WILDLIFE RANCHING
IN
SOUTH AFRICA

INTRODUCTION

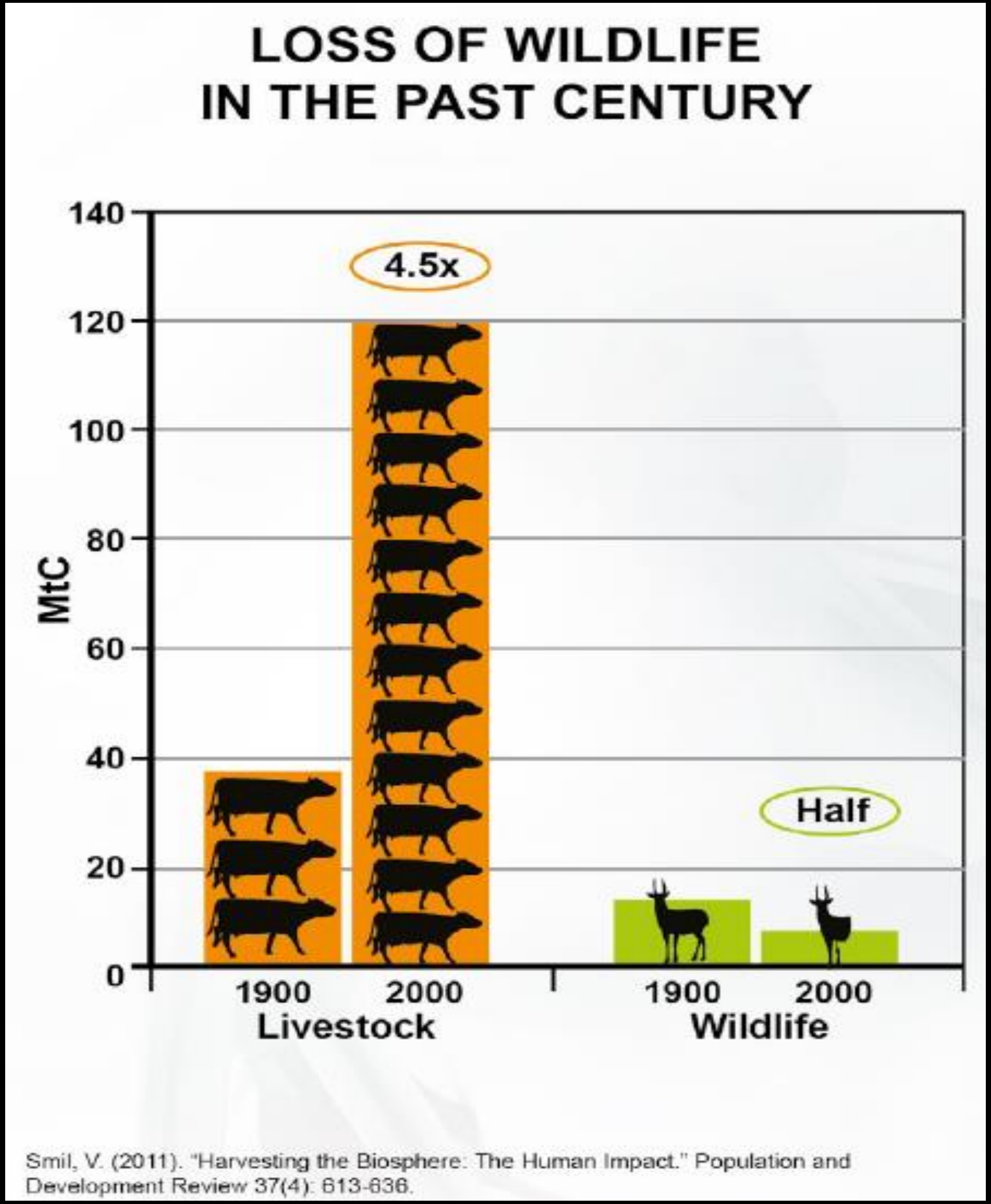
- ✓ History, background and context - Norman Adami
- ✓ Benefits to the country - Tebogo Mogashoa
- ✓ The business of wildlife breeding - Lood Bester
- ✓ Opportunities and Challenges in South Africa - Norman Adami
- ✓ Specific opportunities between South Africa and USA - Lood Bester & Wiaan van der Linde
- ✓ Conclusion, Q & A - Norman Adami

INTRODUCTION – HISTORY, BACKGROUND & CONTEXT

- ✓ Circa 180 000 Years indigenous people in harmony with nature
- ✓ Begin mid 17 Century greatest destruction of African Wildlife
- ✓ Start of National Parks beg 20th Century
- ✓ New approach and attitudes mid / late 20th Century

