

FINAL REPORT

ASHOGBON ADEDAMOLA



EXECUTIVE SUMMARY



- ❑ This report is an analysis of geographical expansion opportunities for Archer Daniels Midland Wheat Mill .
- ❑ The area chosen for geographical expansion is Africa, given the high demand for wheat and wheat product in the area (looking at the imports data), currently and in the future.
- ❑ Ten countries that were chosen : Nigeria, Ghana, South Africa, Egypt, Algeria, Morocco, Mozambique, Tunisia, Kenya and Libya. These countries were ranked along five parameters that will be discussed in later sections.
- ❑ Based on this rank, the top two countries were shortlisted, and a macroeconomic and microeconomic study was carried out to see which of the two countries would be better for investment.
- ❑ The conclusion is that Morocco is the best country for the expansion and would serve as a base for the trade in Africa.



INTRODUCTION

- The company selected for the expansion is the Archer Daniels Midland Wheat Mill based in the United States. The main product is the wheat..
- ADM is an American global food processing and commodities trading corporation, headquartered in Chicago, Illinois. With a revenue of \$64.34 billion I chose ADM because:
 - » it is one of the largest milling companies.
 - » it is a global company based in the united states
 - » it would be able to finance the investment.
- gg



- Wheat milling was chosen with respect to the consumption of the countries I selected.
- The countries selected have high importation of wheat in Africa. Nigeria, Ghana, South Africa, Egypt, Algeria, Morocco, Mozambique, Tunisia, Kenya, and Libya.
- It will be very possible for ADM to make foreign direct investments in any of the countries and also make a profit because of the high demand for wheat in these countries.

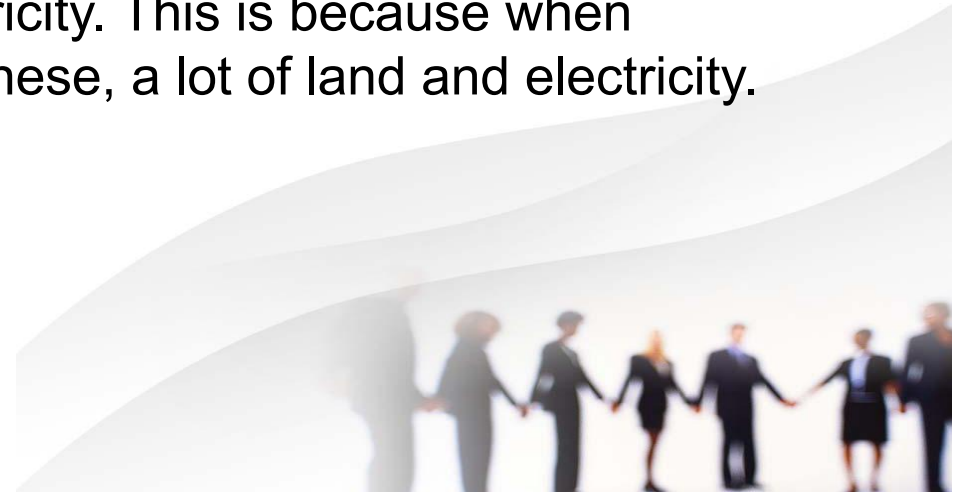


ANALYSIS OF POTENTIAL GEOGRAPHICAL EXPANSION OPPORTUNITIES



The ten countries were ranked on the basis of 5 variables:

- GDP per capita: This is a fairly good overall indicator of how secure a country's economy is and was given a high weight of 20%
- Corruption: Lower corruption serves as an incentive for companies to open their businesses in their country. Thus this was also given a fairly high weight of 20%
- Trade openness: Trade openness would mean that a country can import and export products easily and this would be beneficial for exporting finished goods out of the target country and distribute to neighboring countries. This was given a weight of 20%
- The other two chosen was Arable land and access to electricity. This is because when considering wheat milling, it is important to have access to these, a lot of land and electricity. They were both given a weight of 20% each.



- Based on the variables and weights calculated, each country was given a normalized score that lies between 0 and 1
- As can be seen from the table given at the side, Tunisia has the #1 rank (score: 0.7420) and Morocco has the #2 rank (score: 0.6867).
- Thus these two countries are selected for further consideration and one of them will be chosen as the final candidate for this foreign direct investment.

