



INVEST IN AGRIBUSINESS

Madagascar, Breadbasket
of the Indian Ocean



Promising Madagascar, simplifying business



Mohabg / Shutterstock

MADAGASCAR

Located in the axis Africa-Asia and not far from the Middle East and Europe, Madagascar is a strategic location along Mozambique Channel. This fourth largest island in the world is also an ideal destination for any project in agribusiness because of its human and natural resources.

Madagascar has many weather zones ranging from Tropical Savanna to Hot Desert climates. As result, Madagascar can be the location for a large range of types of cultivation and agribusiness activities.

At the same time, 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 has preferential access in many markets like in the countries of the Indian Ocean, SADC and COMESA. And the preferential access for food products and agribusiness goes beyond these areas. It also includes a range of Agribusiness products for export to the US under AGOA and the EU under the EBA.

The local market is also important and Madagascar still imports 80% of its needs for edible oil, sugar and other basic products.

Moreover, Madagascar enjoys a good image on the world market through its flagship products such as vanilla, organic shrimp organic vegetables and fine cocoa. A company located in Madagascar will therefore be able to take advantage of this good image to sell high-end products on the international market.

Thus, Madagascar is the right destination in agribusiness and this is not only in farming but throughout the value chain: processing, inputs, services, etc. and there are real opportunities for investors in each level of this value chain.

MADAGASCAR AT A GLANCE



Area : **587,295 km²**,
4th largest island
in the world



Population :
24 million



Currency:
Ariary (MGA)



Capital:
Antananarivo



GDP Growth rate
in 2017: **4.3%**



Coastline:
4,800 km



Climate: **tropical
along coast,
temperate inland,
arid in south,
periodic cyclones**



Time Zone:
GMT +3



Official
languages:
**Malagasy
and French**

TAXATION SYSTEM

| | Rate | Frequency |
|--------------------------------|------|-----------|
| Income Tax | 20% | Yearly |
| VAT | 20% | Monthly |
| Whitholding Tax | 20% | Monthly |
| Contribution to Social Welfare | | Quarterly |
| Company | 13% | |
| Employee | 1% | |
| Contribution to Health System | | Quarterly |
| Company | 13% | |
| Employee | 1% | |



LEGAL FRAMEWORK

LABOR LAW

- 40 hrs of work week
- 2.5 days paid leave per month
- No quota on work permits for international employees

INVESTMENT LAW

- 100% share ownership allowed for non-nationals
- Freedom to invest in all sectors without distinction of Origin
- Freedom for companies to transfer profit and dividend
- Freedom for employees to transfer wages and savings

CORPORATE LAW

- Companies have to be registered in the Commercial and Companies Register and must have Tax and Statistic Cards
- Accounts complying with International Standards
- Most familiar forms of companies are LLC (GmbH): SARLU, SARL, and SA
- Share capital and nominal value of shares are freely determined by statutes for SARLU and SARL

ACCESS TO LAND

For an international investor, land can be acceded through an Emphyteutic Lease: Lease duration of 18 to 99 years and renewable

AGRIBUSINESS FACTS

THE AGRIBUSINESS SECTOR IN MADAGASCAR IS AN ATTRACTIVE SECTOR AND ALL SUB SECTORS CONCERNED ARE GROWING NAMELY AGRICULTURE, LIVESTOCK FARMING, FISHING, AQUACULTURE AND PROCESSING OF AGRICULTURAL PRODUCTS

