

CARD 5th General Meeting
Dakar, Senegal
February 4, 2013

Building Sustainable Food Markets

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GADCO is an integrated agri-food company focused on delivering strong financial, social & environmental returns



Vertically-integrated, commercial operation producing food products for domestic markets



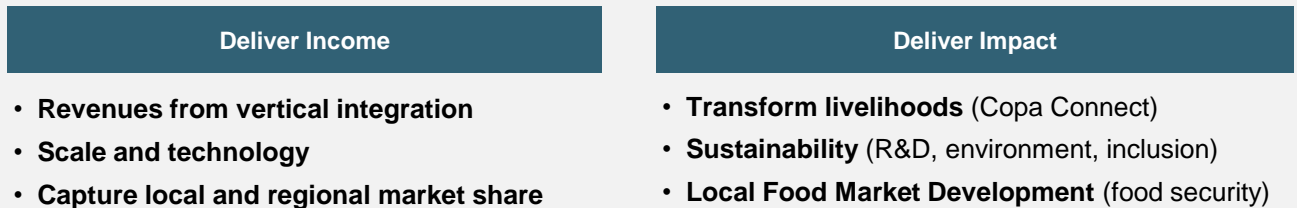
Operate the largest rice farm in Ghana with modern, technical capability from Brazil



Institutional partnerships to scale, de-risk, and deliver strong returns



Shared value business model to deliver income and impact at scale



The African Context

Key Challenges for African Agriculture



Significant Market Challenges

- **High degree of producer fragmentation**
 - Dominant (>90%) production by volume made up of smallholders
 - Precarious land rights for producers leading to unsustainable agriculture with significant land degradation
- **Weak market linkages leads to both poor producer financial returns and reinforces lack of incentives**
 - Smallholder surplus crops have weak market access in formal market chains and at the mercy of ‘middlemen’
 - Producers trapped in *farmgate* economics – no ‘upside’ in price booms, yet full ‘downside’ transfer during price slumps
- **Productivity is 40% of global benchmarks despite strong comparative advantage in natural resources**
 - Stagnated yield growth for key staples and cash-crops
 - Weak regional R&D capacity to improve yields & quality
 - Lowest input and mechanization per hectare globally
- **Weak value chains has led to reduced investment in agri-based infrastructure and low credit availability**
 - Significant loss of competitiveness post liberalization
 - Rising imports (\$50bn) meeting rising consumer demand in fast urbanizing African cities

.....Yet Agriculture Remains Key for Impact

- **Agriculture sector is critical for economic development and food security**
 - 33% of the GDP in sub-Saharan Africa with >70% of the population engaged in sector
 - Food demand outstripping local supply (\$50bn in imports + \$3bn in food aid) and diet changes favor packaged foods
 - Social and political sensitivity, especially after 2008 crisis
- **Most of the poor directly involved in the sector**
 - Rural economies (mainly smallholders) depend on agriculture as the primary source of livelihood
 - Women grow and sell ~80% of the food however, they own <1% of the land and receive limited credit
 - Smallholders, particularly women, have an important role to play in increasing efficiency and capturing market share
- **Agriculture plays a major role in environmental sustainability**
 - Agriculture and forestry account for up to 30% of global GHG emissions; agriculture by far the largest user of water
 - Environmental factors (e.g., climate change and soil degradation) threaten future yield potentials
- **Agriculture offers a ‘double dividend’ investment**
 - Smallholders are both income *generators* (i.e. producers) and *food product consumers*

Copa Connect is GADCO's smallholder program core to our business strategy and designed to transform livelihoods



