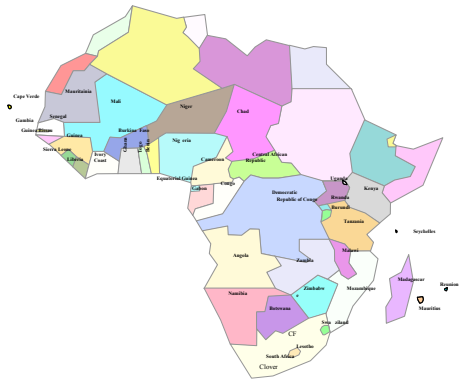


Global expansion in dairy - the emerging countries

by: Manie Roode
on behalf of Robert Wesseloo

23 November 2004

Sub-Saharan Africa



Sub-Saharan Africa – some statistics

	SSA	EU	World	SSA as % of world
Number of countries	42	25	192	22
Population (m)	540	450	6 400	8
GNP US\$ (bl)	302	13 000	52 000	0,6
Growth % last 5 years	3,2	2,1	3,5	n/a
Growth % next 5 years	3,1	2,3	3,3	n/a
GNP per capita p.a. US\$	560	30 000	8 200	14,6 times
Consumption per capita kg/lt	19	320	-	-

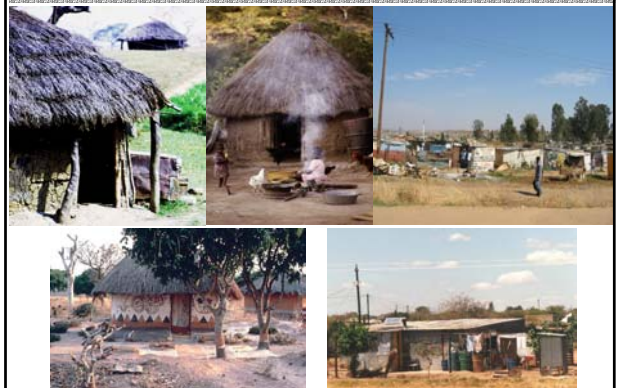
What do we look like?



What do we do?



Where do we live?



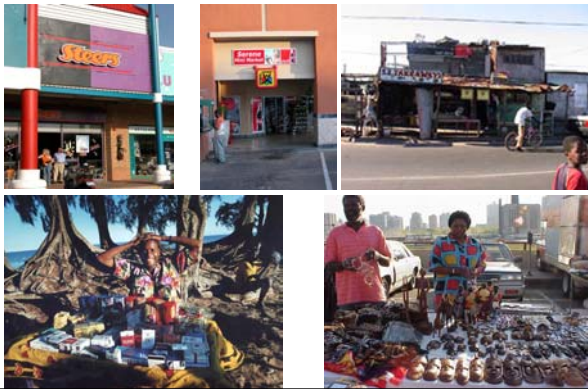
Where do we live



How do we get to the consumer



How do we get to the consumer



What good can come out of Africa?



What good can come out of Africa?



South Africa – the giant in SSA

	South Africa	SSA	South Africa as % of SSA
People (m)	43	540	8
GNP (US\$ bl)	133	302	44
GDP per capita (US\$)	3 200	560	5,7 times
Dairy consumption per capita – kg	66	19	3,5 times

21st largest in world
Universities for Africa
Technology hub

Medical centre for Africa
African Parliament

Closer analysis of SSA

Top 10 countries 70% of population

Top 10 countries 80% of GNP

Top 10 countries >\$700 per capita p.a.
i.e. > \$2 per day

SSA potential*

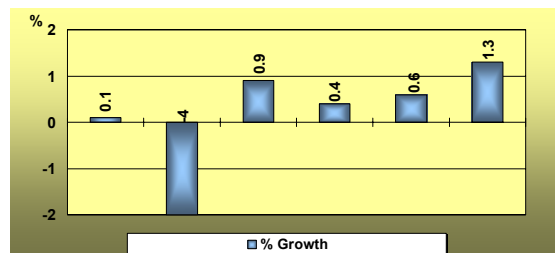
Description	Per capita income p.a. \$	% of population	Number of people m
The rich	≥8 000	10	50
Aspiring	±2 600	10	50
Poverty	±950	40	200
Extreme poverty	≤350	40	200

*Based on SSA statistics

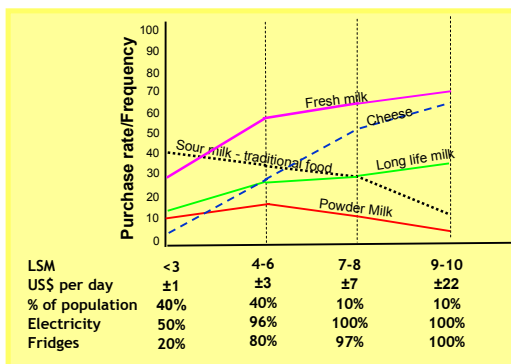
Dairy consumption in SSA (formal market)

