

An Analysis on Valuation Differences in Different Markets: Taking the Food Markets in China and Africa as Examples

Minxi Yang

Aquinas International Academy, Ontario, CA 91761, The United States

shenchun@asu.edu.pl

Abstract. This study conducts an in-depth analysis of the valuation differences between the Chinese and African food markets, highlighting their unique characteristics and implications for global market participants. Initially, it explains the fundamental concepts and theories of market valuation, including widely used valuation methods and the core principles of market valuation theory. The study then evaluates the Chinese food market environment, revealing its distinct value performance and competitive advantages in global market positioning. Key drivers such as consumer demand, regulatory policies, and supply chain dynamics are discussed to illustrate its valuation characteristics. Similarly, the African food market is examined, focusing on its immense growth potential and challenges, including infrastructure deficits and evolving consumer trends. Through comparative analysis, this research uncovers significant valuation differences between the two markets, shedding light on the economic, cultural, and structural factors shaping enterprise valuation. Furthermore, the study offers a cross-market evaluation framework and strategic insights to help international food market participants adapt to diverse market conditions. By bridging theoretical concepts with practical evaluations, this research contributes to the understanding of market valuation in varied economic environments, supporting informed decision-making in global food industry investments.

Keywords: Market Valuation, Comparative Analysis, Food Industry.

1. Introduction

The valuation difference between the Chinese food market and the African food market exhibits significant characteristics, which stem from various factors such as market structure, consumer habits, and the complexity of the supply chain. According to 2022 data, the size of China's food market reached 4 trillion yuan, and is expected to increase to 5.5 trillion yuan by 2025, with an average annual growth rate of 11%. In contrast, the size of the African food market is about 1.2 trillion US dollars, but the growth rate fluctuates greatly due to regional differences. Some countries can achieve annual growth of 8% - 10%, while the overall average level is around 5%.

The analysis of market valuation adopts a combination of relative valuation method and absolute valuation method. The relative valuation method mainly compares the investor confidence and market recognition of companies in different markets through indicators such as price to earnings ratio (P/E) and enterprise value (EV/EBITDA). Data shows that the P/E ratio of major food companies in China is between 18-25 times, while the African market is generally between 10-15 times, reflecting investors' high expectations for the prospects of the Chinese food industry [1]. Meanwhile, the African market, due to its immaturity, complex policy environment, and high risk premium, directly affects valuation performance.

In terms of consumer behavior, the consumer sentiment and improvement of living standards in the Chinese market directly promote diversified and high-end demand, and an important factor affecting valuation is the transformation of consumption structure. Emerging consumer trends such as health and convenience enable multi-level brand premiums to be reflected in the market. In the African market, although the significant growth of young population has driven food consumption, insufficient infrastructure and lagging development of cold chain logistics have led to low supply chain efficiency, affecting the overall credit and growth potential of the market [2].

In addition, the policies and economic environment of various countries have also had an undeniable impact on valuation differences. The Chinese government's policy support in agricultural modernization, food safety, and other areas has contributed to market stability and growth, while

many African countries are facing political turmoil and uncertainty in laws and regulations, leading to a lack of investor confidence. This is reflected in the financing costs of African market enterprises, with an average lending rate of 12% - 15%, which is significantly higher than China's 4% - 5%, further affecting the profitability and market valuation of enterprises.

Based on the above factors, it can be seen that the valuation system of the Chinese food market is significantly better than that of the African market in terms of maturity and stability. The former is based on high consumption capacity and policy support, while the latter is still seeking breakthroughs and growth. In the process of in-depth research on the differences between the two, drawing on the successful experience of the Chinese market and providing reference for the sustainable development of the African market is an important step in promoting the development of the global food industry.

2. Market Valuation Concept and Theory

2.1. Overview of Valuation Methods

In the field of market valuation, common valuation methods include relative valuation method and discounted cash flow (DCF) method. The relative valuation method uses the market as a benchmark to compare the enterprise to be valued with companies in the same industry that have similar characteristics. Common indicators include price to earnings ratio (P/E), enterprise value multiple (EV/EBITDA), and price to book ratio (P/B) [3]. For example, in the Chinese food market, the P/E of benchmark companies is usually in the range of 15-25, while in the African market, it is relatively low, usually in the range of 8-15. This reflects the differences in risk premiums and growth expectations across different markets.

The discounted cash flow rule focuses on predicting the future cash flows of a company and calculating their present value, emphasizing the sustainability of future earnings. The parameters that usually need to be determined include free cash flow, growth rate, and discount rate. In the Chinese market, taking a large food group as an example, it is expected that the cash flow growth rate in the next five years will be 10%, far higher than the 5% in the African market. In terms of discount rate, considering market risk, WACC (weighted average cost of capital) is usually taken, which is 8% - 10% in the Chinese market and as high as 15% - 18% in Africa, mainly subject to economic fluctuations and political environment risks.

