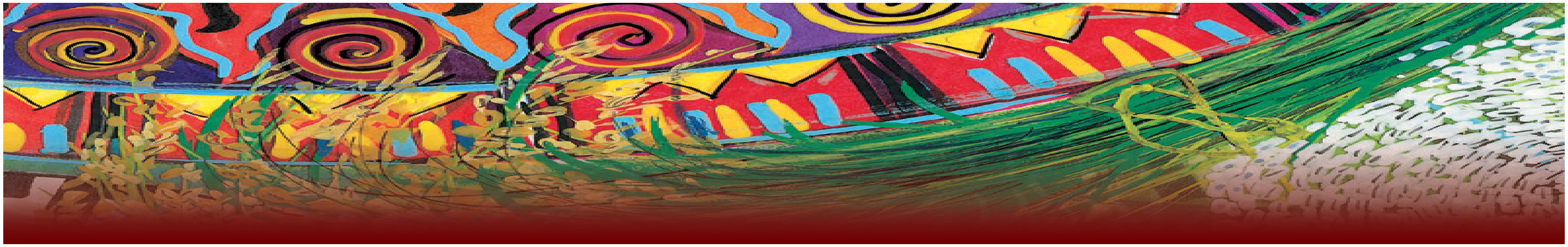

Investors in Africa's agriculture From investment funds and Finance-Value-Chains to questions about the African peasant

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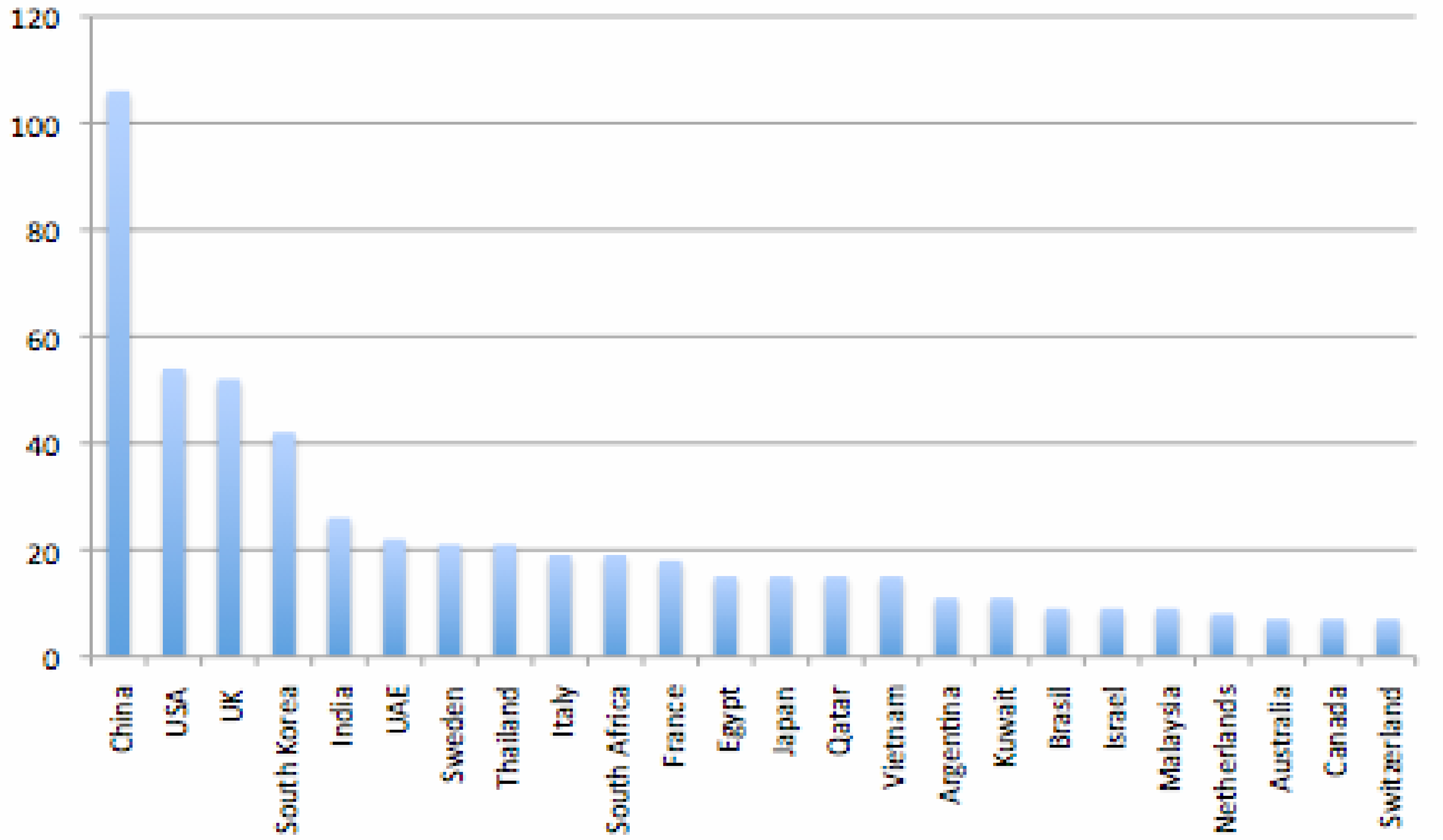
- Introduction
- Who are the investors
- Presentation of 3 renewed models
  - 1- Commercial banks integration in agriculture production
  - 2- Agricultural engineering companies
  - 3 - Investment and equity funds
- Concluding thoughts