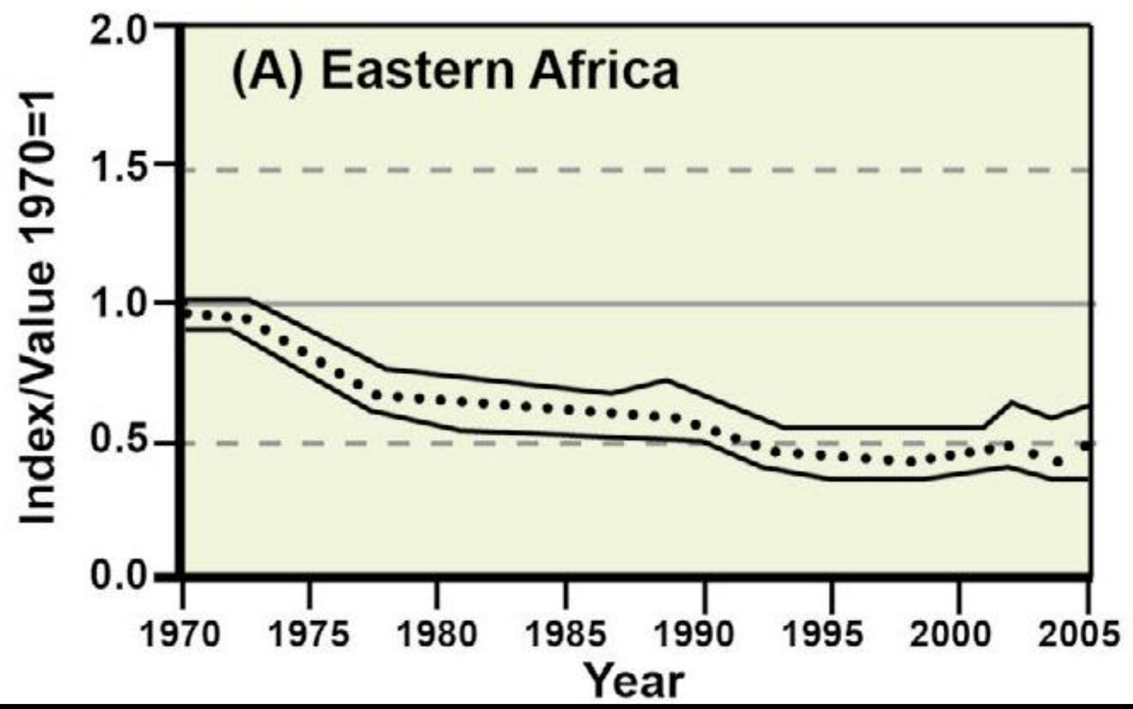
GREAT SOUTH AFRICAN CONSERVATION SUCCESS STORY