(E) Country	Final Index Value	(F) Final Ranking
Nigeria	0.3960	8
Ghana	0.5714	4
South Africa	0.6525	3
Egypt	0.4395	7
Algeria	0.5078	5
Morocco	0.6867	2
Mozambique	0.2803	10
Tunisia	0.7420	1
Kenya	0.2970	9
Libya	0.4436	6



MACROECONOMIC ANALYSIS

TUNISIA AND MOROCCO



DYNAMIC BEHAVIOR

<http://databank.worldbank.org/data/databases.aspx>

2014-2019



GDP PER CAPITA (CURRENT US\$)

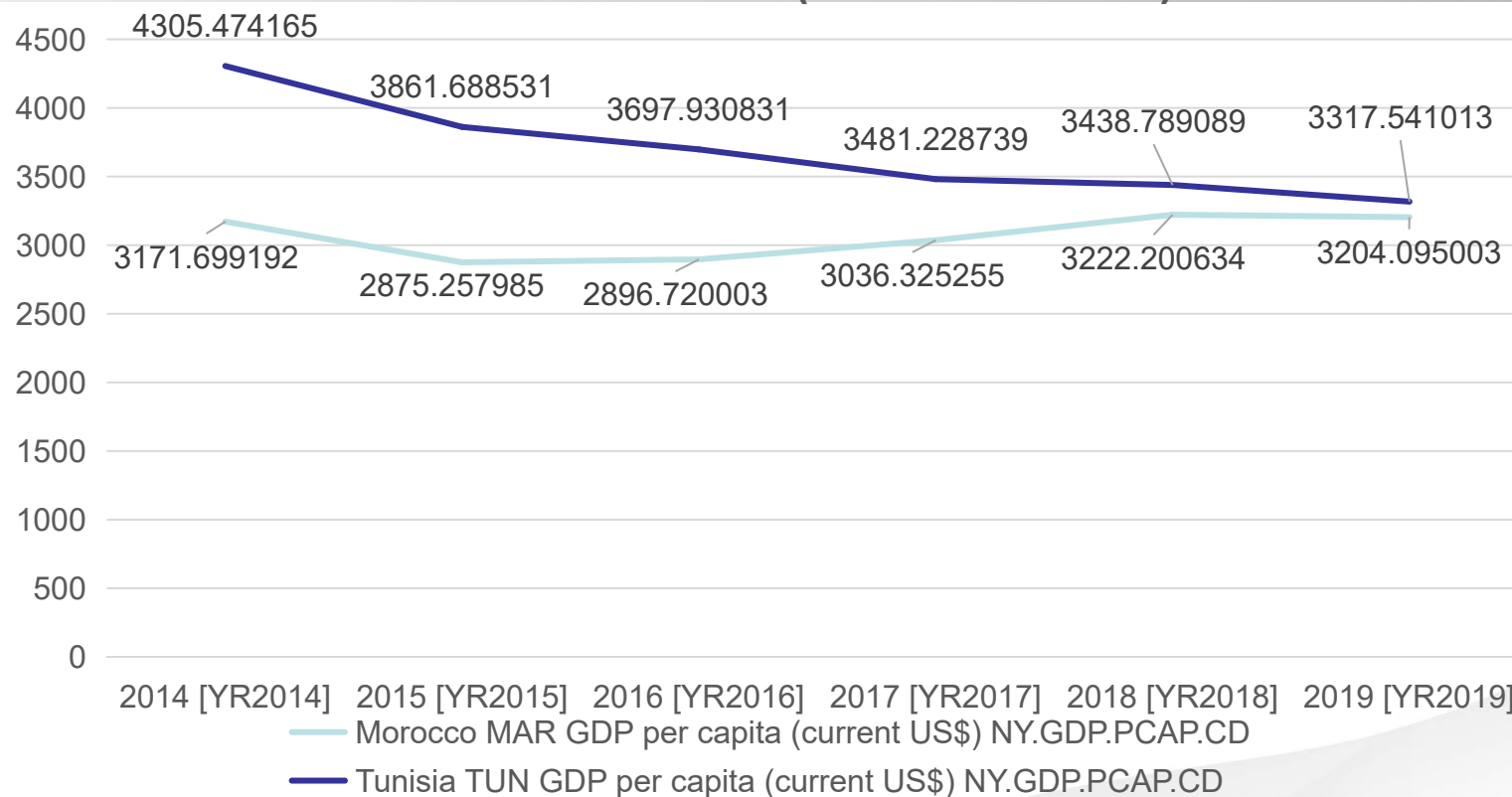


The GDP per capita of Tunisia has been decreasing from 2014 to 2019. It decreased by about 10% in 2015, 4% in 2016, 6% in 2017, 1% in 2018 and 4% in 2019.

The GDP per capita of Morocco has been increasing for the past five years. Although it decreased by about 9% in 2015, it has gained back the loss of the GDP per capita in 2018. However, it decreased by 0.6% in 2019 but the GDP per capita is higher than it once was in the years before preceeding 2018.

The gap between the GDP per capita of Tunisia and Morocco has been closing over the past five years. In 2014, the difference was about \$1133.78 but in 2019 the difference is about \$113.45.

GDP PER CAPITA (CURRENT US\$)



Data from database: [World Development Indicators](#) Last Updated:

07/01/2020

INFLATION, CONSUMER PRICES

(ANNUAL %)