Who are the investors?



Who are the investors?

- Capital-rich / food insecure (Gulf States)
- Land and water scarce populous but capital-rich Asian countries. (China:20% of world pop / 9% of world arable land)

Avoiding markets:

- Direct gov. involvement
- Sovereign Wealth Funds
- State-owned enterprises

- Traditional Western food-producing, processing, and exporting companies seeking to "square the market"

- Private investors

- New actors – Investment funds

Speculation:

- Hedge funds
- Pension funds
- Invest banks

Total integration and the concept of finance value chain

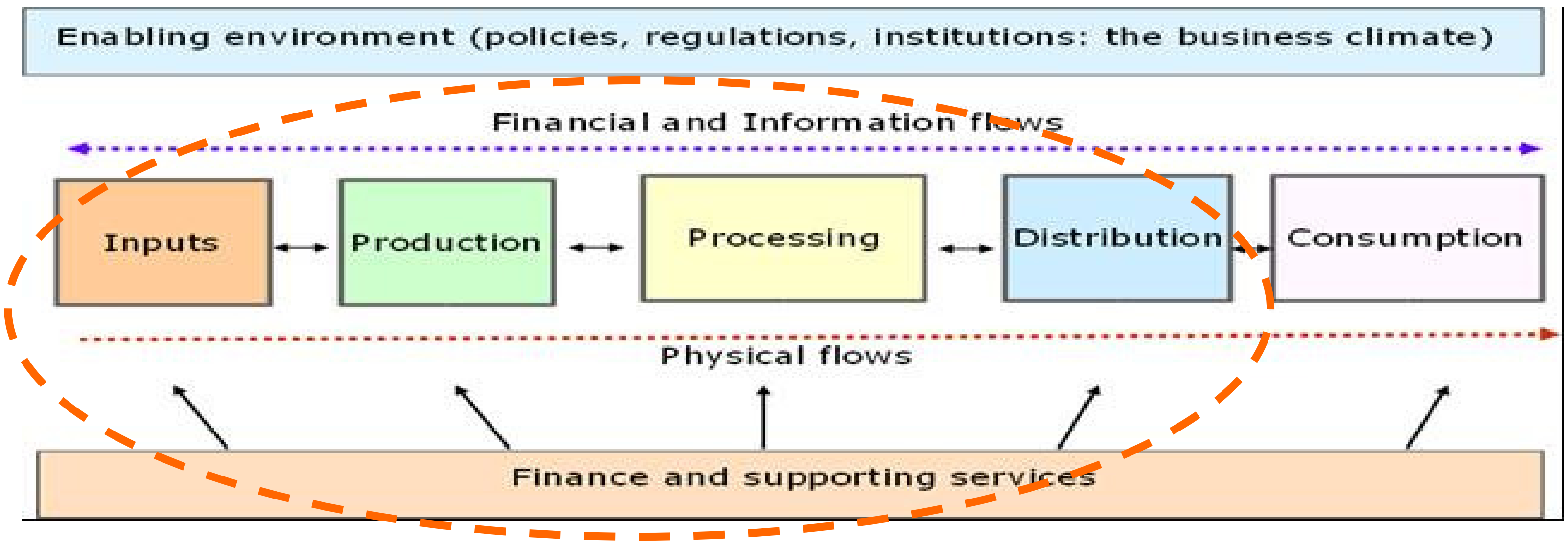
- Beyond land, the renewed interest to control land-based activities

