

AGRITEC ID – EMRC
INTERNATIONAL BUSINESS FORUM

PRIVATE EQUITY in
AFRICAN AGRICULTURE

Zambia is reeling it in...

Mark Terken

Lisbon, 20 – 21 Jan 2011

LIBERALIZE, FACILITATE.. ... INVEST & HARVEST



PRESENTATION OUTLINE 7 x

1. Mark Terken Project Development
2. Farming is a business & the value chain is complex
3. Different actors, different objectives in Agriculture
4. Farm classifications, what is commercial agriculture
5. Targeting commodity and country
6. Finance in Large scale agriculture
7. Zambia, a success story, and what else 'To Do'

1. WHAT WE DO

- Mark Terken Project Development
- Results in Southern and West Africa
- Clients are actors in **developing sustainable commercial Agriculture** in Africa;
 - Corporate Agri Investors
 - SSA Governments
 - Development Finance Institutes (DFI's)
 - Banks
 - Funds
 - UN & Donor organizations, Projects

IT IS A LONG ROAD..



But some 20 private equity funds are now specializing in investments in African farm land and Large scale Agriculture

2. FARMING IS A BUSINESS !

1. Markets & Competiveness FIRST !!
2. Only grow crops that YOU, your country, the soil & climate and that your farm grow well
3. Management, management, management
4. Good seed, follow required timing and husbandry, apply fertilizers and agro chemicals as advised, optimize your systems
5. Be competitive; buy inputs at low prices, achieve yield targets & sell at the right time
6. Determination, prepare to ride the waves



RIDE THE WAVES, HIGH & LOW

A COMPLEX VALUE CHAIN

I. ASSETS

•Land, Bulk Water, Power, Irrigation, Equipment, Roads, Dry & Store, Office, Housing

II. INPUTS

•Seeds, Fertilizer, Agrochemicals, Packaging, Water, Energy, Light, Labour, Services

III. FARMING

•Grains, Oil seeds, Tubers, Sugar, Livestock & Poultry, Aquaculture, Fibre, Flori & Horticult., Tropical comm., Beans, Treecrop, Aquaculture, Forestry

IV. PACKAGING, PROCESSING & MANUFACTURING

•Grading & Sorting, Farm processing, Packaging,, De-hulling, Milling, Oil extraction, Milk, Meat & Fish processing,
•Food, Drink, Fuel, Fibre, Cigarette, Rubber, Leather manufacturing

V. LOGISTICS, DISTRIBUTION & RETAIL

•Storage, Cold Chain, Transport @ all positions in Value Chain
•Branding, Final distribution from manufacturer -> wholesale -> retail

3. DIFFERENT ACTORS; DIFFERENT OBJECTIVES

1. National food security & import substitution
(political, trade balance, pricing & inflation control objectives)
2. Subsistence support to the hungry & poor
(Humanitarian & Piece)
3. Emergent farming
(Economy Transformation)
4. * Contract Farming (cotton, tobacco etc) *
5. * Commercial and Large scale Farming *
6. * Corporate farming * (oil palm, sugar etc) *

DRIVE SMALLHOLDER SECTOR



4. FARM CLASSIFICATIONS

Various Actors, different Farm classes

- Subsistence
- Commercializing Smallholders
- Emergent (up to 0.1m US\$ turnover)
- Commercial (0.1m – 2.5m US\$ turnover),
- Corporate (> \$ 2.5m US\$ with expatriate management structure & FDI)

