

Agricultural Investment Funds (AIFs)

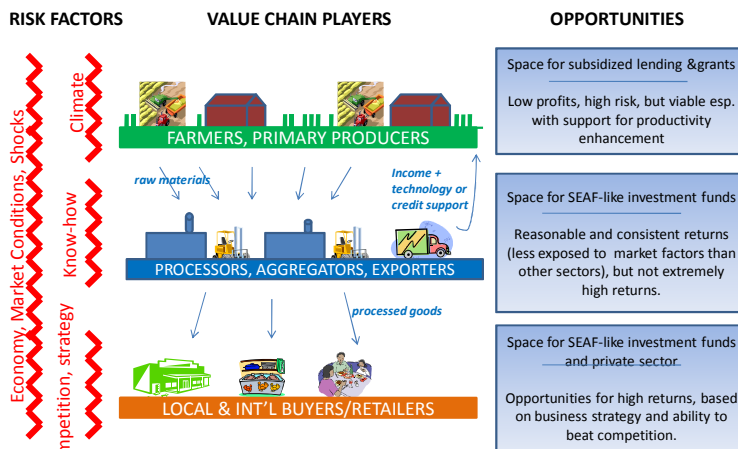
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Where to Invest in the Agricultural Chain?

Why an Agribusiness Investment Fund?



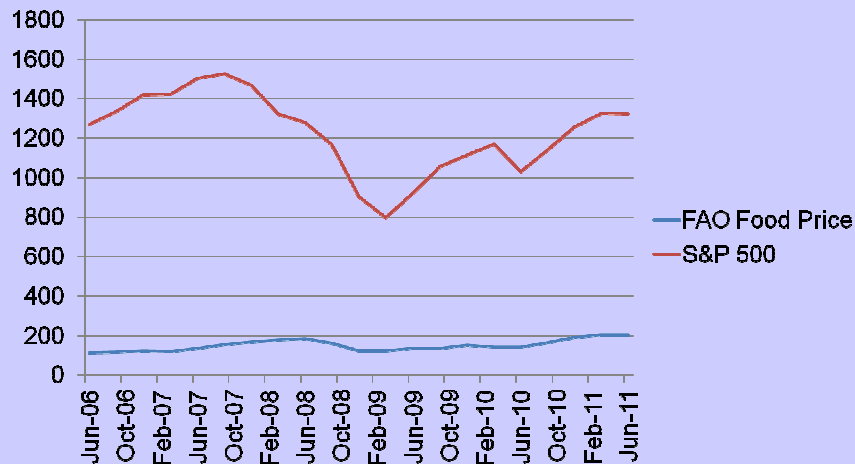
➤ **Agribusiness fund focusing on businesses that link farmers to global buyers can complete a farm-level development strategy for emerging markets.**

Source: (SEAF), 2009

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Why Invest in Agriculture?

Food Prices vs. Investment Indexes



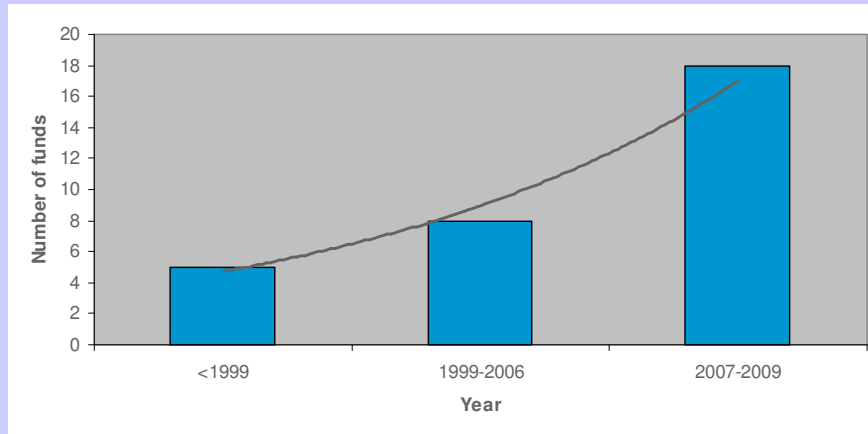
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Overview of FAO/ConCap Study

- Desk study: Stock-taking and case studies
- 31 AIFs identified mainly focused on SSA
- Significant growth of AIFs in recent years
- Many set up as a public-private partnerships (PPPs)- 58%
- Capital base ranging between US\$8 million and US\$2.7 billion
- Varied instruments: equity(14), debt(4), debt/equity(8), guarantee(1), others (4)