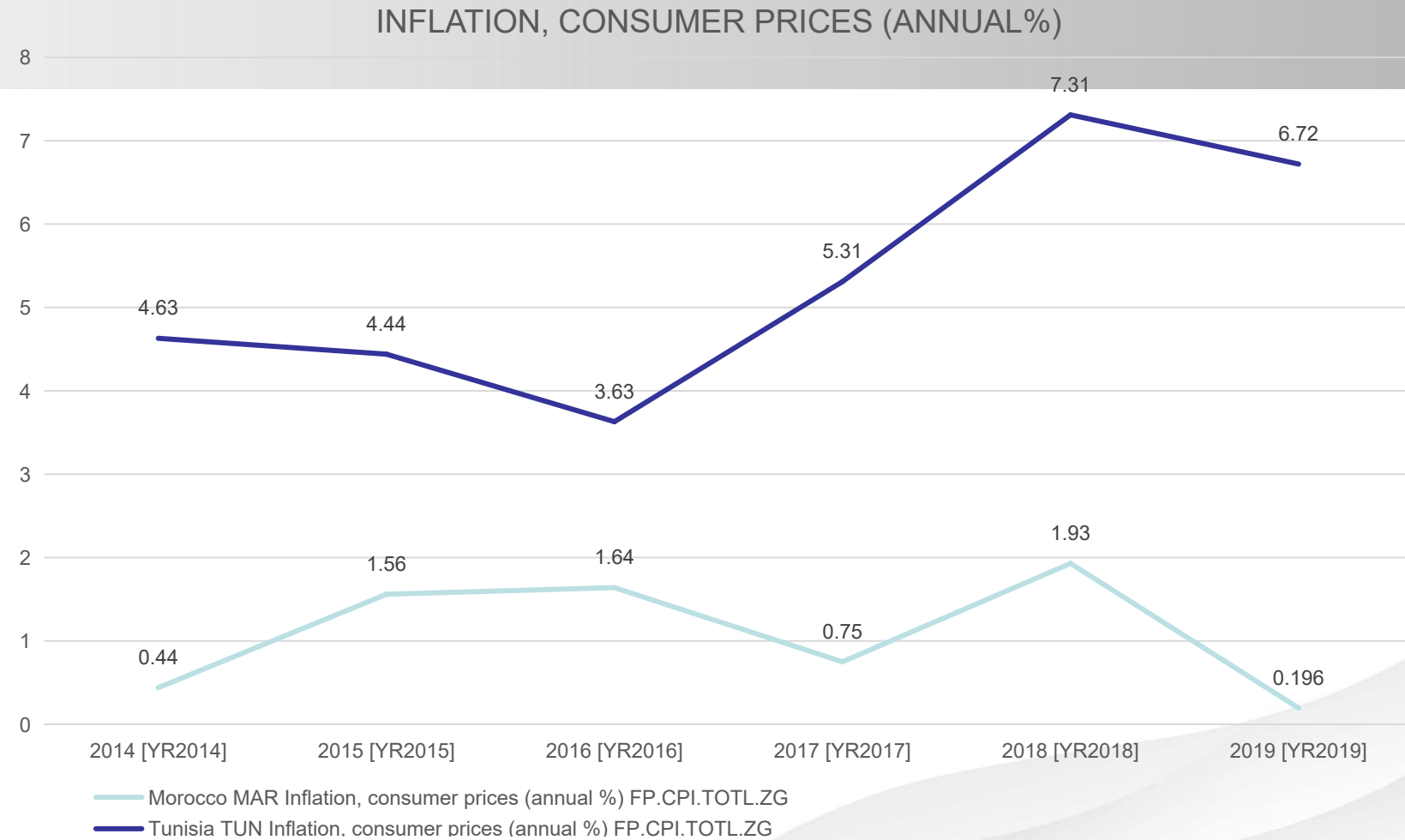


The inflation rate of tunisia has been significantly higher that that of Morocco over the past few years as can be seen in the graph.

The inflation rate in Tunisia decreased in the period of 2014-2016 and increased after that period but decreased in 2019, however the rate was still higher that that of 2014.

The inflation rate of Morocco has been fluctuating between the rang of 0.196%- 1.93%.

There is inflation rate targeting in Morocco.



