Development Board of Madagascar (EDBM)**

is the partner of reference for investors in Madagascar. As an investment promotion agency, the EDBM has set itself the following objectives: to strengthen the competitiveness of the Malagasy private sector, increase foreign direct investment, develop incentives linked to private investment in Madagascar, accompany investors in their implementation by providing them with dedicated services through a one-stop shop for business creation and specialized advisors.



### **EDBM'S SERVICES**

Provision of economic and sector information.

Liaison with central and local authorities.

Identification and connection with local potential private partners.

**One-Stop Shop:** facilitation of establishment and support for your activities.



**10 YEARS**  
Decree 2007,  
renewed in 2014.



Directly attached to the  
**PRESIDENCY  
OF THE REPUBLIC.**



**CLEAR MISSION :**  
Business climate,  
promotion, facilitation.



**ONE-STOP SHOP :**  
Representation from 10  
ministerial departments  
involved in company  
creation.



**NATIONWIDE :**  
8 regional offices across  
Madagascar.



**MULTI-SECTOR :**  
Board members from  
the public and private  
sectors. Personalized  
support for companies.



ECONOMIC DEVELOPMENT BOARD OF MADAGASCAR

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