In addition, market sentiment and forecasts are also important factors affecting valuation. The confidence of the Chinese market in future policy support has led to an overall increase in valuation. Meanwhile, due to weak economic foundations, the African market is highly sensitive to expected returns, and investors often hold a cautious attitude towards potential returns, which is directly reflected in the conservatism of valuations. The data shows that investors typically offer valuation discounts ranging from 20% to 30% in the African food industry.

In summary, when comparing the valuation methods of the Chinese food market and the African food market, it is not only necessary to comprehensively consider various quantitative indicators, but also to take into account market uniqueness and investor psychology. The choice of specific methods is closely related to the maturity of the market, policy support, and economic conditions, which in turn affect the final investment decision and market positioning.

2.2. Market Valuation Theory

Market valuation theory aims to understand and predict the market price of assets by analyzing the behavior, expectations, and evaluation of future returns of market participants. Market valuation can be conducted through several main methods, including discounted cash flow (DCF), relative valuation method, and market participant expectation model. Among them, the discounted cash flow method evaluates the intrinsic value of assets by discounting expected future cash flows to the present; The relative valuation rule evaluates the market price of target assets by comparing indicators such as price to earnings ratio (P/E) and price to book ratio (P/B) of similar companies.

In the valuation analysis of the food markets in China and Africa, environmental changes, industrial policies, and differences in consumer behavior significantly affect the valuation process. The Chinese food market has experienced rapid urbanization and income growth, leading to an upgrading of food consumption structure and an increase in demand for high-end and organic food. This consumption upgrade leads to an increase in the expected cash flow of enterprises, which is reflected in their valuation. Chinese food companies often use higher discount rates (usually 8% - 12%) to estimate their future earnings.

The African food market faces different challenges. Low income levels and economic volatility make consumers price sensitive, forcing businesses to operate with low gross profit margins. Therefore, relative valuation method is often used to evaluate the market performance of enterprises compared to peers. Despite the enormous market potential, many investors tend to have conservative valuations of the African market due to political and legal risks.

Through the above analysis, it can be seen that the valuation differences in different markets are caused by both internal value changes due to differences in the actual market environment and market participants' risk assessments. Therefore, when conducting international market investments, it is necessary to combine specific market environments and adopt appropriate valuation methods to achieve more accurate asset pricing and risk control.

3. Analysis of the Chinese Food Market

3.1. Assessment of the Chinese Market Environment

The assessment of the Chinese market environment requires comprehensive analysis from multiple perspectives, including market size, consumption characteristics, policies and regulations, and competitive trends. According to 2019 data, the size of China's food market reached 13 trillion yuan, and it is expected to exceed 20 trillion yuan by 2025. The rapid growth of the market is attributed to the increase in the number of middle-class people and the upgrading of consumption, especially the growing demand for health, convenience, and quality.

In terms of consumption characteristics, Chinese consumers are increasingly inclined to choose high-quality, healthy, and safe food, especially among young people. Non grain products such as dairy products and plant-based foods have gradually become hot topics [4].

The impact of policies and regulations cannot be ignored. In recent years, the Chinese government has continuously increased its supervision of food safety and implemented a series of policies, such as the Food Safety Law and the Rural Food Safety Special Rectification Action Plan, aimed at improving food safety standards and enhancing consumer trust. According to the data from the State Administration for Market Regulation of China, the pass rate of food safety sampling reached 98.5% in 2021 [5]. This not only provides protection for consumers, but also prompts enterprises to improve production standards and enhance competitiveness.

In terms of competitive landscape, the competition pattern in the Chinese food market is becoming increasingly complex, with multiple business models emerging one after another. Traditional food enterprises face challenges from emerging Internet enterprises, such as the new retail and direct marketing model, which has promoted the transformation of the supply chain. Taking Haidilao as an example, the company achieved a revenue of approximately 15 billion yuan and a growth rate of over 30% in 2022 by optimizing its supply chain management and store layout [6]. At the same time, foreign brands are constantly entering the Chinese market, such as the intensifying competition between Swiss Nestle and local Chinese brands, which has prompted market transformation and upgrading.

In summary, the Chinese market environment is complex and ever-changing, with various factors intersecting to affect market development. Enterprises need to closely monitor these changes in order to formulate corresponding strategies and seize market opportunities.