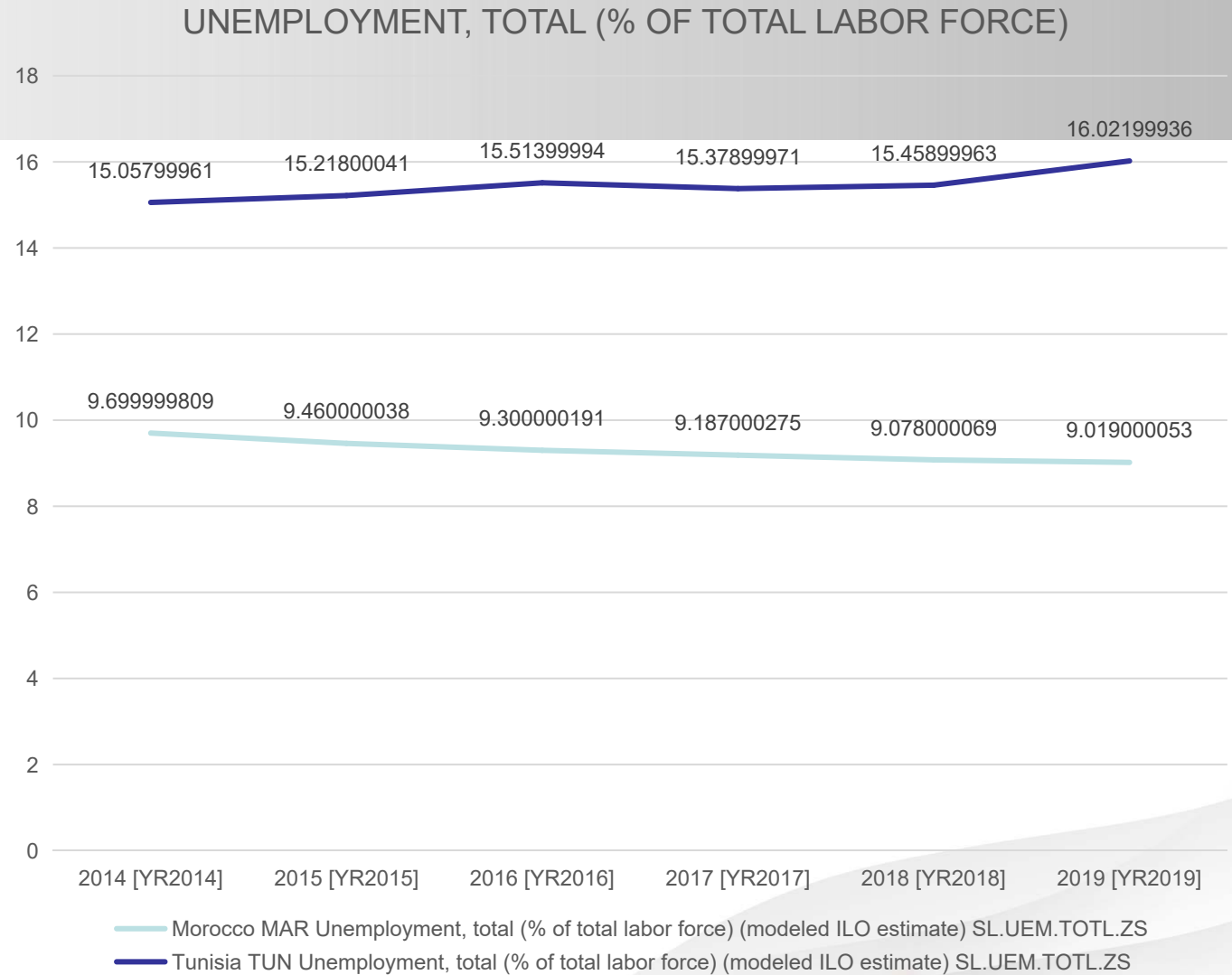
UNEMPLOYMENT, TOTAL

(% OF TOTAL LABOR FORCE)



The unemployment rate of Tunisia has been significantly higher than that of Morocco. From the graph it can be seen that the gap has been somewhat increasing over the past few years. While the unemployment rate in Tunisia has been increasing, the unemployment rate of Morocco has been decreasing.

The decrease in Morocco's unemployment rate is as a result of an increase in the number of jobs provided.



STATIC DATA



From the table it can be seen that Morocco is more corrupt than Tunisia, Tunisia's economy is more open to trade than Morocco, Morocco has a more business friendly environment than Tunisia and to a dollar Morocco's currency is more expensive than Tunisia's.

COUNTRY	INDICATORS			
	CORRUPTION (2019)	TRADE OPENNESS (% OF GDP) 2018	EASE OF DOING BUSINESS INDEX 2019	EXCHANGE RATE TO DOLLAR 2019
TUNISIA	43	111	78	2.93
MOROCCO	41	88	53	9.62

CORRUPTION [Transparency International CPI](#)

EASE OF DOING BUSINESS INDEX [The World Bank](#) 1=most business friendly regulations

OFFICIAL EXCHANGE RATE (LCU per US\$, period average) [The World Bank](#)

TRADE OPENNESS(% OF GDP) [The World Bank](#)



CONCLUSION

- Deciding which country is suitable for the investment looking at the macroeconomic environment.
- It can be seen that both countries are suitable for the investment as they both have a relatively stable macroeconomic environment as their variables are not too low or too high that adversely affects the economy.
- However, looking at the data it can be seen that there is significant improvement in the macroeconomic policies of Morocco compare to Tunisia. The GDP per capita and unemployment rate are improving, stable inflation rate and good business environment in Morocco.



MICROECONOMIC ANALYSIS

TUNISIA AND MOROCCO



DEMAND ANALYSIS

- Consumer Income
- Consumers taste and preferences
- Prices of related goods
- Number of consumers
- Consumer expectations about the future



