


**AFRICAN AGRICULTURE**

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Africa Global Funds catches up with **Stuart Bradley**, Senior Partner at **Phatisa**, to discuss the African Agriculture Fund (AAF) and opportunities in the African food value chain. The AAF is a food and agri focused pan-African private equity fund, managed by Phatisa. The fund final closed at \$246m and has a current portfolio of 16 investments (including follow-on) across 12 African countries.

**AGF: Tell us about your recent deal in the AAF?**

**Stuart Bradley (SB):** In October 2014, Phatisa concluded an investment in the Meridian Group, a \$250m (revenue) business with operations in Mozambique, Malawi, Zimbabwe, Zambia and Mauritius. Meridian's main focus is the manufacture and distribution of specialised fertiliser blends. The Meridian Group of companies can trace their origins back more than 25 years. Today, Meridian employs over 3,000 people and is responsible for distributing over 350,000 tonnes per annum of its products throughout southern Africa.

**AGF: Do you have any more deals in the pipeline?**

**SB:** Phatisa is very encouraged by the size and quality of the deal pipeline, showing a total investment value of more than \$200m, which includes the investment portfolio of \$123m.

**AGF: Where do you see opportunities in the African food value chain?**

**SB:** Working off a well-established business network, investment opportunities are ample - choosing the right investment, back by a solid management team - therein lies the skill.

**AGF: What excites you about the African agriculture sector?**

**SB:** Agriculture, creating a sustainable food value chain is the key to Africa's economic and social development and likewise significantly positively impacts the environment, biodiversity and public health.

**AGF: What are the main challenges do you face as an investor in agriculture?**

**SB:** Probably the two major challenges facing African agri and food businesses are difficulties in accessing finance, and a lack of local skills.

Although agriculture represents around 25% of GDP in sub-Saharan Africa, the share of commercial bank lending to the agriculture sector remains very low: 3% in Sierra Leone, 4% in Ghana and Kenya, 6% in Uganda, 8% in Mozambique and 12% in Tanzania. Also, agriculture and food related companies can safely take on only a limited amount of debt, and this constrains their ability to grow. The AAF therefore provides an invaluable funding gap to these businesses - it can accommodate and facilitate their expansion, which would not otherwise be possible through the traditional lending channels.

The inadequate teaching facilities and research capacities of African higher education and research facilities are negative factors affecting agriculture, industry and manufacturing in many countries.

Education and skills development is therefore an important feature of the AAF investment philosophy. As a focused fund, we are able to support our investment companies with specialised in-house skills, such as: tropical agriculture experts; routes to market professionals; hands-on financial management; marketing and branding; corporate governance and ESG; and soil management, to mention but a few. The effective transfer of knowledge, besides offering a key solution to many common business challenges, also enables the development of local know-how, which in turn supports sustainable long term growth.

Finding and retaining experienced and sophisticated management at various skill levels is always a challenge. As fund manager, we are able to draw on our years of experience and our Africa network to assist in the selection and recruitment of the best candidate for the position.

**AGF: How long is till the AAF is fully invested?**

**SB:** To date, the AAF has committed investments in excess of \$123m in 16 investments across the continent, ranging from Sierra Leone in West Africa, to Mauritius and Madagascar off the east coast of southern Africa. These portfolio companies, which include investments made through AAF's SME Fund, account for 50% of the \$246m of AAF investor commitments available to date. Keeping the same consistent investment pace we will be fully invested within the next year.

**AGF: How is the fund's technical assistance facility help your portfolio companies?**

**SB:** As a crucial support component of the AAF, the Technical Assistance Facility (TAF) provides technical assistance and improved access to rural financial services for outgrowers supplying AAF portfolio companies. TAF's focus areas are capacity building and improving access to markets and finance, in order to enhance productivity and income among SMEs and smallholders that supply AAF portfolio companies.

**AGF: Would you consider raising another fund for the agriculture?**

**SB:** Yes, we plan to raise a successor fund to AAF. Phatisa is turning 10 in 2015 and it has been a journey. We have attracted great young eager minds and lead my well-experience team. With our feet firmly grounded in African soil we see we are ready for the next decade.

We feel confident that our chosen asset class, sector-focused funds will deliver expected return on investment for our pool of multinational investors and for the foreseeable future this is where our focus will remain in any new fund we hope to launch.

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