80%
OF THE ACTIVE
POPULATION IN
MADAGASCAR

26%
OF THE
COUNTRY'S
GDP

MADAGASCAR PRODUCES
3.6 MILLION
TONS OF RICE AND MORE
THAN ONE MILLION TONS OF
OTHER GRAINS

MADAGASCAR HAS A
70% MARKET SHARE
IN EUROPE FOR LYCHEE

AND
50% OF THE WORLD'S
NATURAL VANILLA

LYCHEES EXPORTED BY
MADAGASCAR COMPLIES GLOBAL
GAP STANDARD

MADAGASCAR CURRENTLY EXPORTS
CERTIFIED ORGANIC GREEN BEANS
AND PROCESSED VEGETABLES ACROSS
EUROPE

MADAGASCAR PRODUCES AND EXPORTS
CERTIFIED ORGANIC SHRIMP

THE COCOA FROM MADAGASCAR
IS ONE OF THE BEST ON THE MARKET AND
QUALIFIED AS «FINE COCOA»

MALAGASY AGRIBUSINESS
COMPANIES ARE CURRENTLY
ADOPTING INTERNATIONAL
STANDARDS TO MEET THE
REQUIREMENTS IN TERMS
OF HYGIENE, SAFETY AND
TRACEABILITY



ACCESS TO LAND

To access farmland, private investors rely mainly on three approaches:

- Use of large farmland plantation: In this case, investors take out leases with the Malagasy Government or with other private companies
- Contract farming: This allows a partnership between private companies and local producers. Through this partnership, companies supervise producers, provide seeds and technologies, while producers are committed to supplying the company with the products of their plantation, in accordance with well-defined specifications
- Mixed between contract farming and controlled agriculture. This approach combines the benefits of contract farming and big plantations. In this case, the companies contract with the State or with other private companies to plant on big scale of land but also work closely with the local communities



SUCCESS STORIES

Madagascar has already attracted several successful investments in a wide range of agribusiness value chains. Here are some examples of «success stories»

- Production, processing and export of vegetables (especially green beans). The company works in collaboration with more than 10,000 farmers in three regions of Madagascar: Analamanga, Itasy and Vakinankaratra
- Production, processing and export of artemisia. It is a plant from which is extracted artemisinin which is the active ingredient of the drugs against malaria. This company works in collaboration with farmers in several regions of Madagascar: Haute Matsiatra; Antsinananana and Vatovavay Fitovinany
- An international group and one of the largest supplier of aroma and flavors in the world is also based in Madagascar. This company works with vanilla thousands of producers in the SAVA region and its social and environmental actions target more than 10,000 households in this region

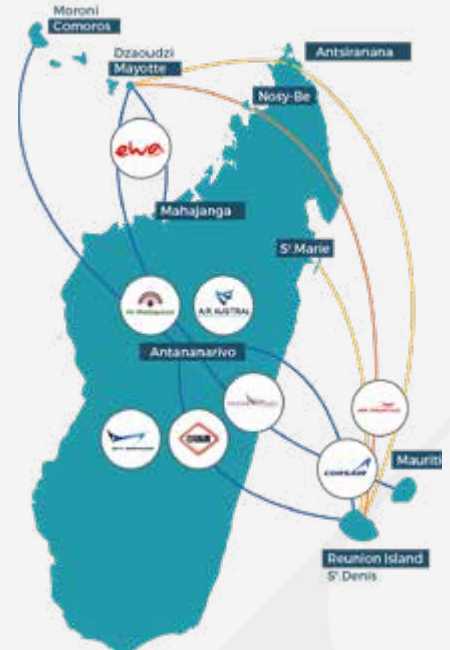


AIRLINE CONNEXION

LONG-HAUL CONNECTIONS



REGIONAL CONNECTION



AIRFRANCE

AIRLINK
Freedom of the African Sky

Meridiana fly

Kenya Airways

CORSAIR

Air Madagascar

Ethiopian Airlines

TURKISH AIRLINES

AB Aviation

AIR MAURITIUS

ewa

AIR AUSTRAL

LOT

SOUTH AFRICAN AIRWAYS

ROYAL BRITANNIA

CIVAIR

WHY MADAGASCAR?

IDEAL CLIMATE FOR AGRICULTURE

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



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.