- Innovative smallholder program that connects smallholders into GADCO's market-driven infrastructure, or **provides an integrated suite of services** including:
 - **Production** Infrastructure: R&D, affordable technologies, education, agri-services and inputs
 - **Processing & Logistics** Infrastructure: logistics, grain storage, drying, processing, ICT
 - **Market** Infrastructure: packaging, branding, distribution to end-markets under "Copa" brand
- **Core to business strategy:** Fundamental to GADCO's market share aspirations; aims to generate >\$30M in sales, >\$5M in EBITDA (after disbursement of net income to smallholders) and >35% of GADCO's paddy rice volume by 2016
- **Transformational impact:** Designed to increase farmer income by >200% driven by:
 - Yield increases with improved inputs and technology tested and proven on nucleus production
 - Better agronomic practices through training that increases both yield and quality of product
 - Share of end-market price (not farm-gate price) connecting them to high-value products
- **Scalability:** Currently targets 7,500 smallholders by 2016 (3,000 irrigated and 4,500 rain-fed)
 - There are already 7,500 HA of irrigation schemes in Ghana and circa 11,000 rice growing smallholders in the Volta region alone
- **Catalytic investment and financial sustainability:** Copa Connect will be cash flow positive from the second season (year 2), scaling to ~\$30M by 2016. However, catalytic investment from partners is needed as commercial partners are deterred by the initial risk of working with smallholders

Copa Connect is designed to transform livelihoods of smallholders and to deliver broader development impact



Direct smallholder benefit with **income increase of 200 – 300%**

Aggregate (irrigated & rain-fed) **annual net benefit of USD ~900** for **7,500 smallholders** by 2016

Smallholders today

- **Yield:** ~2 tons/ha (lack of inputs, financing, agronomic practices etc.)
- **Quality:** majority broken grains uncompetitive with imports (poor practices, small-scale milling)
- **Price:** USD 350 – 500 per ton for paddy rice sold at harvest
- **Net Income:** USD 288 for rain-fed and USD 890 for irrigated (low yield, quality and paddy price)

Copa Connect Smallholders

- **Yield:** 3+ tons/ha for rain-fed and >4+ tons/ha for irrigated farmers from GADCO inputs, extension
- **Quality:** Copa products competing with imported brands with training, state of the art milling, incentives
- **Price:** share end Copa product price of USD 900 – 1,200 per ton
- **Net Income:** USD 330 – 800 for rain-fed and USD 1,530 – 2,660 for irrigated (net of 30% for GADCO)

Significant broader **development impact**

- **Gender and youth:** form core representation in the Copa Connect program
- **Small business entrepreneurs:** Lead Farmers will be providing services to smallholders and operating as entrepreneurs in the community
- **Domestic food market development:** increase the share of domestically produced food product, contributing to food security
- **Rice value chain development:** introduction of R&D, products (e.g., tailored crop protection & fertilizer), agronomic practices, mechanization, processing technology and market access to develop a rice cluster in Ghana

Transformational impact for smallholders and contribution to broader agricultural and rural development

Key points of innovation define the program based on first-hand experience of building food chains in West Africa



Centralised
Production Services



Grain Logistics &
Processing



Food Production



Distribution &
Markets

MARKETS
(national and
regional)

- **Fully integrated and holistic approach:** Copa Connect builds on GADCO's capability across the value chain and extends this full capability to smallholders, minimizing risk and maximizing impact & returns
- **Market economics (not farm-gate economics):** integration of smallholders into branded food product markets through a commercial, scalable and replicable model. This increases their competitiveness as they are now entrepreneurs linked to organized markets.
- **Technology transfer into Ghana:** through nucleus production and Copa Connect, GADCO is introducing technological innovation (e.g., Brazilian capability, research on new seed varieties, improved agri-inputs designed for smallholders, no-till planting, irrigation techniques) that is creating a shift in the industry in Ghana
- **Product innovation:** Copa Connect allows GADCO to create segmented rice products for different consumer categories in Ghana and develop the domestic consumer markets

The World Bank has partnered with GADCO to conduct a full & rigorous impact evaluation of the program

Appendix



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Using Clusters to Develop Market-Driven Infrastructure (MDI)