- Land grabbing - top of the iceberg of wider dynamics, diverting attention from a dynamics of control over land-based activities/ production.

- Integration of the entire production cycle
  - Speculate

Total integration and the concept of finance value chain

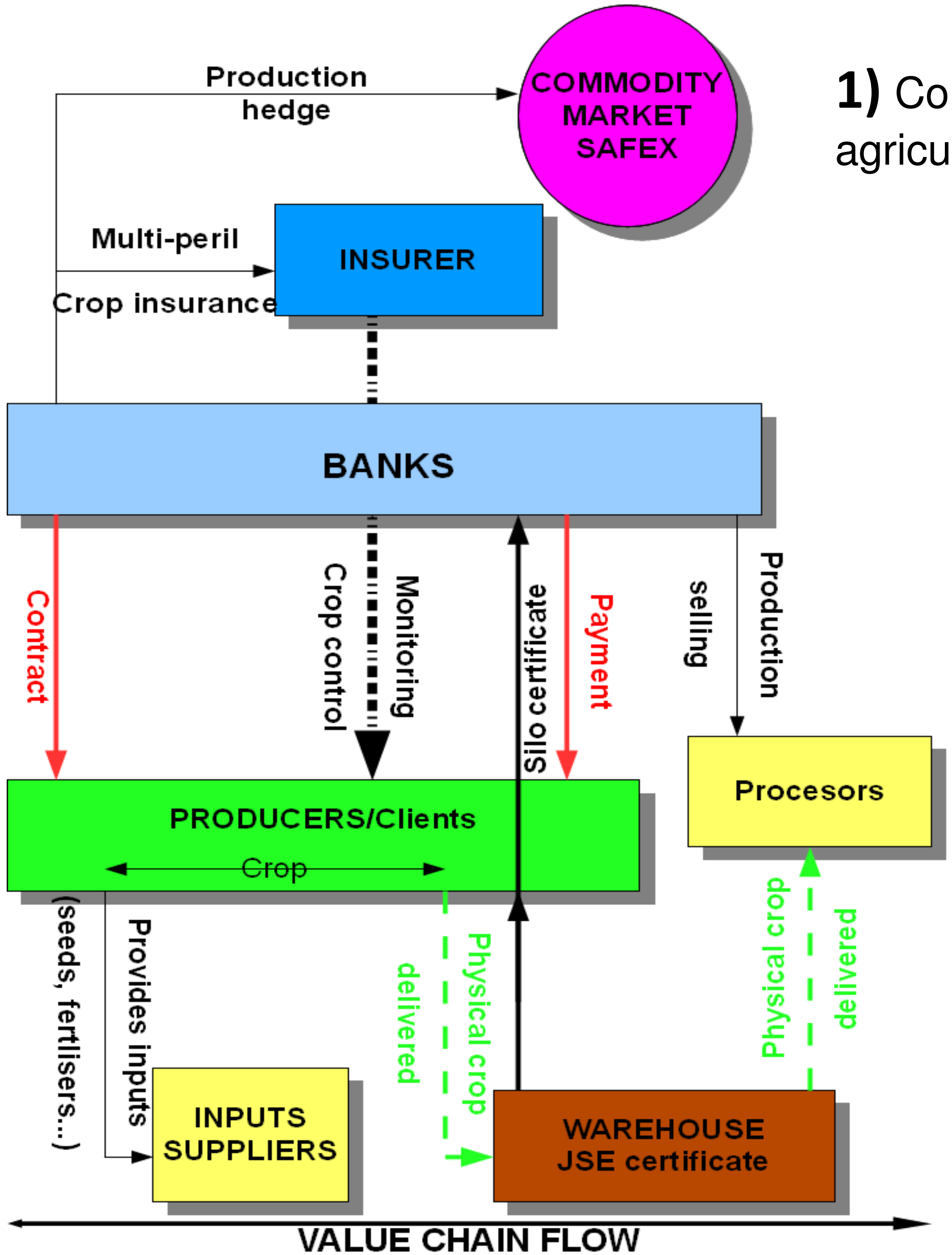
• Finance value chain as new agricultural development paradigm - sustained by international agencies (WB, Agribusiness and innovations in Africa)