AVAILABLE LAND

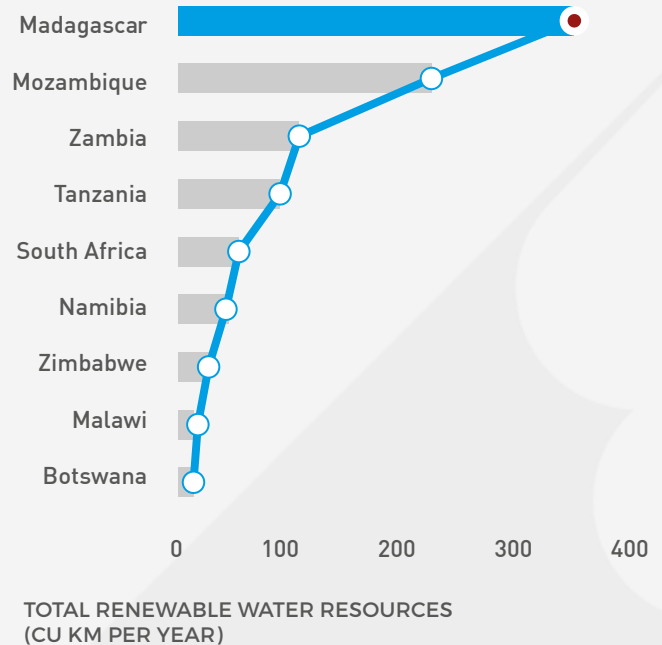
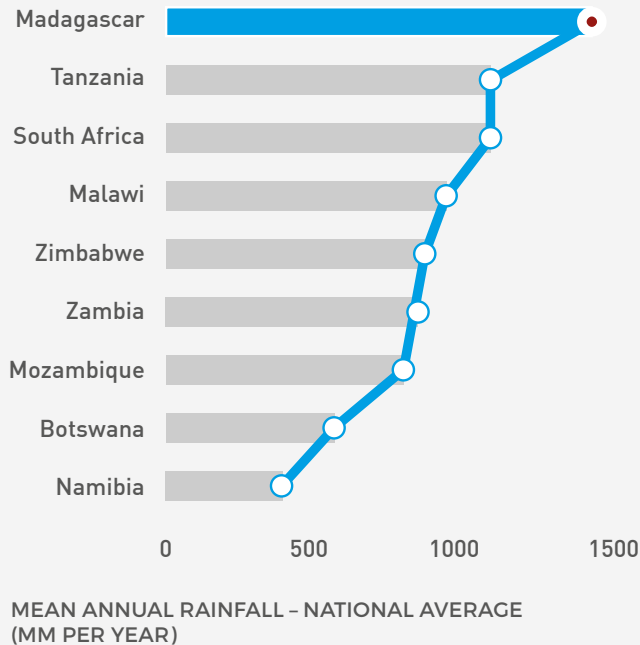
60 million hectares, most of which is suitable for agriculture, but less than 10% utilized-providing ample room for expansion by smallholder-suppliers





BIGGEST WATER RESOURCES IN SOUTHERN AFRICA

MADAGASCAR BOASTS THE HIGHEST RAINFALL IN THIS REGION



ENERGY SUPPLY

AGRO-PROCESSING UNITS HAVE THE POTENTIAL TO GENERATE THEIR OWN POWER FROM THE COUNTRY'S AMPLE HYDRO, SOLAR, WIND AND BIOMASS SOURCES



EXISTING INPUT SUPPLIERS AND INCENTIVES FOR INPUT SUPPLY

Agricultural producers in Madagascar have access to two main local sources of fertilizers:

- The extremely nutrient-rich Organic bat-guano deposits
- New ammonium-sulphate production from a giant mining project, with the capacity to produce up to 210,000

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 fertilizer, agricultural materials are exempt from import duty and VAT