\$ GNP per capita	Dairy usage per person (Litres)
>3 000	66
>1 000 <3 000	48
>500 <1 000	19
<500	13
Total	19

Growth of SA Dairy market

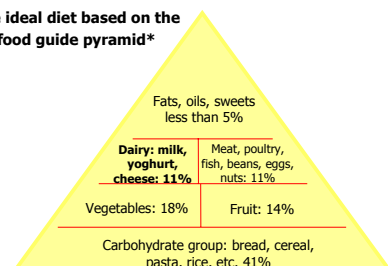


The purchasing of dairy products as living standards increase



The ideal diet

The ideal diet based on the food guide pyramid*



*values assigned were calculated on the basis of recommended daily servings (US Dept of Agriculture)

Actual versus the ideal diet in South Africa

	Ideal %	Actual %	Gap %
Carbohydrates	41	37	4
Fruit	14	12	2
Vegetables	18	16	2
Dairy	11	4	7
Meat, beans, poultry, eggs, etc.	1	17	(6)
Fats, oils and sugar	5	14	(9)
	100	100	-

Is dairy affordable in Africa?

	Grams per 100g product			Price/ protein Ratio
	Fat gr	Protein gr	Price \$	
Peanuts	49	26	,46	1,7
Beef	9	31	,72	2,3
Chicken	14	27	,23	,8
Soy beans	9	17	,16	,9
Lentils	14	9	,14	1,5
Cheddar	32	25	,47	1,9
SMP	1	34	,90	2,6
WMP	26	26	1,20	4,6

Dairy as the solution to malnutrition

Diets are generally rich in carbohydrates

The following deficiencies are common:

- Protein
- Iron
- Calcium
- Vitamin A,B,C

Milk gives you:

- Energy
- Protein
- Calcium
- Vitamins B2 & B12
- Phosphate
- Carbohydrates

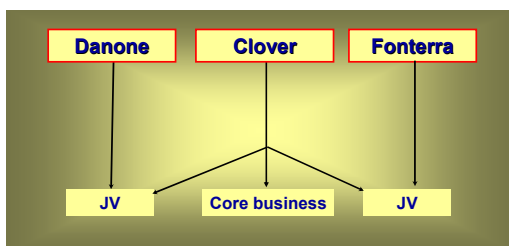
Other deficiency corrections can be added to dairy

Challenges in SSA

- Development
 - Nutritional products
 - Affordability <€10 cents
- Educate people on dairy and grow the “dairy cake”
- Continuous supply
- Consistent quality
- Good corporate citizenship
- Choice of ambient or chilled products at the right time and place as economies develop

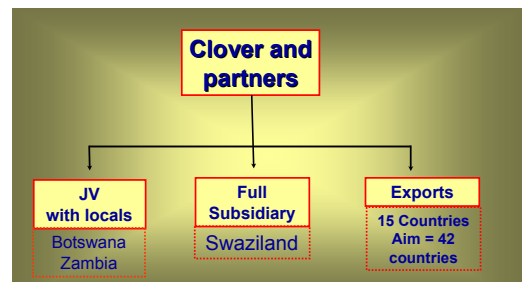
Clover's model for growth into SSA Africa

The top structure



Clover's model for growth into SSA

Operation structure



Clover in Africa as preferred partner

- Best marketing expertise
- Sales and merchandising skills
 - >1000 merchandisers
 - >300 sales staff
 - Category management
 - World class central call centre
- Clover Logistics
 - Warehousing
 - Delivery
 - Unilever, Heinz, Danone, Fonterra, Rainbow and others



Clover in Africa as preferred partner

- Milk collection
 - >800 m litre per annum
 - Planning, services and routing expertise
- Technology
 - Process Technology specialists
 - Biggest raw material and machine suppliers are in South Africa
- Training
- Milk SA facilities
 - Educational advertising
 - Milk quality
- Dairy farming skills through our producers

Risks in sub-Saharan Africa

- Diseases especially Aids
- Corruption
- Wars/Instability
- Subsidised dairy products from the rest of the world
- Food aid equivalent to 200 million litres milk equivalent
- Crime is unacceptable
- Unstable governments
- Educational standards are low
- Unemployment is high



To Summarize

- SSA is huge with lots of people
- Business is extremely small: GDP growth is essential
- A lot of development work (education) is necessary but will be costly
- The risks are very high and should be managed well
- South Africa is the spring board into sub-Saharan Africa

*Enkosi Kakhulu
Ke-a-Leboga
Siyabonga
Ke-a-Leboga
Thank You
Dankie*