Intro to MDI and Building Food Markets with Smallholders



MDI Background

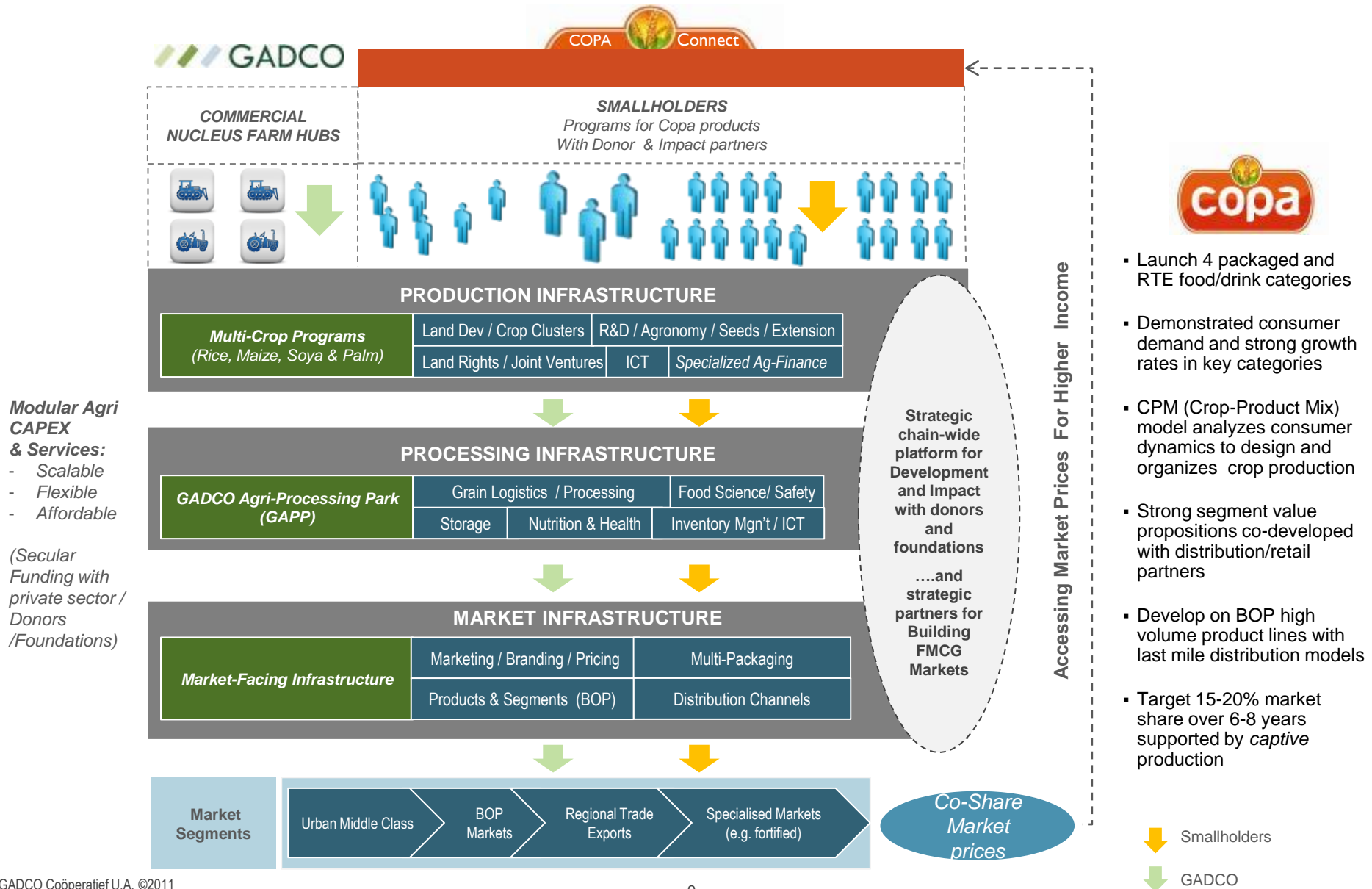
- 4 years of research and operations has informed MDI thinking, including discussions with key stakeholders (from Fortune 500 companies to smallholders in Ghana)
- GADCO's central belief is African FMCG market expansion is possible with domestic producers but requires coordinated stakeholder action and new business models
- GADCO design principles for Creating Shared Value in MDI :
 - **Vertical Integration** – control core activities & reduce risks and maximize margins
 - **Multi-Product Categories** – expand smallholder base to build core high volume categories
 - **Impact-orientated** – connect smallholder producers and build BOP food products lines
 - **Nexus for Collaboration** – partnerships for technology, innovation, new products, and development

What is MDI?