3.2. Valuation Characteristics of the Chinese Food Market

When analyzing the valuation characteristics of the Chinese food market in depth, the key is to summarize its market growth patterns and changes in consumer tendencies [7]. Taking the beverage market as an example, the study involves the evolution of market share of various beverages in the past few years, which is reflected in the "Market Share of Different Beverages in Different Years" table. Table 1 includes six categories: mineral water, juice, green tea, coffee, functional drinks, and carbonated drinks, covering market share data from 2011 to 2018, revealing the time trajectory of consumer preferences and the basis for predicting future trends.

When analyzing these data, factors such as market size, consumer income levels, and urbanization speed are taken into account. For example, tracking the growth path of green tea's market share from 10.23% in 2011 to 15.21% in 2018 indicates the popularity of healthy eating trends in China. The gradual increase in market share of coffee reflects the infiltration of Western dietary culture and the increasing pursuit of quality life by the middle class. On the contrary, the annual decline in carbonated beverages may indicate an increase in public awareness of the health risks associated with sugary drinks.

In addition, the evolution of market share also reveals the changes in the competitive landscape of the Chinese food market. By using the Herfindahl Hirschman Index (HHI) to measure market concentration and combining it with market share data, it was found that the competition level in the Chinese beverage market shows a trend of differentiation. Especially in the categories of functional beverages and mineral water, market concentration has decreased, revealing the entry of more emerging brands and niche products.

In summary, the research on the valuation characteristics of the Chinese food market not only needs to analyze the changes in market share of various product categories, but also needs to consider the composite effects of macroeconomic factors, consumer behavior patterns, and market structure. By using quantitative analysis methods and market data, a unified valuation analysis framework can be constructed to provide scientific basis for investment decisions and market strategies.

Table 1. Market Share of Various Beverages in Different Years

Beverage category/market share (%)	2011	2012	2013	2014	2015	2016	2017	Market share (%)
Green Tea	10.23	11.08	11.67	12.30	12.90	13.42	14.50	15.21
Coffee	5.44	5.76	6.20	6.55	6.89	7.12	7.60	8.05
fruit juice	7.55	7.80	8.02	8.25	8.48	8.68	9.17	9.50
Carbonated drinks	24.60	23.50	22.55	21.85	20.75	20.25	19.80	19.30
mineral water	34.10	33.55	33.20	32.75	32.55	32.30	32.00	31.70
Functional beverages	18.08	19.31	18.36	18.30	18.43	18.23	17.93	17.24

4. Analysis of the African Food Market

4.1. Assessment of the African Market Environment

The African food market environment exhibits unique regional characteristics and development opportunities, mainly influenced by factors such as economic growth, urbanization process, and policy support. According to data from the International Monetary Fund (IMF), the average annual growth rate of the African economy in 2022 is 3.4%, and it is expected to reach 4.3% by 2025. This growth provides a vast space for the food market.

The urbanization rate in Africa is rapidly increasing, reaching about 43% in 2019 and is predicted to exceed 60% by 2040. Urbanization has brought about a shift in consumption patterns, increasing the demand for processed foods, convenience foods, and high-quality foods. According to Statista, the total market value of the African food industry in 2021 is approximately one trillion US dollars, and it is expected to increase to 1.4 trillion US dollars by 2030. This market expansion is mainly concentrated in East and West Africa, with key markets including Nigeria, Kenya, and South Africa.

The impact of inadequate infrastructure construction on the food market cannot be ignored. According to World Bank data, over 35% of agricultural products in Africa are lost in circulation due to a lack of necessary cold chain facilities and transportation capacity. Compared to the global penetration rate of cold chain facilities, the coverage rate in Africa is less than 10%. The logistics cost accounts for a large proportion of the retail price of food, leading to an increased burden on consumers. Therefore, investments in this field have significant potential for returns.

Another important factor is the impact of climate change on agricultural production, and Africa is one of the most vulnerable regions to global climate change. According to data from the Food and Agriculture Organization of the United Nations (FAO), climate factors lead to an average annual decline of 2.5% in Africa's food production capacity. Countries should strengthen their commitment to sustainable agriculture and adaptive strategies to ensure food security and market stability [8].

Taking into account the above factors, the African market environment provides diversified opportunities and challenges for international food companies. Market participants need to pay attention to changes in consumer demand, adapt to the environment, and thus occupy a place in the rapidly developing African food market.

4.2. Valuation Characteristics of African Food Market

When valuing the African food market, in-depth analysis of diverse data reveals its market characteristics and potential growth drivers [9]. This study selected the food market in Barcelona, a representative African country, as the case study object. Using the system analysis method, compare the market functions introduced from 2019 to 2024, and explore in depth the impact of various new functions on the overall market valuation (see Table 2). The preferred evaluation indicators include expected efficiency improvement, investment amount, expected return period, growth rate of local employment, and expected growth in market size. Analysis of data shows that the introduction of e-commerce platforms can significantly improve market efficiency, with an expected increase of 25%, and is expected to generate an annual growth of \$50 million in market size. However, its investment amount is as high as \$2 million, with an expected return period of 7 years, demonstrating a high level of capital investment and payback time.