Importation of day-old chicks is also exempt from import duty and VAT

KEY COMPETITIVE FACTORS

- Competitive labor cost:
Minimum wages around 70 USD
- 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 in some locations)
- Fees for water extraction are negligible
- Agro-processing units have the potential to generate their own power from the country's ample hydro, solar, wind and biomass sources
- Price of commercial rent competitive compared to other countries in the region





EXPORT INFRASTRUCTURE OFFERING VERY GOOD ACCESS TO INTERNATIONAL MARKETS

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



ACCESS TO REGIONAL AND INTERNATIONAL 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 (AGOA) eligible country

As such, companies with food processing operations in Madagascar can have duty-free access to the US market

EU MARKET

Under the EU Economic Partnership Agreement (EPA), Madagascar has tariff-free access to the EU market

Madagascar is benefitting from EBA for Export ton to the EU market

REGIONAL MARKETS

Madagascar is a member of the Common Market for East & Southern Africa (COMESA) and Southern African Development Community (SADC)

Together, these agreements give Madagascar-based producers duty-free access to significant importers of food in the region

LEVERAGE THE GOOD REPUTATION OF PRODUCTS FROM MADAGASCAR

BRAND PREMIUM

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

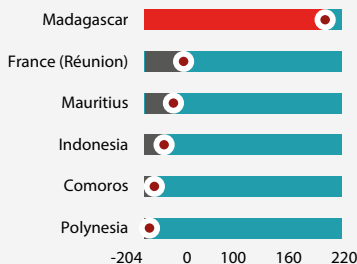
Madagascar is the world’s top exporter of vanilla and cloves, and #2 in lychees

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

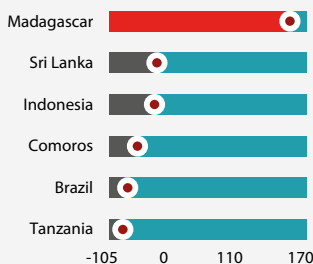
A brand of chocolate produced in Madagascar wins in 2016 the Academy of Chocolate Awards as the world’s finest chocolate



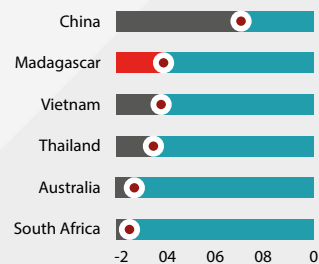
VALUE OF VANILLA EXPORTS (US\$ MILLIONS, 2015)



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



ESTIMATED LYCHEE EXPORTS (THOUSAND TONS, 2014)



INCENTIVE REGIME FOR EXPORT-ORIENTED COMPANIES

A FREE ZONE LAW 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% (Instead of 20%)

First 5 years
for processing companies,
10% (Instead of 20%)

2 years
for service companies,
10% (Instead of 20%)

Customs duty and VAT exemptions for imports of raw materials



OPPORTUNITIES FOR INVESTMENT

AGRICULTURE

FRUITS AND VEGETABLE

DIVERSIFIED PRODUCTIONS OF FRUITS AND VEGETABLES

The last ten years, the global demand for fruits and vegetables are increasing and Madagascar has the opportunity to 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.

Much of the Madagascar production for lychee, pineapple and other fruits is actually poorly valued. This provides an opportunity for investors to transform the surplus for the local, regional and international markets.

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.





EDIBLE 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 and oilseeds, there are large unused existing and potential sites throughout the country.

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

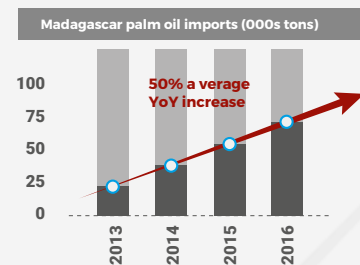
Madagascar imports over 80% of its edible oil needs

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

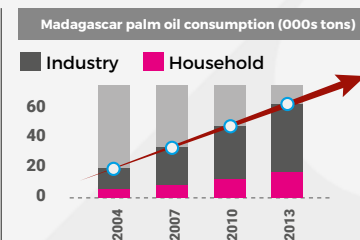
Also, thanks to its trade agreements with the EU and US, and membership of regional trading blocs (COMESA, SADC and IOC), Madagascar has favorable access to over a third of the world imported palm oil market (>\$9bn).

