

Funds show African agriculture is a worthy investment

THE LAUNCH OF A HANDFUL OF agricultural investment funds over the last two years can be seen as evidence private investors do have confidence in agriculture in Africa, despite the numerous political challenges facing commercial farmers.

The Agri-Vie Fund, formed by Sanlam Private Equity and the investment group Strategy Partners, has already raised R500 million since launching in 2008.

In August 2008, the private equity fund was at R330 million with initial funding coming from the Development Bank of Southern Africa, the Industrial Development Corporation and the US-based Kellogg Foundation. Since then, investors bumped up the fund to R500 million and fund managers are confident it'll reach its target of R700 million at first close. CEO of Sanlam Private Equity Pieter Kriel said the Agri-Vie Private Equity Fund had identified Africa as a continent with good opportunities. "There are many businesses not performing

to their potential because of a lack of access to capital, limited market knowledge and infrastructure limitations. Much can be done to increase the value of these prospects," he explained. Kriel said the idea of the fund wasn't to invest in primary agriculture, but to create environment-stimulating growth opportunities for existing and emerging farmers. "The typical sectors are processing and marketing of farming outputs. Other sectors are aquaculture, milling operations, horticulture, especially in East Africa and flowers, mainly in Kenya. We've also added ecotourism."

Kriel said a potential investment in South Africa had been identified, but would only say it was in fresh fruit. The Agri-Vie Fund has a dual structure – one portion is a limited liability partnership for investors, requiring points for the Financial Sector Charter (FSC) and the second is a separate entity based in Mauritius, focused on investment in sub-Saharan countries outside

of South Africa. One such investment by the latter is in a tropical fruit processing plant in Ethiopia. Kriel said the fund was targeting a 20% return. Sector-specific funds are unusual in the private equity field. However, the Phatisa Group recently introduced the African Agri Fund, aiming to raise US\$300 million (R3,07 billion), with a first closing at US\$50 million (R512 million). The fund will undertake private equity investments primarily in processing, services and infrastructure and mainly in East and Southern Africa. Five initiatives so far include aquaculture, animal feed, tea blending and production and a smallholder scheme.

In May last year, UK-based Emergent Asset Management said it planned to launch the African Land Fund to buy farmland in 12 countries in sub-Saharan Africa. It has since partnered with Grainvest, a company of professional agricultural traders and one of the top five participants on the South African Securities Exchange. – *Robyn Joubert*