•Integration of primary production / finance in an overall cycle

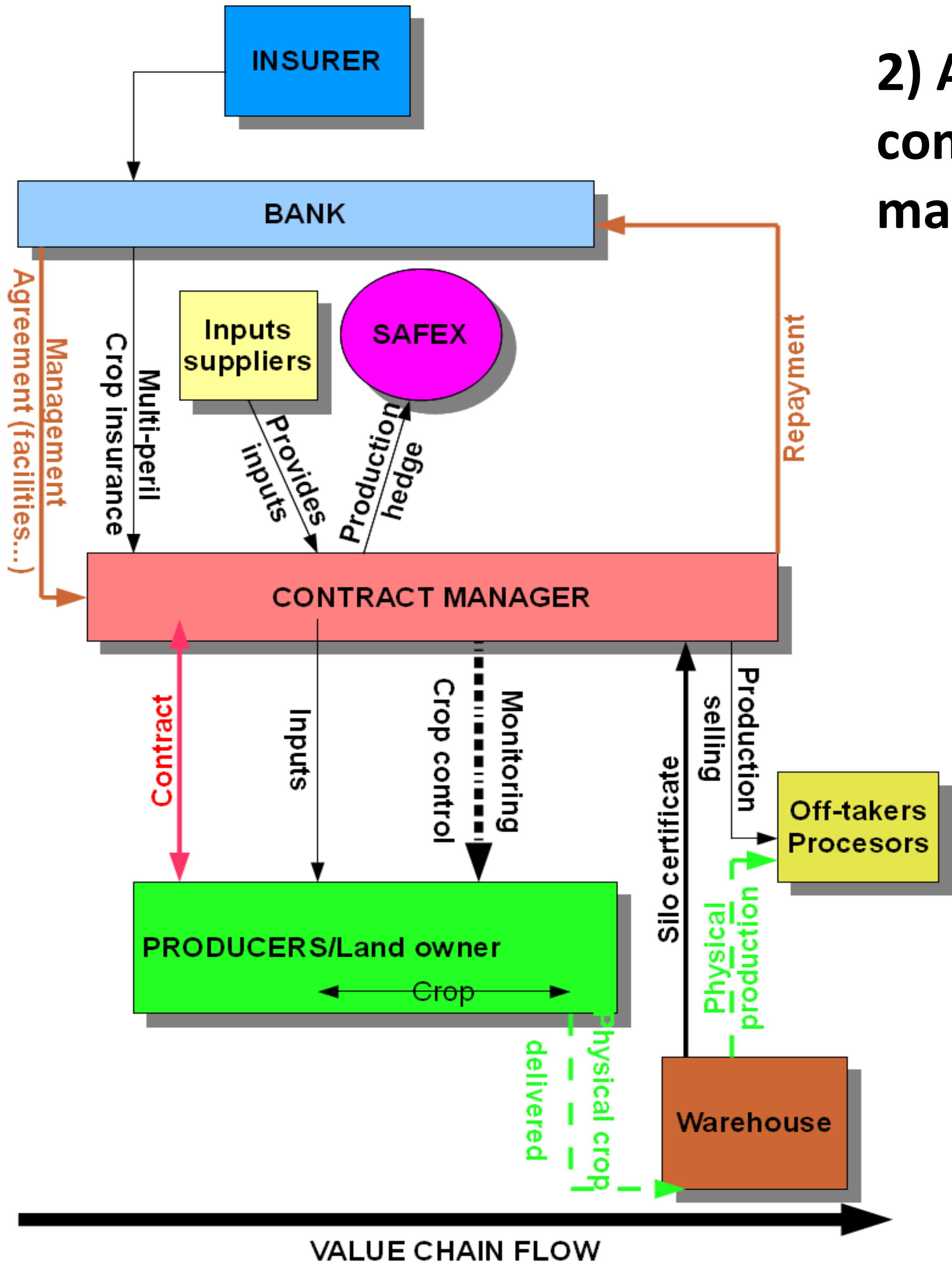
• Spreading the risks / no collateral / A reversal of the risk-profit relationship appears within the production chain