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

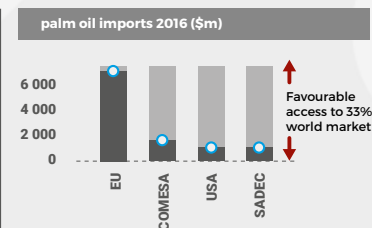
TO SATISFY GROWING DOMESTIC DEMAND, MADAGASCAR ACTUALLY IMPORTS A GROWING AMOUNT OF PALM OIL



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.

Major exporters currently supply Madagascar like Givaudan, Symrise and the major international brands use products from Madagascar as Coca-Cola, Givenchy etc ...

Essential oils are eligible for the AGOA market, Madagascar already imports more than 34 million USD a year in the US and this market still has a potential of 1 billion USD

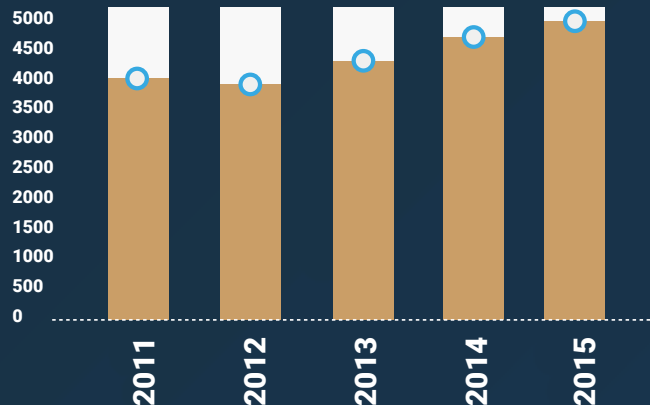
Large plantations exist and in several regions of Madagascar, small producers or cooperatives work with companies that collect the raw materials:

- 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

WORLDWIDE IMPORT OF ESSENTIAL OILS IN USD MILLION





SUGAR

INCREASING LOCAL DEMAND

Madagascar has an 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.

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Sugar production (T) | 54 005 | 70 878 | 69 447 | 75 847 | 98 004 | 96 708 | 86 955 | 96 730 |
| Importation (T) | 127 270 | 91 857 | 107 628 | 103 492 | 112 522 | 128 484 | 129 387 | 103 471 |
| Consumption rate (kg per capita) | 7.74 | 6.49 | 7.37 | 6.40 | 6.39 | 8.39 | 8.50 | 8.31 |
| Exportation (T) | 26 756 | 29 400 | 21 244 | 40 000 | 66 391 | 31 918 | 20 524 | 8 784 |
| Domestic consumption (T) | 154 518 | 133 335 | 155 831 | 139 340 | 143 115 | 193 275 | 195 818 | 191 417 |

ORGANIC PRODUCTS

The global organic market is up 14% year-over-year in the last 10 years

The market projection is nearly 8 billion USD in 2018

Madagascar has land not contaminated by chemicals that can be converted directly into organic

Some facts:

134 certified

entities (companies, cooperatives etc ...)

22,812

certified

small producers

200 sites

(storage unit, processing unit etc ...)