Table 2. Introduction Functions of Barcelona Municipal Food Market

Functional category	Introduction year	Expected efficiency improvement (%)	Investment amount (in millions of US dollars)	Expected return period (year)	Local employment growth rate (%)	Expected market growth (in millions of US dollars per year)	Maintenance cost (in millions of US dollars per year)	Technical partners
Cold chain logistics	2022	15	120	5	4.2	30	2.5	CoolTrans Ltd
Distribution system	2021	20	80	3	5.5	25	1.8	DistriNetwork Co.
E-commerce platform	2023	25	200	7	9.3	50	4	eFoodMarket Inc.
quality control system	2020	10	50	4	3.7	15	1.2	QC-Solutions Corp.
Packaging Innovation	2024	18	95	6	6.1	20	2	PackTech International
supply chain management	2019	12	110	5	4.8	18	1.6	SCM Experts Group

In order to comprehensively analyze market characteristics, this study also collected and analyzed consumers' evaluations of the marine food market as key indicators for measuring market demand and consumer satisfaction (see Figure 1). The research results show that consumers' concerns about freshness and quality affect their overall evaluation of the market, guiding market operators to focus on the introduction and upgrade of quality control systems [10].

For the supply chain management function introduced in the Barcelona municipal food market, analysis shows that its expected efficiency improvement is 12%, which will help optimize stock

circulation and reduce logistics costs. Although the investment amount is \$11 million, it has a certain cost-benefit ratio compared to the expected market growth and local employment growth rate.

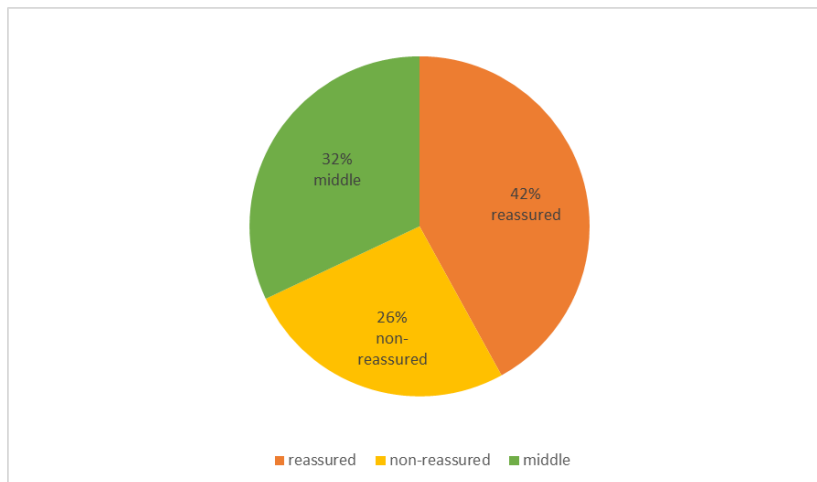


Figure 1. Consumer Evaluation of the Marine Food Market

5. Conclusion

The valuation difference between the Chinese food market and the African food market reflects multiple influencing factors, including market size, consumption habits, policy environment, and economic development level.

In China, the food market reached 9.9 trillion yuan in 2019 and is expected to exceed 13 trillion yuan by 2025, with a compound annual growth rate of 5.5%. Relatively speaking, although the African market has enormous potential, the food market size in 2019 was about 370 billion US dollars, and it is expected to reach 470 billion US dollars by 2023, with a compound annual growth rate of 6.5%. However, the uneven level of economic development among African countries has led to varying levels of market maturity. Food markets in countries such as South Africa and Nigeria are relatively developed, while many landlocked countries are still in their infancy.

There are significant differences in consumer preferences. Chinese consumers are increasingly valuing quality and brand, preferring high value-added products, especially health foods, while the African market is dominated by basic food demand, despite the acceleration of urbanization and the growing popularity of fast-moving consumer goods.

In terms of policy environment, the Chinese government actively promotes food safety and modern agricultural policies, establishing multiple subsidy measures to support the circulation of agricultural products. However, African countries have weak policy implementation and some countries lack effective regulatory mechanisms, exacerbating market uncertainty.

The valuation difference between the Chinese and African food markets not only reflects the current market environment and development stage, but also reveals the potential and challenges for future development. Market participants need to fully consider the uniqueness and risks of their respective markets when formulating investment strategies, in order to seek more efficient resource allocation and return realization.

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