• South African based study – SA as a pilote country for several renewed models



1) Commercial banks integration in agricultural production

- High cost of productive, competitive agricultural production (Input prices increase - the land is not enough as collateral)
- The production is never owned by farmer
- Price risk - managed through hedging on futures market SAFEX
- Production risk (flood, drought…) is covered by the multi-peril insurance
- Monitoring during the crop and before the harvest by the bank or the insurance company
- Farmer remuneration (production less inputs cost or salaried position)



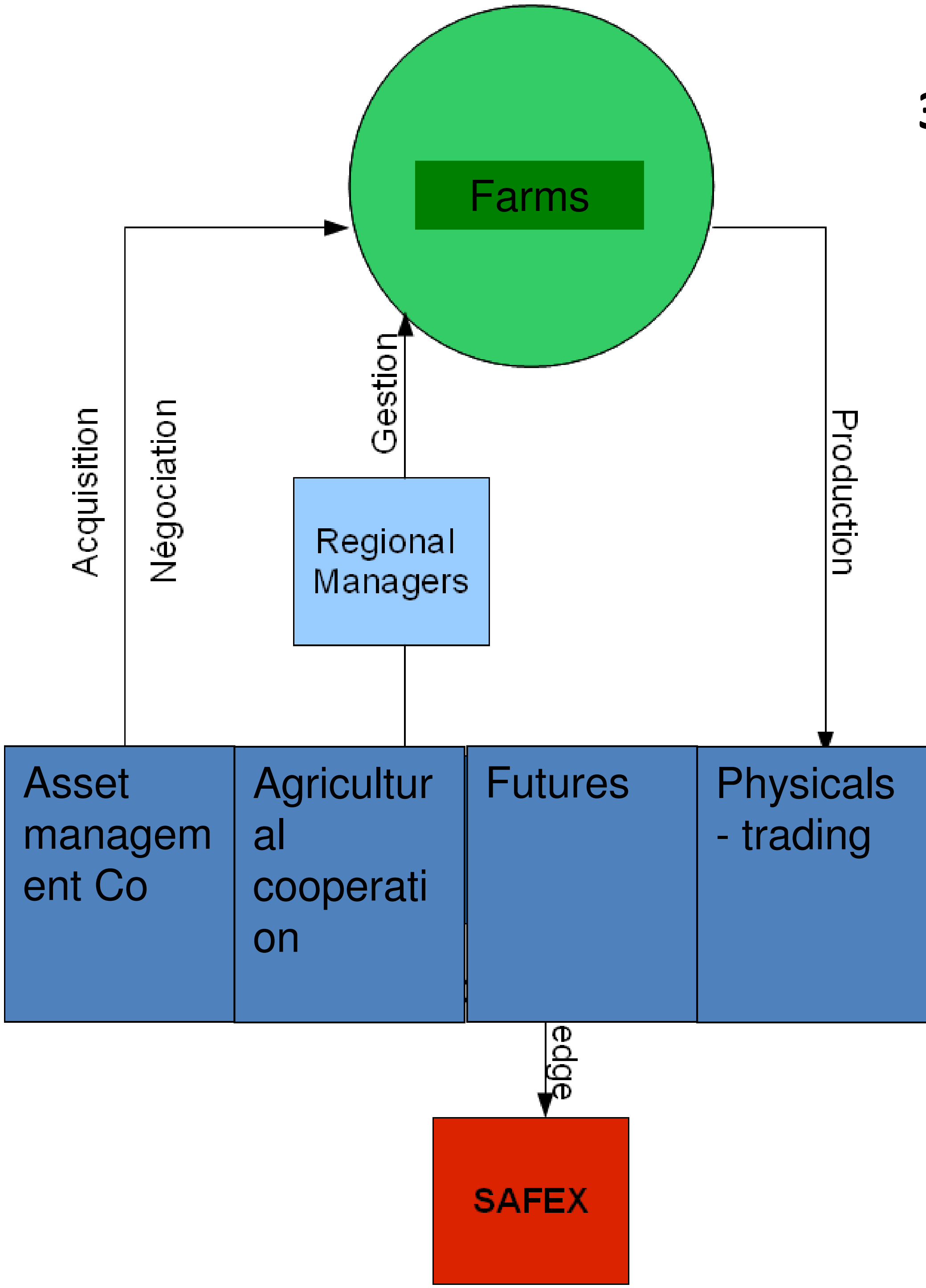
2) Agricultural engineering companies: Input finance & management model

- Management agreement: the manager receives all finances, the multi-peril crop insurance and hedges
- The bank transmit all the risks on this intermediate
- Contract growing or the land is leased by the manager; the producers are employees of this company
- Crop (silo certificate) ‘owned’ by the manager
- The manager gets inputs at lower cost thanks to reputation and economies of scale
- Precision farming (satellite monitoring)
- Geographical diversification to mitigate the risk
- Price risk management through SAFEX

3- Investment and equity funds

- Development of investment and equity funds focusing on agricultural production AND land
- Investors – international businesses, commercial banks, development Banks, Financial companies, …
- Asset management company takes care of funds
- Diverse strategies, depending on expectations of investors (return rate, fund life-term…)

- 2 different models:
  - Direct investment in land
  - Equity fund



3a) Direct investment in land

- Buying up land with the expectation of increased/fluctuating land and food prices
- Different strategies:
  - Example of Asset Management Companies; Direct production control (+40 farms as risk mitigator)
  - Speculation on land (Land as a risk asset in SA)

3b) Equity funds

Buying shares (or equities) in agricultural and agri-business enterprise and/or primary production

- Private

  Strategy 1:
  - minority position (20 to 34%),
  - control on the managerial structure but not on the agri-business activities,
  - corporate approach,
  - Up and down stream activities,
  - only in SA

  Strategy 2:
  - majority position (50 to 75%),
  - direct control of agricultural and agri-business activities,
  - individual and corporate approach,
  - SA and Africa,
  - Primary production,
  - Buy farms
  - closed fund