- MDI is innovative and strategic infrastructure (*hard and soft*) to build GADCO's competitiveness in African FMCG food markets.
 - Builds and co-ordinates '*farm-2-consumer products*' to win market share in African mass food markets
 - Transforms livelihoods by integrating smallholders into high growth food markets through 'Copa-Connect' – as both entrepreneurial *producers* and *consumers*
 - Aligns incentives and integrates capabilities for strategic, operational and impact/development partners under a powerful *shared value* model

Market-Driven Infrastructure & Creating Shared Value – Schematic

Co-Building Scalable Food Markets with Smallholders

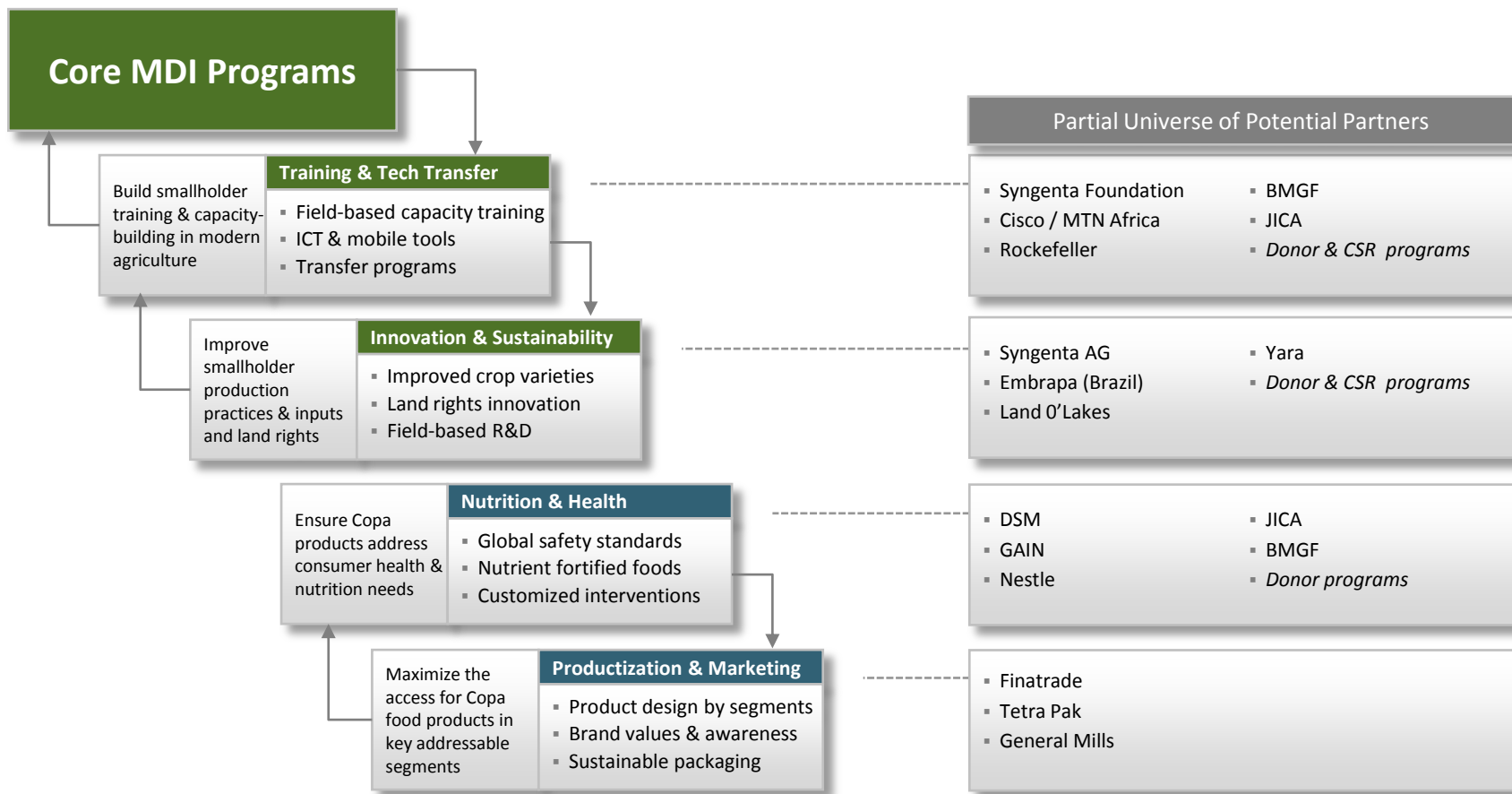


Market-Driven Infrastructure (MDI) Drives Innovation & Impact

Core MDI Programs and a 'Pull' Platform for Public, Private, & CSR Partners

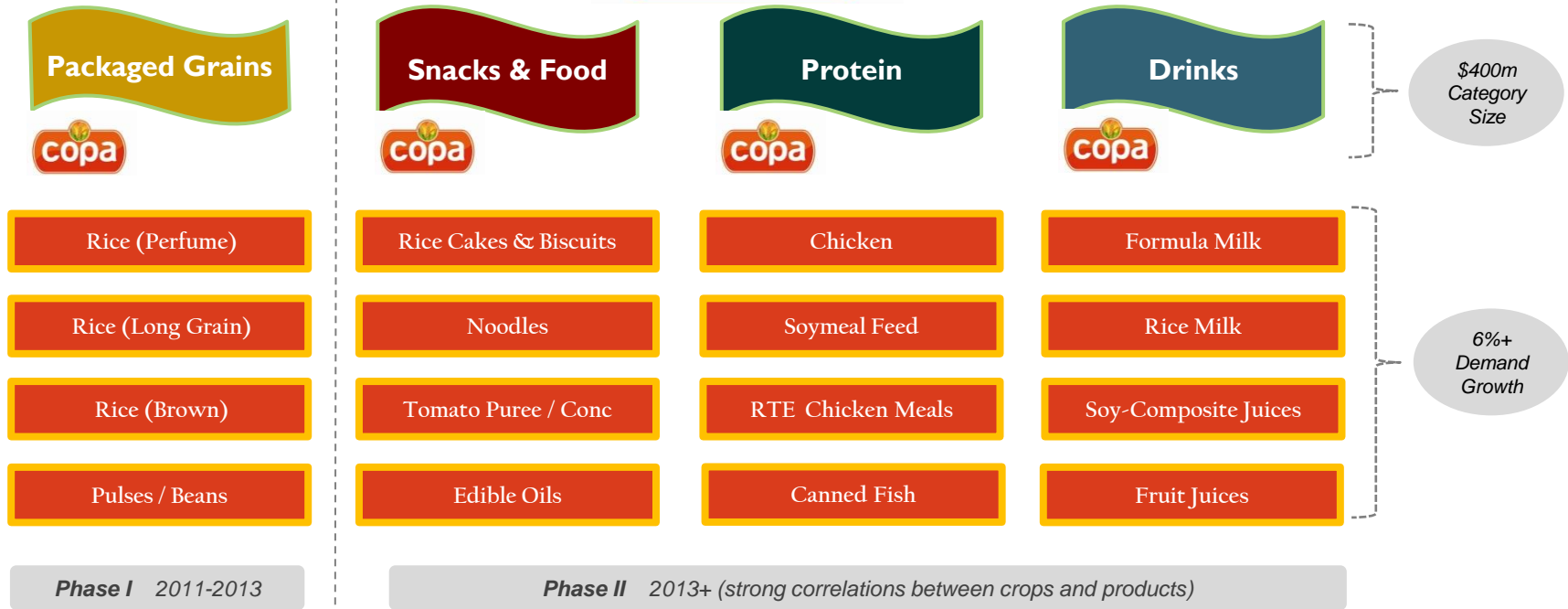


GADCO will continue forming alliances and partnerships to execute its business plan and build impact.