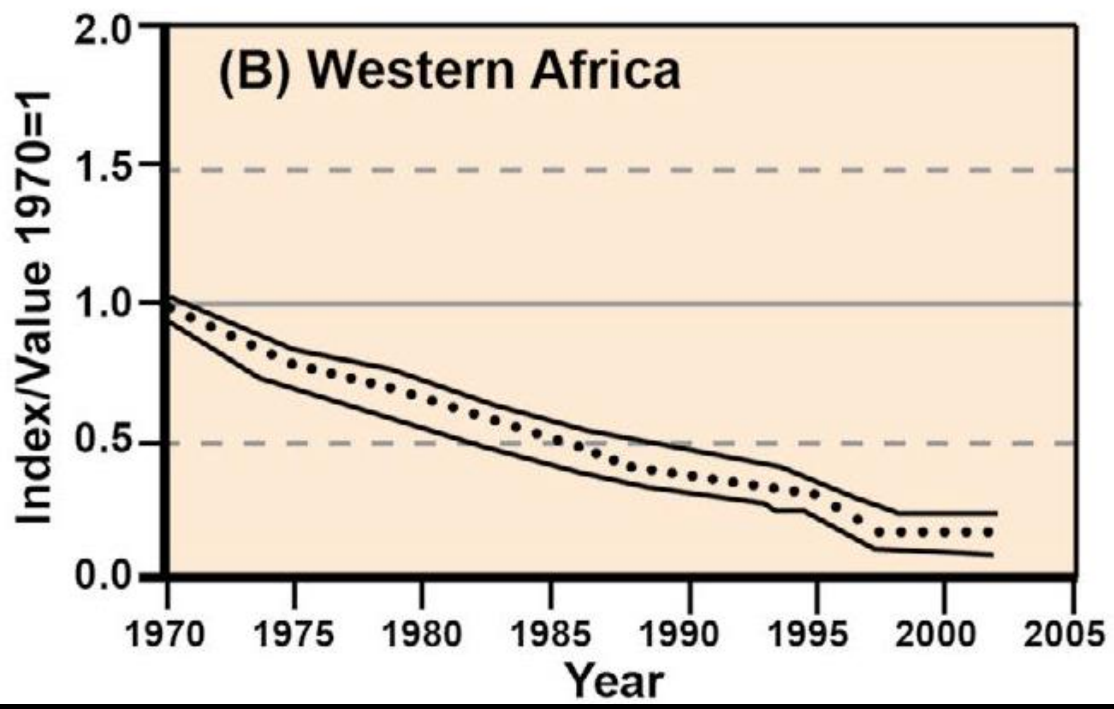
✓ **Global Conservation Record**



GREAT SOUTH AFRICAN CONSERVATION SUCCESS STORY

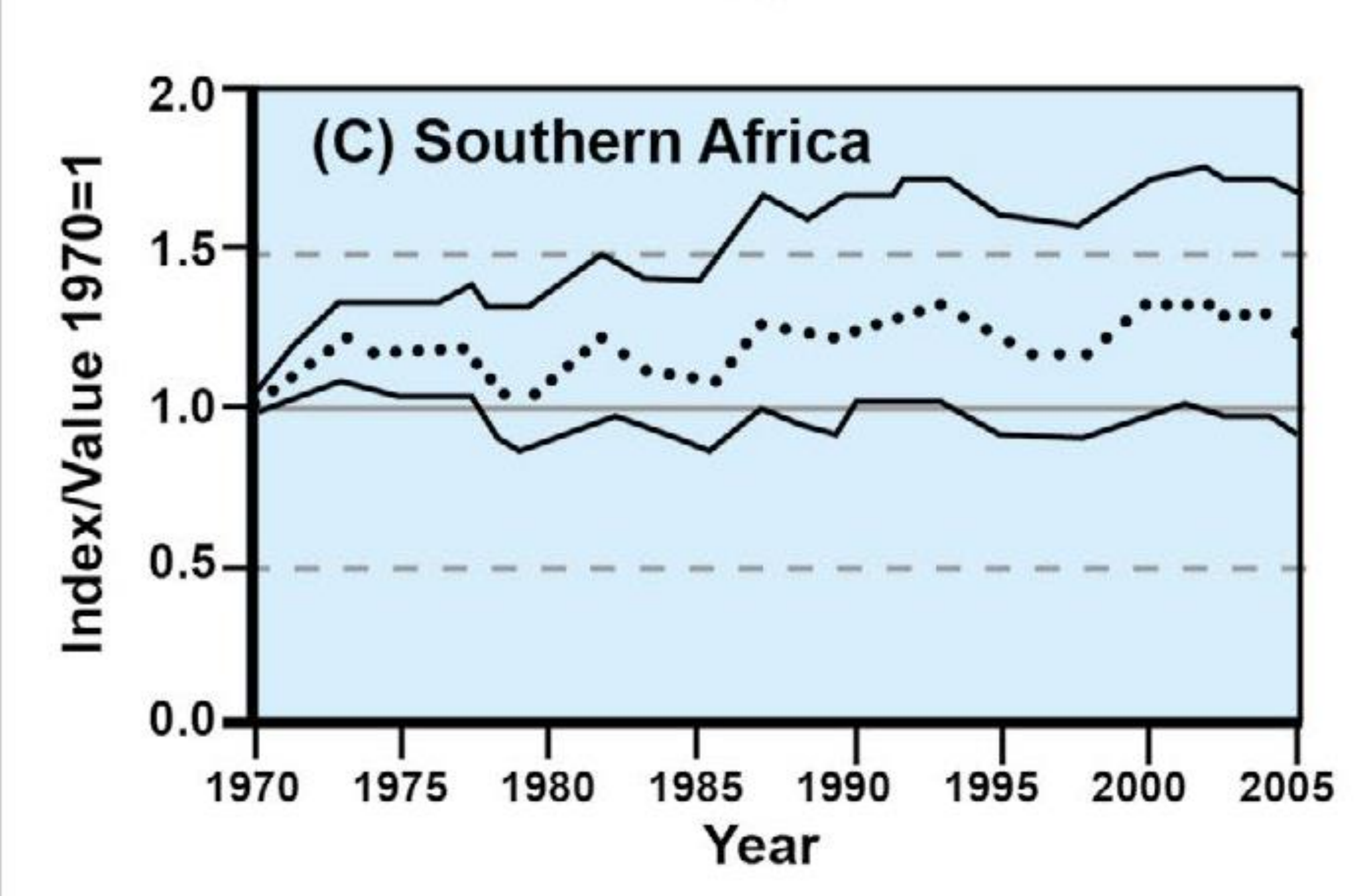
✓ **Eastern and Western Africa Conservation Record**





GREAT SOUTH AFRICAN CONSERVATION SUCCESS STORY

- ✓ **Southern Africa Conservation Record**



INTRODUCTION – HISTORY, BACKGROUND & CONTEXT

GREAT SOUTH AFRICAN CONSERVATION SUCCESS STORY

- ✓ **Today Private Ranches**
  - **+/- 20m ha's (50m acres)**
  - **+/- 10 000 Ranches**
  - **+/- 12m head of Game**

driven by Owners / individuals that are passionate about wild life, conservation and outdoors

- ✓ **National Parks**
  - **+/- 6m head of game**

INTRODUCTION – HISTORY, BACKGROUND & CONTEXT

AN ECONOMIC SUCCESS STORY

✓ Composition: Wildlife Ranching comprises four main sub-sectors:

- Live Game Sales
- Hunting
- Game Meat production
- Eco Tourism

} supported by substantial service providers

✓ Industry Size

- Estimates in 2014 > $2b Industry
  - Made up as follows
    - Live game sales $300m
    - Hunting $1b
    - Game meat $60m
    - Eco-Tourism > $600m