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Rising Trend in Setting up AIFs



Source: FAO/ConCap Study

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Agribusiness Partners International Investment Fund

Example 1

- \$100 million fund launched in 1995 and exited in 2005
- Managed by Burlington Capital Group/Agribusiness Management Company, LLC
- Private equity investors in food and agribusiness
- Investment strategy for high returns through capital placement and consumer product quality and growth
 - principal was guaranteed by US government agency
 - investor return on equity was 37%
- Examples of funded projects:
 - poultry production and processing
 - cheese startup company (sold at a loss)
- Technical assistance & support:
 - promotion of higher quality products
 - provision of guidance on growth strategies

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African Agricultural Capital (AAC)

Example 2

- Established in 2005 and funded by Rockefeller Foundation, Gatsby Charitable Foundation & Volksvermorgen NV.
- Venture Capital Fund- fully invested in 16 SMEs in Kenya, Uganda and Tanzania
- AAC also manages the Africa Seed Investment Fund

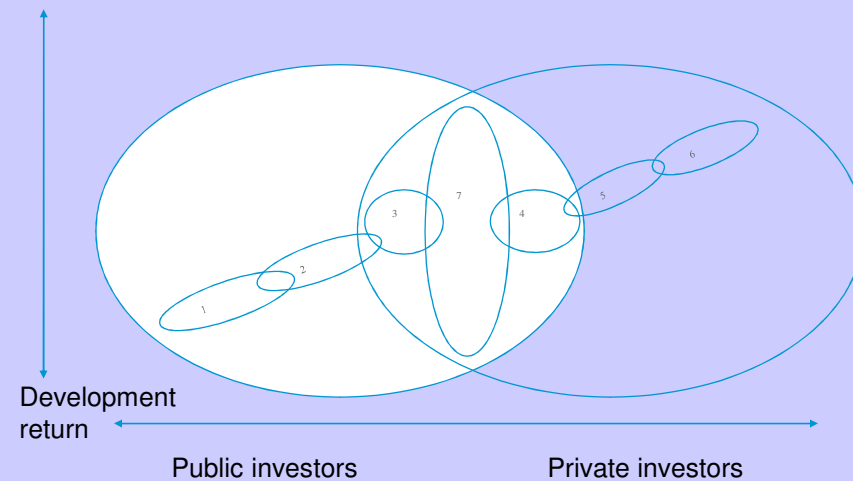
Examples of funded projects:

- Victoria Seeds in Uganda which serves smallholder farmers in Uganda, South Sudan and DRC
- Africado- a start-up company in Tanzania which grows and exports avocados to the EU
- Ideal for socially oriented investors

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Distribution of AIFs by return expectations

Financial return



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Private Sector Engagement in AIFs

- Agriculture perceived as a sector that offers investment opportunities for the private sector
- AIFs offer a means for investors to pool their assets and invest in the rural/agriculture sector in developing countries, diversify portfolio
- AIFs offer opportunity for the private sector to build synergies with the public sector (risk sharing)
- In the study- 18 funds were PPPs and the rest private capital funds
 - private capital funds investing in agriculture increasing in recent years

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Investor Goals and Expectations

- Public investor without return expectations
- Public investor with limited or no return expectations
- Public and private investors in Public Private Partnership models
- Private investor with interest in agriculture as a new asset class
- Private investor with strong commercial
- Public or private investors with social double bottom line expectations

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Conclusions

- Increased agricultural investment is critical to end hunger. Through AIFs and direct investment, the private sector can inject capital into the sector hence foster the development of rural enterprises
- Beyond capital, the private sector can bring new technologies, build human capacity, link rural entrepreneurs to markets and so on.
- PPPs can be a useful tool to engage the private sector as they provide for sharing of risks and costs
- Investors should go into industries where they can expand opportunities for increased value addition.

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Recommended Websites

- AGS Website:
www.fao.org/ag/ags/index_en.html
- Rural Finance Learning Centre:
www.ruralfinance.org
- Contract Farming:
www.fao.org/ag/ags/contract-farming/en
- Review Guidelines on FAO and Private Sector
http://www.fao.org/tc/private/principles_en.asp
- E-mail: Calvin.Miller@fao.org

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