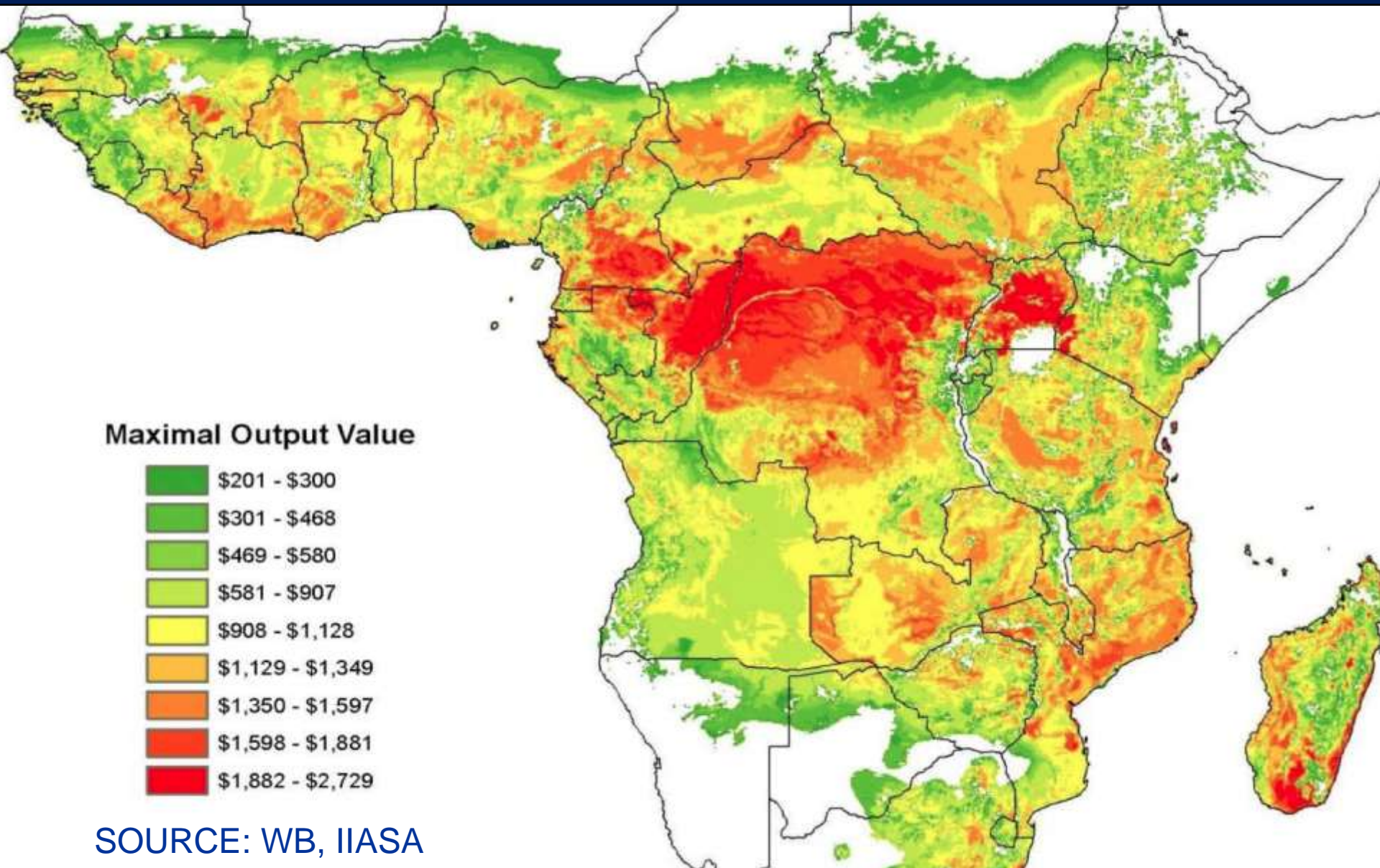
COMMERCIAL FARMS

	Min	Max
Country		
Zambia	250	350
Zimbabwe	150	250
Malawi	50	75
Nigeria	20	75
Cameroon	10	20
Angola	20	30
Mozambique	30	60
Tanzania	40	100
Ethiopia	30	60
Ghana	20	40
<i>Spread</i>	<i>620</i>	<i>1060</i>


Indication of total number of farms with an annual income of over \$ 250,000 for some SSA countries

SOUTH AFRICA	
30,000	40,000

5. FIRST; SELECT THE RIGHT AREA



THEN, THE TARGET COUNTRY

- I. Delivers a policy of ENABLING ENVIRONMENT
 - II. Peace, no hunger, medication, education
 - III. Stability and Good governance > FACILITATE
 - IV. Weighed protectionism & tariff, consistent policy
 - V. Efficient policing, sound judiciary system
 - VI. Land tenure system & Investment protection
 - VII. Investment & tax incentives, free forex trade
 - VIII. Facilitating work permits for experts
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6. FINANCE IN COMM AGRI

- Farmer nucleus expanding & (re) investing
- Direct Investment; same industry, backward integration & New entrants
- (Private) Equity
- Debt
- Sovereign Wealth
- Governments

ZAMBIA PRIVATE EQUITY & OTHER SOURCES OF FINANCE

- In the last 3 years acceleration of FDI
- 5 – 10 Funds (Duxton, Altima, Emergent, Chayton, Zambika etc)
- Targeting brown field investments of 1m – 2m \$, with subsequent investments of \$ 1m – 10m \$
and other forms of investment;
- Direct, IPO, Debt, PE : Zambia Sugar - Ilovo, Zambeef, Mpongwe Farms

FARMING HARD WORK, FOR THE LONG TERM



7. ZAMBIA, A SUCCESS STORY

- Land lease 99 years; bankable !!
- Existing Commercial farming areas
- Scalability, Aggregation opportunities
- Liberalized economy
- Sound financial & banking systems
- Attractive investment climate & incentives
- Investment protection; Bi-lateral & MIGA
- Free foreign exchange flows
- Work permits for experts

Success story continued....

- Limited government interference
- Low-cost electricity in all key farming areas
- Competition amongst input suppliers
- No trading blocks
- Large number of players in market, increasing farm gate prices
- Service organizations & technical advise
- Lobby between Farmers Union & Government

WHAT ELSE TO DO..

- Liberalize import & export regulation
- Sound & CONSISTENT policies
- Manage currency value, limit volatility
- Sound policing and judicial systems
- Lower transaction costs & post harvest losses
- Low fuel costs, 0 tax on inputs, equipment etc.
- Successfully leverage donor & partner support
- RESEARCH, EDUCATION, EXTENSION

ONE THING IS CLEAR.....



African Agriculture...
Surf's Up...

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