INTRODUCTION – HISTORY, BACKGROUND & CONTEXT

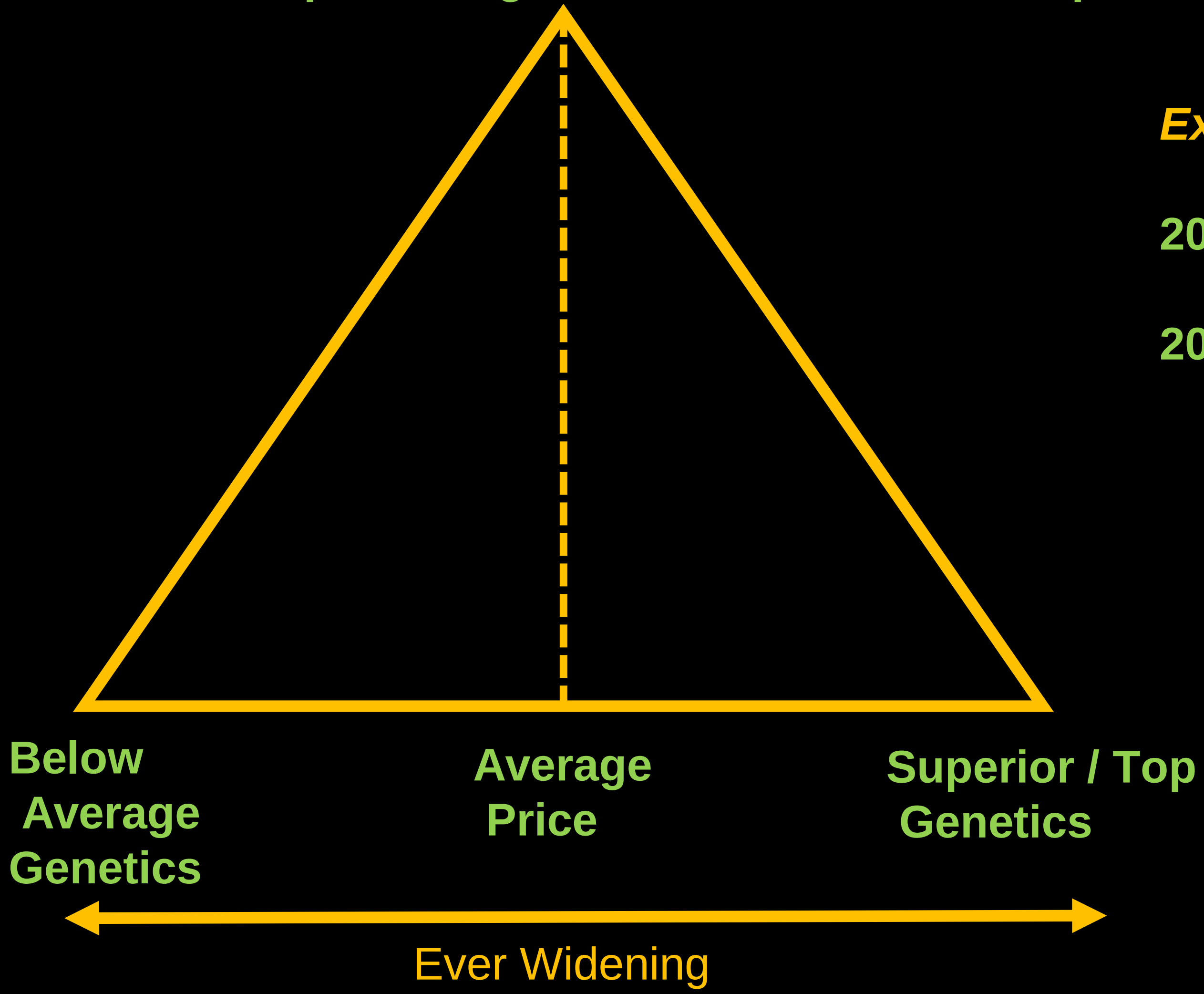
AN ECONOMIC SUCCESS STORY

- ✓ **Live Game sales in 2014** **+/- $ 300m**
    - **Auction sales (2014)** **+/- $ 150m**
    - **Annual number of auctions (2014)** **+/- 80**
    - **Private game sales (2014)** **+/- $ 150m**

INTRODUCTION – HISTORY, BACKGROUND & CONTEXT

AN ECONOMIC SUCCESS STORY

- ✓ **Within rare species significant differentiation in price**



Exceptional examples:

2015 – Zambian Sable Bull “Mopanie” $1,8m

2016 –25% share in Buffalo Bull “Horizon” $2,9m

INTRODUCTION – HISTORY, BACKGROUND & CONTEXT

OTHER SOCIAL BENEFITS

- ✓ Transformation of 50m acres of marginal land into productive land use
- ✓ Conservation of species, natural habitat and eco-systems
- ✓ Significant impact on rural development and job creation
- ✓ Huge potential to offer real solution to food security

INTRODUCTION – HISTORY, BACKGROUND & CONTEXT

THE REASONS FOR THE SUCCESS

- ✓ **Government Policy and Support**
  - ➢ **Ownership Laws / Game Theft Act 1991**
  - ➢ **Sustainable use policy**
- ✓ **The market economy**
- ✓ **Private enterprise / individuals**
  - ➢ **Driven by enlightened self interest**
  - ➢ **Passion for wildlife and nature**

Massive investment >$2,5b

BENEFITS OF THE WILDLIFE INDUSTRY TO SOUTH AFRICA

- ✓ Economic Contribution
- ✓ Transformation of marginal land
- ✓ Conservation of game species, natural habitat and eco-system
- ✓ Rural development and job creation
- ✓ Food security

BENEFITS OF THE WILDLIFE INDUSTRY TO SOUTH AFRICA

ECONOMIC CONTRIBUTION >$2B / ANNUM

- **Approximately 10 000 private ranches - investment > $ 2,5 billion**
- **Value of animals sold ~ $ 300m / annum (auctions + out of hand)**
- **<u>Overall growth ~20% per annum over past 15 years</u>**
- **<u>Eco-tourism Industry >$600 million / annum (10%-15% growth p.a.)</u>**
- **Hunting safaris (local & foreign) $1b / annum**
- **<u>Over $75 million / annum in salaries and wages</u>**

BENEFITS OF THE WILDLIFE INDUSTRY TO SOUTH AFRICA

TRANSFORMATION OF MARGINAL LAND OF 50 MILLION ACRES OF MARGINAL LAND INTO PRODUCTIVE LAND USE

- **Only 17% of South African Agricultural land has high agri-production potential…. 80% marginal**

- **Average Game Ranch (2008) $28/ha economic output**
- **Conventional Livestock Farming (2008) $10/ha economic output**
- **<u>Consistently out-performs conventional farming 3:1</u>**

- **Approximately 10 000 game ranches in country and growing**

BENEFITS OF THE WILDLIFE INDUSTRY TO SOUTH AFRICA

CONSERVATION OF GAME SPECIES, NATURAL HABITAT AND ECO SYSTEM

8 Species where wildlife ranching played a critical role in saving them from extinction

Species	Total Approx 1950	National Parks 2015	On Private Ranches 2015
White Rhino	30	12000	5000
Black Rhino	30	1500	450
Blesbok	2000	25000	>225000
Bontebok	19	1000	>7000
Sable Antelope	450	<500	> 25000
Roan Antelope	150	<200	> 6000
Cape Mountain Zebra	<80	1925	865
Black Wildebeest	<500	1800	>15700

BENEFITS OF THE WILDLIFE INDUSTRY TO SOUTH AFRICA

RURAL DEVELOPMENT AND JOB CREATION

- **Current number of employees in private ranches sector > 150 000**

- **Remuneration generally 3 to 4 higher than conventional agriculture**

- **Employment levels higher with 3 times more staff per game ranch than per stock farm**

Potential – 30 million acres overgrazed and degraded communal land $\longrightarrow$ sustainable income