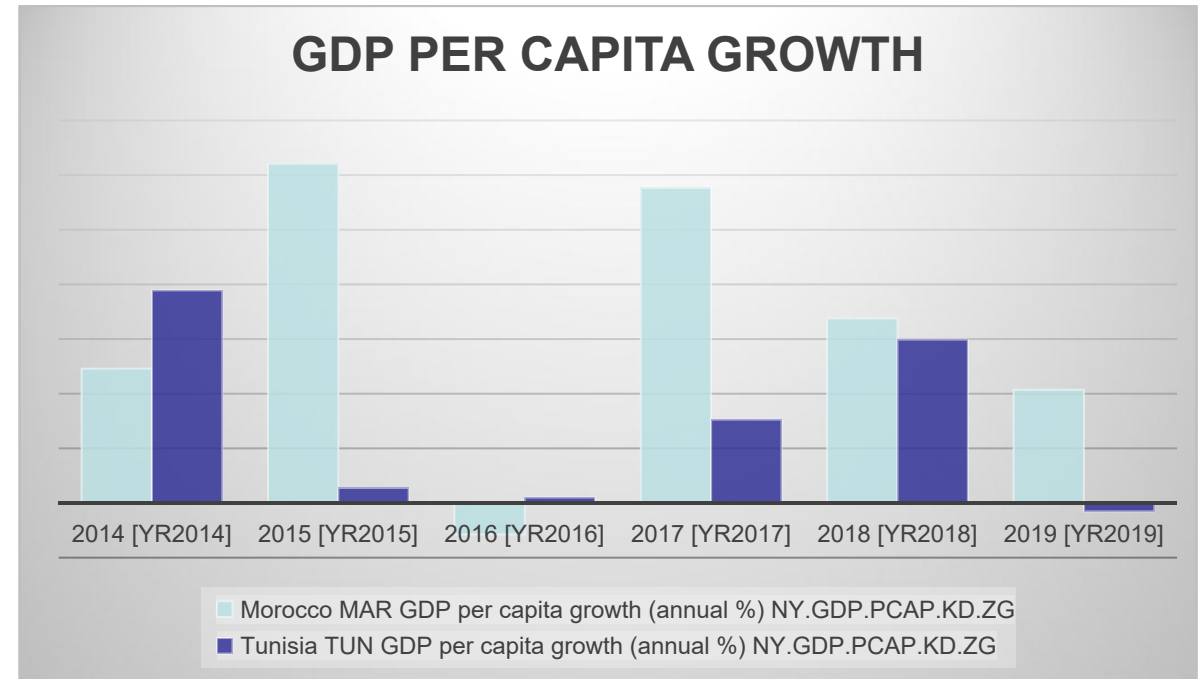
CONSUMER INCOME

For the consumer income, I will use the GDP per capita.

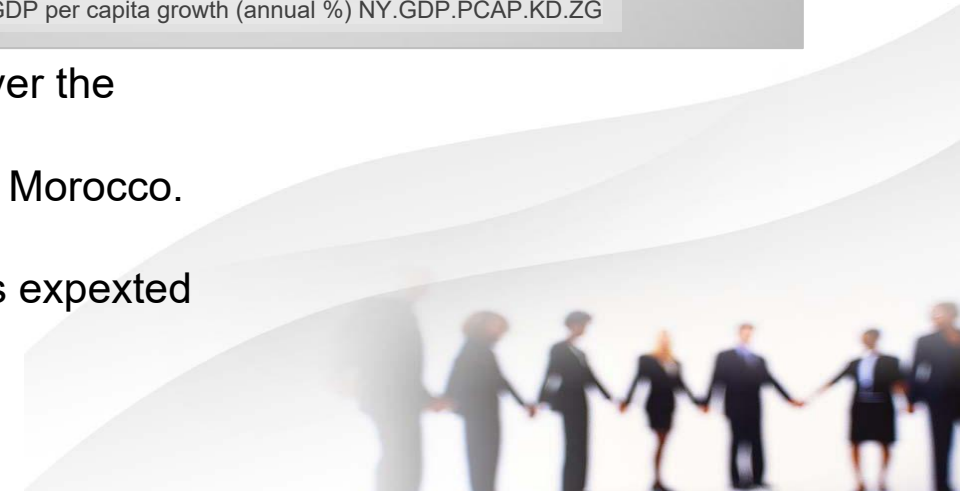
Also, to analyse the future of the consumer income, I will use the GDP percapita growth rate.

GDP PERCAPITA \$	
TUNISIA	3317.5
MOROCCO	3204.1

From the data it can be seen that Tunisia has a higher per capita GDP than Morocco



However, it can be seen hat over the past few years the it's growth been lower than that of Morocco. This shows that Morocco's income per capita is expexted to keep growing



TASTE AND PREFERENCES

- To represent the taste and preferences I will use the two countries imports of wheat.
- In Tunisia, 1650 (1000 metric tonnes) of wheat is imported into the country. While in Morocco, 5100 (1000 metric tonnes) of wheat is imported. 2019 data.
- Over the years, the importation of wheat in Morocco has been higher than that of Tunisia.