- Public

  Public development Funds
  - Investors: Development Banks, International organizations, etc.
  - Local fund as management society
  - Investment along entire value chain – production and agribusinesses
  - Double focus on commercial/large scale agriculture (80%) and small scale (20%)

Table 1 : Examples of investment funds specialized in agricultural initiatives in South Africa

Investment fund (date of establishment)	**Fond owner**	**Origin of capital**	**Capitalization amount**	**Investment capital**	**Activity area**
Emvest (2008)	Emergent Asset Management (UK-based investment fund, specialized in emergent markets) & Russel Stone Group (SA agro-business)			-Land acquisition with direct engagement in production, transformation and commercialization -Several agricultural sub-sectors	Southern Africa
South African agricultural fund & African Agricultural Fund (2010)	Old mutual (SA financial institution)	European and SA life insurance companies and pension funds	R3 billion (Approx 300 million Euros)	Speculative land acquisition (no direct control over agricultural production)	Southern Africa
Zeder (2006)	PSG (SA group dedicated to financial services)			-Minority position (between 20 et 34%) with agri-businesses -No direct implications regarding production but with managerial inference -Downstream and upstream activities	South Africa
Agri-Vie (2008)	Sanlam (SA insurance company)	Pension funds, Private foundations (Kellogs), Public institutions (Industrial Development Corporation)	R700 million (70 million Euros)	-Majority position in agri-businesses (cereals, livestock, horticulture…) -Direct control over production Priority given primary production	Africa
African Agricultural fund (2009)	French development Agency (AFD) (?)	AFD, AfDB, AGRA, IFAD, West African Dev Bank	US$150 million	-Intégralité de la chaine de production agricole primary (production, transformation, infrastructures…) -Towards commercial agriculture (80% of capital) and family-based agriculture (20%)	Africa
TransFarm Africa (2011)	NEPAD business foundation	Private foundations (Hewlett)	US$20 million	Strategy not developed yet	Africa
Fund of the Rand Merchant Bank (RMB – SA commercial bank)	RMB	Own funds		-Priority to transformation and commercialization agri-businesses -Shares of minimum 25% -Land acquisition (30 000ha in SA) -Management and direct implications for the company's activities -Cereal and sugar cane	Africa

Some concluding thoughts…

*** *Financiarization and corporization of agriculture***

-New financial models brought along by renewed types of actors (MACRO-Actors - engineering, financial, industrial sectors)

- Generate new productive agricultural models & Redraw the orthodox frontiers of the agricultural sector

-Speculation henceforth long-term strategies, led by actors external to the sector, equivalent to other sectors

*** *Concentration and dualisation within the sector***

- Dominion of a few large international groups (Agricultural intermediaries & commercial banks and insurance companies)
- Marginalization of the majority of the African farmers

Some concluding thoughts…

* ***Deregulation, private norms and foreign powers***

- Removal of stabilization mechanisms facilitates economic agents’ direct involvement and control over agricultural regulation mechanisms
  – Private norms developed by very same actors
- Foreign economic powers control an increasing part of the production, emphasizing food sovereignty issues

**** Socio-Professional implications of these models***

- Marginalization in the decision making process for the communities and independent (small scale and large scale) farmers
  - probably more a ‘service provider’
  - The end of the peasant? No family faming anymore? Which future for agricultural sector?
- Dependence cycle: impossibility to realize productive investment

Some concluding thoughts…

* *Export of renewed models ?*

- SA as a laboratory for the rest of Africa
- Models (by SA or local businesses) are spreading their activities all over the African continent
  - Certain banks already present in 14 countries
  - Asset management Co extending in 18 countries…
    - Linked to this expansion perspective, development of new instrument to do business in a less appropriate environment
- Questions all the more important in agricultural-based countries with very few job alternatives
  - What alternatives?
  - Towards a geographical working division, primary production abroad (cf. DRC) and processing/marketing/hedging in SA/abroad?

THANK YOU

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