BENEFITS OF THE WILDLIFE INDUSTRY TO SOUTH AFRICA

FOOD SECURITY

✓ **HUGE POTENTIAL TO OFFER REAL SOLUTION TO FOOD SECURITY**

- **During winter (April – September) game meat provides > 20% of all red meat in South Africa**
- **Current Game Meat production = 150 000 tons (no export)**
- **WRSA recent ISO 9001, 14 – 001 and 22 - 000 accreditation allows export to international markets**
- **Potential for export substantial – natural / organic**
- **Secondary Industries**
- **Harvesting, Processing, Logistics and Merchandising**
- **Game better adapted to marginal conditions**

WILDLIFE BREEDING IS A BUSINESS LIKE ANY OTHER AND HAS TO BE MANAGED ACCORDINGLY

HOW DO YOU ENTER THE WILDLIFE BREEDING INDUSTRY

THE DO'S AND DON'TS

- ✓ **Step 1**
- ➢ **The Landscape**

- ✓ **Step 2**
- ➢ **The Infrastructure**

- ✓ **Step 3**
- ➢ **The Process of Buying**

- ✓ **Step 4**
- ➢ **Return on Investment**

- ✓ **Step 5**
- ➢ **Breed and Sell**

STEP 1

THE LANDSCAPE

- The Players
- Mindset of Sharing
- Auctions
- Direct sales

STEP 2

THE INFRASTRUCTURE

- Land – to Own or Joint Venture
- Management
- Breeding Camps
- Feld management
- Fencing
- Feeding