Copa Product Roadmap (2012-2017+)

Key FMCG Market Categories and Product Options based on CPM Analysis



- Crop: **RICE**
- Strong segmentation
- Pulses / Beans – *research*

• **Low MDI investment / complexity**

• **Medium smallholder aggregation**

- Crops: **RICE / WHEAT / MAIZE / FFV / PALM**
- Strong segmentation

• **High MDI investment / complexity**

• **High smallholder aggregation**

- Crops: **SOYA / MAIZE**
- Medium segmentation
- Cold chain required

• **High MDI investment / complexity**

• **High smallholder aggregation (in feed)**

- Crops: **SOYA / FFV**
- Medium segmentation

• **High MDI investment / complexity**

• **High smallholder aggregation**

syngenta

Crop Variety & Yield Program covered by Syngenta



GADCO Operations

Largest Rice Farm in Ghana Built using Brazilian Technology Transfer



Fully irrigated production with initial harvest in July 2011

GADCO farmland includes conservation corridors and practices (incl. no-till planting)



Additional high-yield cultivars currently being tested

Intercropping of soy commencing in 2013



GADCO Operations

Quality Inputs are Key to Sustained Productivity & Building Food Markets



Varietal seed – Jasmine 85 Rice



Agri inputs from Yara International & Syngenta AG



Initial Paddy Field (day 15)



Land Contouring Improves Input & Water Management



Initial growth of Jasmine 85 Rice



Water Access to Paddy Fields



GADCO Operations

Investment in Water Infrastructure for Irrigation and Water Harvesting



Brazilian land use planning and irrigation systems (contour-based irrigation) with water re-cycling



GADCO Operations

Mechanization to Drive Productivity & Product Quality



Agricultural mechanization is a key driver for productivity - as well as creating scale and competitiveness for commercial (inc. smallholder) farmers



GADCO Leadership Team

Biographies



**Toks
Abimbola**



- Mr Abimbola is a co-founder of GADCO and leads the strategic direction of the Company.
- Over 14 years experience in Principal Investment, Consulting, Strategy and Operations in Europe, Africa, India and LATAM.
- Mr Abimbola has a successful track record of leading investment origination, operations, advisory, execution and operations across the infrastructure, agribusiness, engineering and energy sectors in Sub-Saharan Africa
- Adept at managing the complex interfaces between the private sector to governments and regulators
- Prior to founding GADCO Mr Abimbola led Global Consulting Service as Hewlett Packard and was a member of the turnaround team at Energis. Mr Abimbola also headed European M&A and distribution at Finoble Investment Banking.
- He also advises Shoreline Energy International, a leading Africa Infrastructure group and member of the WEF global growth company; its assets include Costain West Africa PLC, ABB Electrical Systems and Schlumberger Testing and Production.
- Founded and co-managed aquaculture farming operation in West Africa with IFC backing.

**Iggy
Bassi**



- Mr Bassi is a co-founder of GADCO and leads the strategic direction and sustainability efforts of the Company.
- Over 15 years experience in the corporate and advisory sectors (investments, science, technology and sustainability), in both in emerged and emerging markets. Advises and speaks on issues of sustainability, food security, and economic development.
- Founder of Argopolo Management Company focusing on sustainability and investments in Europe and Middle East
- Started his career in cross-border mergers and acquisitions at Broadview (now Jefferies) and also worked at the Monitor Group as a strategy consultant advising Fortune 500 companies on competitiveness, operations, and innovation.
- Authored and edited book on private equity focused on fund structures, regulation and social venture capital (*'Structuring European Private Equity'* – Euromoney Books 2006)
- Holds a Masters degree from Cambridge University - awarded the Economic and Social Research Scholarship. He also holds a first class honours degree.

**Karan
Chopra**



- Mr Chopra heads Strategy, Partnerships and Business Development for GADCO.
- Experience in agriculture, forestry, natural resources management and economic development.
- Previously worked as a strategy consultant with McKinsey & Company where he was awarded the Social Sector Fellowship and focused on market-based and scalable solutions for broad-based economic development.
- At McKinsey & Company, Karan advised multiple stakeholders (governments, leading foundations, Fortune 500 businesses and NGOs) on broad ranging economic development topics, including agriculture transformation, REDD strategy, low carbon economic development, forestry, sustainability, and reconstruction in multiple countries including Ethiopia, Guyana and Haiti.
- He has lived in West Africa for 18 years and previously worked in Germany for Siemens AG.
- Karan received his BSc in Electrical Engineering with highest honors from Georgia Institute of Technology in Atlanta. He is currently a candidate for the MBA at Harvard Business School.