	PRICE OF WHEAT FLOUR	NUMBER OF CONSUMERS (POPULATION)
TUNISIA	\$1.71/KG	11.57 MILLION
MOROCCO	\$0.27/KG	36.03 MILLION

- The wheat milling industry should be within a monopolistic competition and oligopolistic competition. As there is no number limit or minimum to identify.
- The price of wheat is more expensive in Tunisia than in Morocco which is more attractive for investment. As the milling company might make more profit in Tunisia.
- Using the population, the number of consumers in Morocco is more than in Tunisia.



CONSUMERS EXPECTATIONS ABOUT THE FUTURE

- To explain this inflation and unemployment will be used.

From the macroeconomic analysis done previously, it can be seen that as the unemployment in Tunisia is increasing, the unemployment in Morocco is decreasing. In 2019, the unemployment rate in Tunisia and Morocco is at 16% and 9% respectively.

Also, the inflation in Tunisia is significantly higher than that of Morocco. Morocco operates an inflation targeting. So, consumers will not expect drastic increases in prices unlike in Tunisia. In 2019, the inflation of Tunisia and Morocco is at 6.2% and 0.2%.



SUPPLY ANALYSIS

Technology

Prices of Raw materials

Government policies

number of suppliers in the market

Supplier expectations about the future.



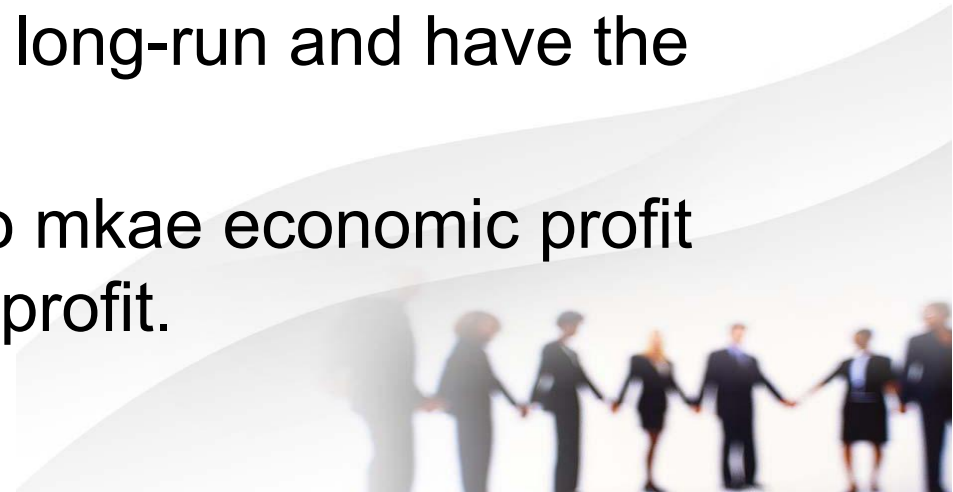
	TECHNOLOGY (HIGH TECHNOLOGH EXPORTS % of manufactured exports)	RAW MATERIALS (RAW MATERIALS EXPORTS % of merchandise exports)	NUMBER OF SUPPLIERS IN THE MARKET	GOVERNMENT POLICIES (EASE OF DOING BUSINESS INDEX 2019) (MINIMUM WAGE) (CORPORATE INCOME TAX)		
				INDEX	WAGE	TAX %
TUNISIA	7.4	0.7	25	78	\$0.41	25
MOROCCO	3.8	0.8	34	53	\$1.62	31



THE MARKET STRUCTURE

The market structure is a monopolistic competition for both countries. This is because in Tunisia there are 25 firms and in Morocco there are 34 firms in the industry. In a monopolistic competition there is price influence and product differentiation. So the company can set its price. However, as there are other firms in the industry, setting a very high price would not be beneficial to the company. In setting price, it should be set with respect to the other firms price. The firm should also look towards making a better quality product to have market leadership in the long-run and have the ability to set a higher price.