STEP 3

THE PROCESS OF BUYING

- Budget
- Species
- Quality
- Business plan
- Prices
- Genetics

STEP 4

RETURN ON INVESTMENT

- Risk Platform
- Hedge yourself
- Sable Antelope
- Buffalo

SABLE ANTELOPE

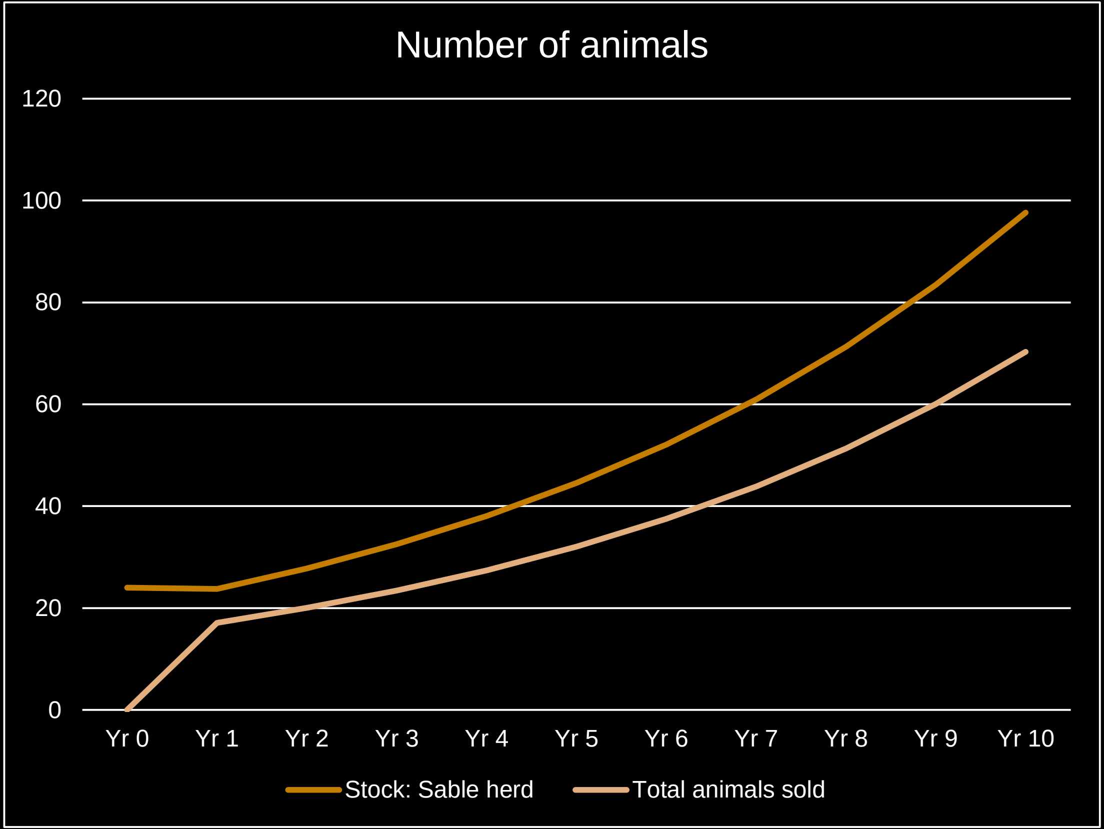
SABLE ANTELOPE

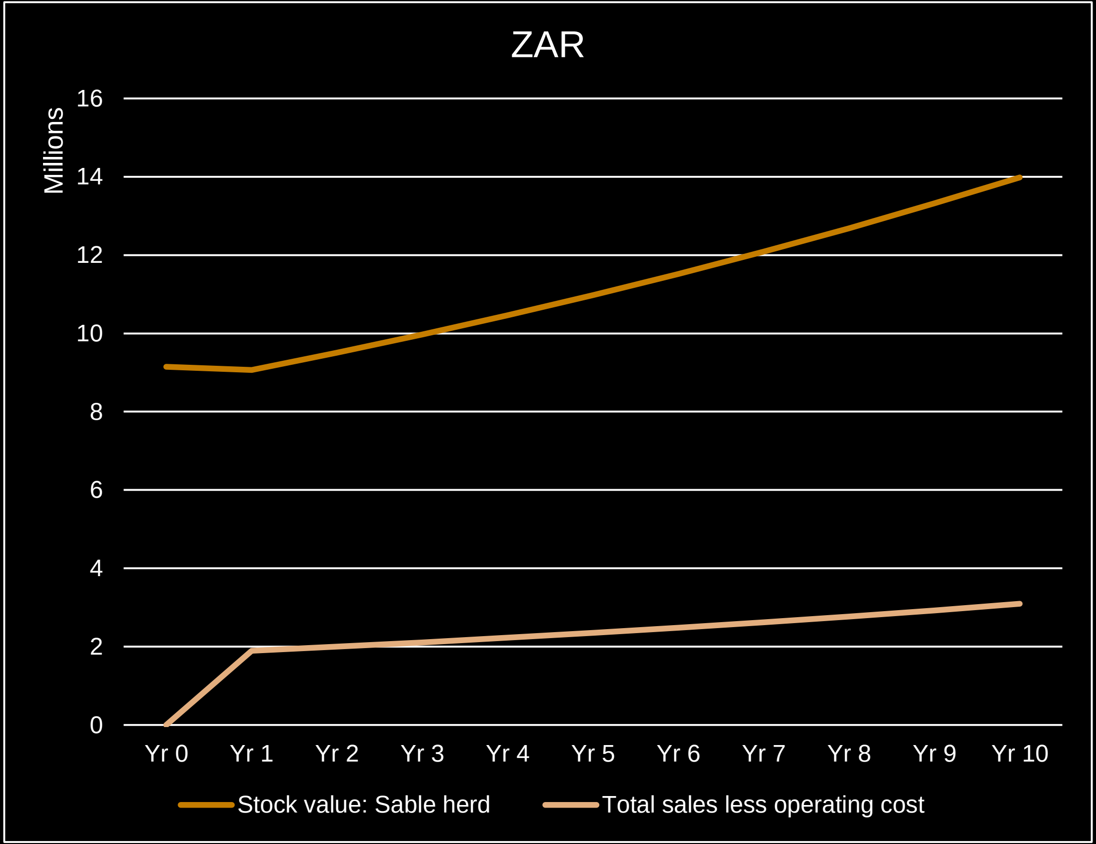
INITIAL INVESTMENT	NR	PRICE PER ANIMAL (ZAR)	TOTAL INVESTMENT (ZAR)
Breeding bull	1	750 000	750 000
Cows	24	350 000	8 400 000
Total investment	**25**		**9 150 000**

SABLE ANTELOPE

Sables: Assumptions (Base Case)	
Calving %	90%
Heifer calves	50%
Heifer calf sales	60%
Bull calf sales (hunting bulls)	100%
% Mortalities	1%
Reduction in base price annually	10%
Heifer price @ 12 mths (20% discount)	291 667
Bull calf price @ 12 mths (hunting)	20 000
Breeding bull price (3 years)	750 000

SABLE ANTELOPE





SABLE ANTELOPE

RETURN ON INVESTMENT			
Scenario	Base Case (10% Price reduction)	No price reduction	5% breeding bull production
Total sales less operating cost (10 years)	24 471 593	42 504 666	58 056 106
NPV (ZAR)	10 228 910	15 479 365	19 095 522
IRR	**21%**	**31%**	**36%**