Team	Background
<p>Lord Malloch-Brown (GADCO Board Member & Chairman)</p>	<p>Mark Malloch-Brown has had an enduring and distinguished career effecting change globally in both the private sector and the international political arena. He has successfully held the roles of journalist, business executive, development specialist, diplomat, philanthropist and political leader at the highest levels. He is well-known as an outspoken participant in debates on foreign policy, development, refugees, democracy and the reform of global governance. Mark has served as number 2 at the UN (under Kofi Annan); Head of United Nations Development Program (UNDP); Minister of Africa for UK Government ; Vice-Chairman of Soros Fund Management; and currently serves in a variety of roles including Chairman of Global Affairs for FTI Consulting and Vice-Chairman of the World Economic Forum (WEF). In 2011 he published 'The Unfinished Global Revolution' focused on globalization and development.</p>
<p>Robert Martin Chief Investment Officer of Summit Capital LLC (GADCO Board Member)</p>	<p>Robert is Partner and Chief Investment Officer of Summit Capital Group LLC – a \$650m asset management fund in Seattle. His role includes Co-Portfolio Manager for the individually managed accounts at Summit Capital Management and Summit World Partners, LP, as well as Portfolio Manager for Echelon Partners LP. Rob co-founded Martin Investment Group (MIG) in 2002, a predecessor company which merged with Summit Capital in 2006. Prior to forming MIG, Rob was a Managing Director at Friedman, Billings, Ramsey Group (FBR), an institutional brokerage firm and investment bank located in Arlington, VA. His most recent position until departure in March 2002 was Managing Director, Senior Analyst within the Equity Research Group at FBR. He began his career at FBR in May 1995 as an associate within the Investment Banking group. Rob received his MBA from George Washington University in 1995 and his Bachelor of Arts from Temple University in 1993.</p>
<p>Kevin Tidswell Global Environmental Fund (GADCO Board Member)</p>	<p>Kevin Tidswell is a Vice President at the Global Environment Fund (GEF) focused on sustainable forestry. His responsibilities include deal sourcing, monitoring and value creation related to integrated, sustainable forestry projects in Africa and Latin America. Prior to joining GEF, Mr. Tidswell was a Watson Fellow in Africa and Latin America examining eco-tourism strategies. Mr. Tidswell joined GEF in 2004 as an employee at Global Forest Products in South Africa and has since focused his efforts on opportunities to improve silviculture, residue management, and value-chain efficiencies. Mr. Tidswell graduated from Rice University with degrees in History and Environmental Engineering. He has an MBA from the Yale School of Management and a Masters of Environmental Science from the Yale School of Forestry and Environmental Science.</p>
<p>Catherine Casey (GADCO Board Member)</p>	<p>Ms. Casey leads Acumen Fund's expansion initiatives, including setting global expansion strategy, building regional teams, fundraising and investing in new regions. She launched Acumen's West Africa office, based in Accra, where she built regional operations, established an investment pipeline and made the first two investments. Ms. Casey joined Acumen in 2007, and has worked with social enterprises across East and West Africa, including the expansion of CFW Shops' health clinics across Kenya. She holds a BA with Highest Honors from Princeton University, and an MPP from Harvard University, as a Reynolds Fellow.</p>
<p>Dr Sergio Paulo Rouanet (GADCO Advisor for Brasil)</p>	<p>Dr Rouanet served as the Ambassador for Brazil; Minister for Culture (<i>introduced the influential Lei Rouanet</i>), and is a member of the Academia Brasileira de Letras and recipient of the Goethe medal. He has earned postgraduate degrees from Georgetown University and University of Sao Paulo. He remains an active public figure with strong networks in academia and public policy in Brazil, with over 10 published books.</p>