More than

7000 employees

involved

121,504 ha

of certified area

Annual turnover
of more than

55 million Euros

50% increase

in products
exported in 2016

Main markets:

EU (France 38%), USA,
Canada and local
market

Various products:

Spices:

vanilla, cloves etc

Livestock:

honey and shrimp

Rice:

About 20 tons currently but a great market potential because Reunion needs more than 300 tons per year (Obligation to include organic products in school canteens)

Processed products:

fruit juice, jam, frozen products



FISHERIES AND AQUACULTURE

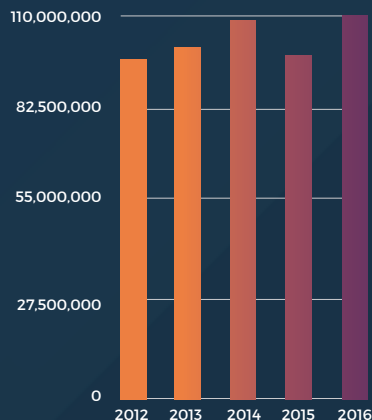
Being an island, Madagascar has high potential in fisheries and aquaculture:

- The exclusive Economic Zone 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 per 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)





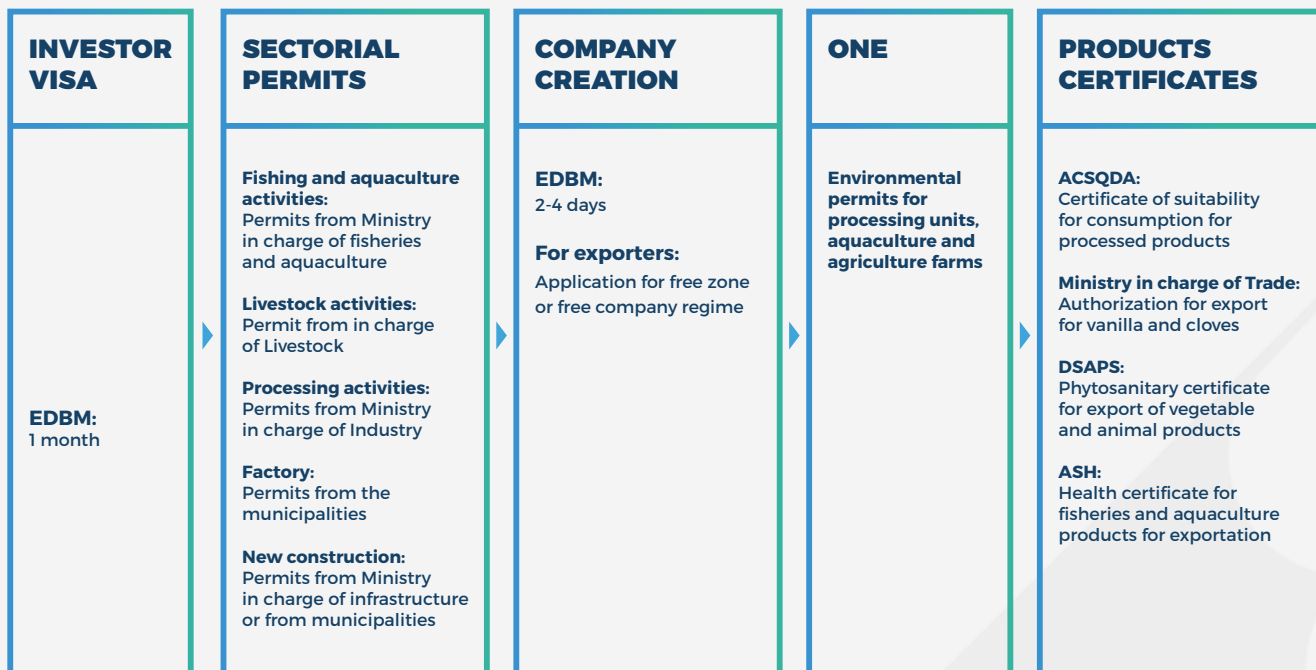
LIVESTOCK

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 |

MAIN STEPS OF THE INVESTMENT PROCESS





“

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.







 +261 20 22 670 40

 dsi.agribusiness@edbm.mg

 www.edbm.mg

 ECONOMIC DEVELOPMENT
BOARD OF MADAGASCAR

EDBM Building

Général Gabriel Ramanantsoa Avenue

Antaninarenina - 101 Antananarivo - Madagascar