BUFFALO

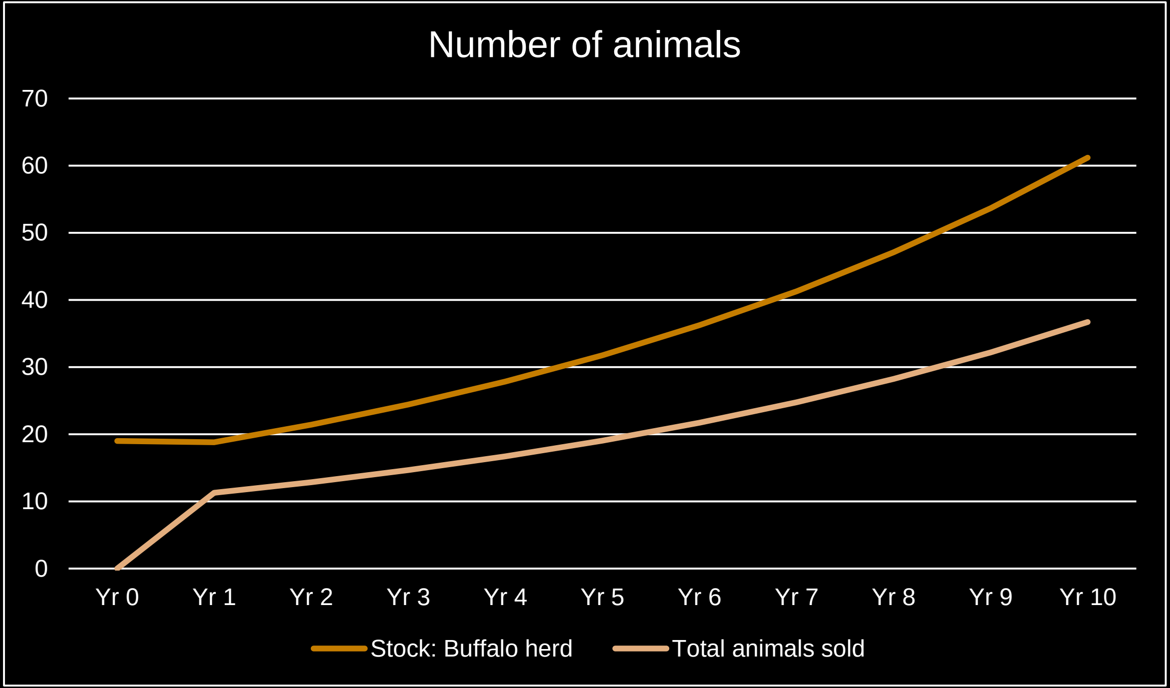
BUFFALO

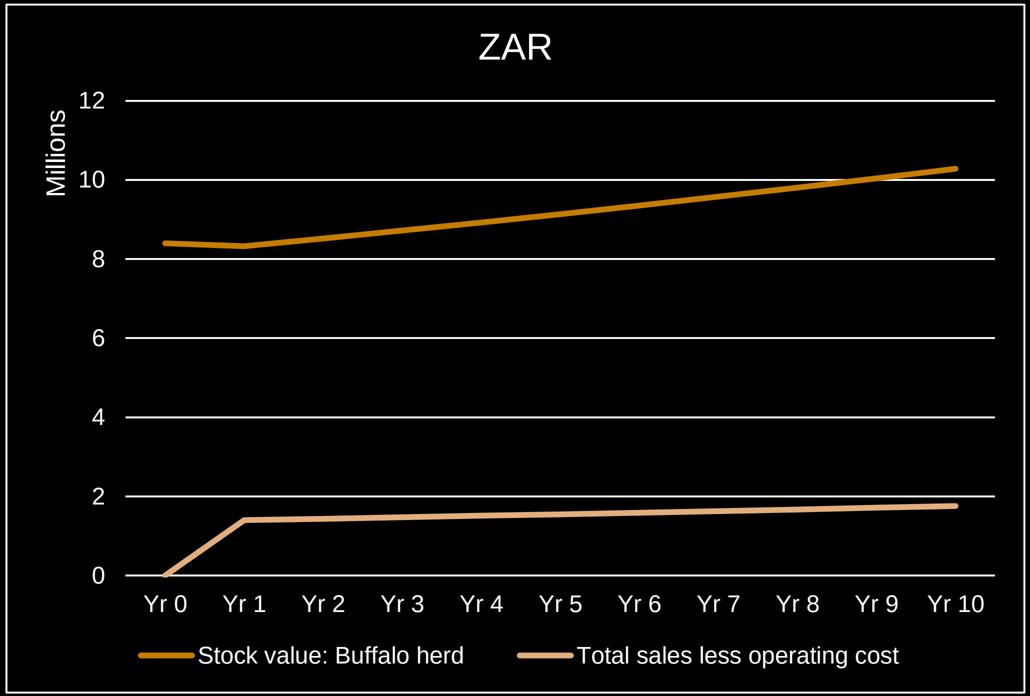
INITIAL INVESTMENT	NR	PRICE PER ANIMAL (ZAR)	TOTAL INVESTMENT (ZAR)
Breeding bull	1	800 000	800 000
Cows	19	400 000	7 600 000
Total investment	**20**		**8 400 000**

BUFFALO

Buffalo: Assumptions (Base Case)	
Calving %	75%
Heifer calves	50%
Heifer calf sales	60%
Bull calf sales (hunting bulls)	100%
% Mortalities	1%
Reduction in base price annually	10%
Heifer price @ 12 mths (20% discount)	333 333
Bull calf price @ 12 mths (hunting)	20 000
Breeding bull price (3 years)	800 000

BUFFALO


Number of animals
70
60
50
40
30
20
10
0
Yr 0
Yr 1
Yr 2
Yr 3
Yr 4
Yr 5
Yr 6
Yr 7
Yr 8
Yr 9
Yr 10
Stock: Buffalo herd
Total animals sold


ZAR
Millions
12
10
8
6
4
2
0
Yr 0
Yr 1
Yr 2
Yr 3
Yr 4
Yr 5
Yr 6
Yr 7
Yr 8
Yr 9
Yr 10
Stock value: Buffalo herd
Total sales less operating cost

BUFFALO

RETURN ON INVESTMENT			
Scenario	Base Case (10% Price reduction)	No price reduction	5% breeding bull production
Total sales less operating cost (10 years)	15 721 416	27 123 615	34 318 061
NPV (ZAR)	6 833 657	10 222 663	12 562 596
IRR	**13%**	**23%**	**28%**

STEP 5

BREED AND SELL

- Sales
- Timing
- Brand building
- Data integrity
- Improve your herd

CHALLENGES AND OPPORTUNITIES

CHALLENGES

- ✓ Emerging misperceptions driven by certain stakeholders
  - ➢ Genetic engineering
  - ➢ Domestication
  - ➢ Undermines food security
  - ➢ Super profits

- ✓ Inappropriate government regulation and lack of capacity
- ✓ Veterinary laws
- ✓ Poaching
- ✓ Bio-security
- ✓ Lack of professionalism
- ✓ Need for research, education and communication

CHALLENGES AND OPPORTUNITIES

OPPORTUNITIES

- ✓ Industry well placed to meet needs of country
  - ➢ Job Creation
  - ➢ Economic Growth
  - ➢ Rural Development
  - ➢ Transformation / Land Reform
  - ➢ Food Security

- ✓ South Africa enjoys unique comparative advantage
  - ➢ Rich biodiversity
  - ➢ Private ownership of top genetics
  - ➢ Available marginal land
  - ➢ Wildlife infrastructure
  - ➢ Veterinary and scientific expertise
  - ➢ Country infrastructure

CHALLENGES AND OPPORTUNITIES

OPPORTUNITIES

- ✓ Underlying demand dynamics
  - ➢ Attractive economics
  - ➢ Ability to use marginal land productively
  - ➢ Climatic uncertainty encourages agricultural diversification
  - ➢ Businessmen looking for alternative investments
  - ➢ Portfolio effect
  - ➢ Lifestyle

  Growing middle class in the world seeking wildlife experiences, services and products

- ✓ Underlying supply dynamics
  - ➢ Scarcity of rare African species
  - ➢ Scarcity of magnificent specimens
  - ➢ Time
- ✓ Future opportunities substantial in all four main sub-sectors
  - ➢ Plays to our strength
  - ➢ Important growth engine for the South African economy
  - ➢ Legalised trade in rhino horn

SPECIFIC OPPORTUNITIES USA / SA

- ✓ **Investment into the US**
  - ➢ Partial investment in breeding herds e.g. Sable, Buffalo
  - ➢ JV in going concern
  - ➢ Full investment / Buy out

- ✓ **Investment into South Africa**
  - ➢ Breeding Stock
  - ➢ Hunting
  - ➢ Eco Tourism
  - ➢ Game meat