In the short run, it is possible for the company to make economic profit but in the long run there would be no economic profit.



SUPPLIERS EXPECTATIONS ABOUT THE FUTURE

- From the inflation rate, it would look like Moroccan suppliers would have a better expectations about the future than in Tunisia because of the inflation targeting of Morocco at between 0.2% to 2%. So, there would not be drastic rise in prices of inputs.



TOTAL MICROECONOMIC ANALYSIS

	TUNISIA	MOROCCO
COSUMER INCOME	1	1
TASTE	0	1
PRICE	1	0
NUMBER OF CONSUMERS	0	1
CONSUMERS EXPECTATIONS	0	1
ACCESS TO TECHNOLOGY	1	0
RAW MATERIALS AVAILABILITY	0	1
NUMBER OF SUPPLIERS	1	0
GOVERNMENT POLICIES	1	0
SUPPLIERS EXPECTATIONS	0	1
TOTAL SCORE	5	6



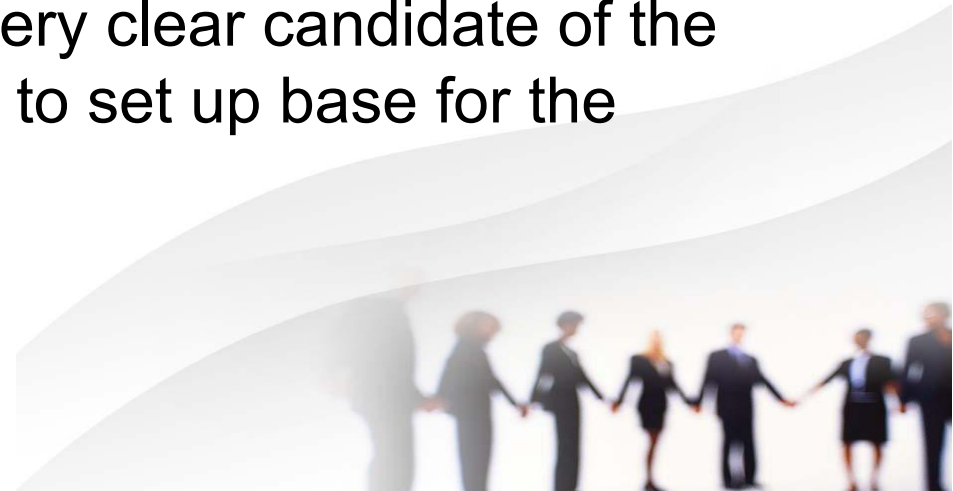
- In the total look of the microeconomic environment, it can be seen that there is no significant difference between the two countries. However, Morocco has a slightly better microeconomic environment than Tunisia. It can also be seen that the Moroccan economy is expected to grow in the future.



FINAL RECOMMENDATION



- Based on the initial rankings, Tunisia and Morocco are the two countries that emerged as the front runners for this FDI project. Tunisia ranked number 1 and Morocco as number 2.
- After conducting the in-depth macroeconomic analysis, we can see that Morocco has a better and growing macroeconomic environment. Further, in the microeconomic analysis, Morocco has a slightly better microeconomic environment.
- This clearly shows that **Morocco** emerges as a very clear candidate of the potential investment. This country will be suitable to set up base for the international trade in Africa.



- <https://tradingeconomics.com/morocco/corporate-tax-rate>
- <https://tradingeconomics.com/tunisia/corporate-tax-rate>
- https://en.wikipedia.org/wiki/List_of_minimum_wages_by_country
- <https://www.nordeatrade.com/en/explore-new-market/morocco/economical-context>
- <https://www.tridge.com/intelligences/wheat-flour/TN>
- <https://www.tridge.com/intelligences/wheat-flour/MA>
- <https://www.millermagazine.com/english/grain-and-flour-market-in-tunisia/.html>
- <https://www.world-grain.com/articles/10263-focus-on-morocco#:~:text=There%20are%20an%20estimated%20154,300%2C000%20tonnes%2C%20the%20report%20said.>
- data.worldbank.org (inflation rate, unemployment rate, GDP per capita, population)