SPECIFIC OPPORTUNITIES USA / SA

- ✓ Exports into the US
  - ➢ Rhino
  - ➢ Other African species

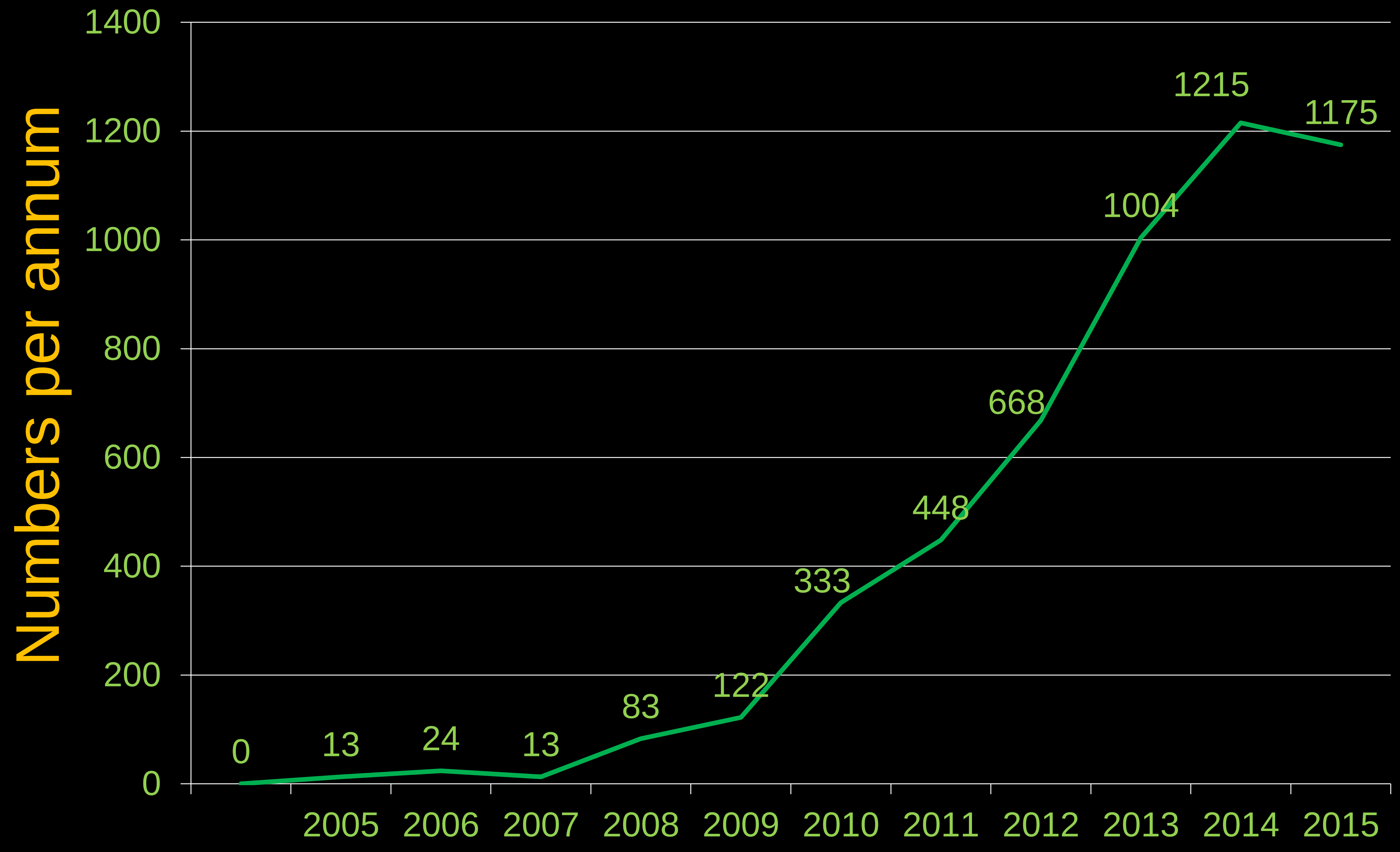
- ✓ Innovative hunting package sales

- ✓ Share best practices and ideas between EWA and WRSA members

SOUTH AFRICA'S PRIVATE RHINO RESERVES

- 90% of the remaining world population of Rhino in South Africa
- 330 Private ranches with Rhinos   (6m acres and reducing)
- Private ranches hold an estimated 5000 of total SA white rhino population 17 000, approx. 30% of total population
- Private ranches hold an estimated 450 of total SA black rhino population 1900, approx. 24%
- Approx. 20% of all Rhino poached occurred on Private ranches - (financial loss $20m)

RHINO POACHING IN SOUTH AFRICA



WHY LEGALISE THE TRADE IN RHINO HORN ?

- ✓ Despite well funded anti-poaching operations poaching has become progressively worse
- ✓ Would significantly reduce poaching. When poached, rhino die, harvesting horn won’t harm them
- ✓ Would enable the government to free up substantial funds for other conservation priorities
- ✓ Would have a real value and pay for their own security
- ✓ Would create economic growth, jobs, and local community upliftment
- ✓ Loss of life, poachers and rangers, will be avoided

WILDLIFE RANCHING SA
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AN URGENT CALL FOR LEGAL TRADE IN RHINO HORN

If Rhinos are to *survive* they need to be more valuable *alive* than dead.

With *legal* trade, the rhino will become one of the most

protected and *valuable* animal in Africa

CONCLUSION

"My family and I have invested in the South African wildlife industry for the past 3 years.

We have been honoured to commit to a legacy of wildlife conservation, while at the same time trading animals in a well regulated and highly professional environment.

The potential of the wildlife and its related positive spin offs to local communities and conservation, places it in a highly desirable bracket.

We can safely advise that this extension of our family's ranching activities from South Texas has been a rewarding experience for us."

Dino Chouest - Texas and Louisiana Rancher, preeminent businessman in the US oil and gas industry - 2016

THANK YOU

QUESTIONS?