AVCA Member Profile:
Agri-Vie

Agri-Vie, a private equity investor in the food and agribusiness sector, was co-founded by Herman Marais and Izak Strauss in 2007, soon thereafter joined by Avril Stassen.

It is responsible for managing investments in Agri-Vie Fund I, a fund initiated by the co-founding partners, Sanlam Private Equity (an African direct and fund-of-funds investor) and a group of seven other institutional investors from Africa, Northern Europe and the United States.

With Fund I now fully invested, Herman Marais talks about the road so far and what lies ahead for Agri-Vie.

Q: How did Agri-Vie get started?

A: The founding partners in the fund had been in business together for a number of years in advance of the kick-off of Agri-Vie. We had both worked in transaction services for different firms and over the years, we had developed both a network in, and experience of, agricultural businesses. During that time, we had come to understand the long-term potential of the sector. I had been a partner at Deloitte Consulting and Izak Strauss, my co-founder, spent time at PwC as a partner and had also co-founded Fruits Unlimited, a fruit and vegetable exporter. We were able to join hands with long standing business associates, Sanlam Private Equity and other institutions to get Fund I started.

Q: How difficult was it to set up an agribusiness investment fund in Africa?

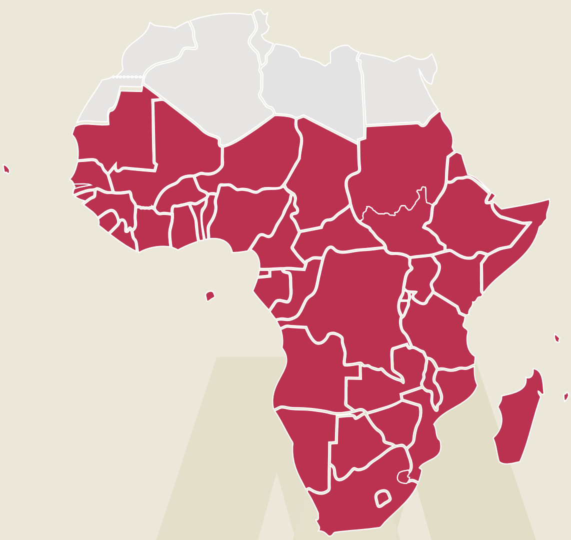
A: We began talking about it in 2006 and were able to mobilise anchor investors in 2007. We achieved a first close in May 2008 at R330mn [c.US$27mn] with commitments from the insurance industry, development finance institutions (DFIs) such as the Development Bank of Southern Africa and the Industrial Development Corporation, and from the Kellogg Foundation. We had anticipated a final close early the following year, but in the latter part of 2008, Lehman collapsed and the global investment community was in turmoil. Naturally, this delayed us. We finally closed the fund at US$100mn in September 2010.

General Partner Profile

Name of General Partner
Agri-Vie

Fund
Agri-Vie Fund I, Fund II

Regional presence
Sub-Saharan Africa



Q: Can you explain how Agri-Vie defines the agriculture sector?

A: When investors hear about an agricultural fund, they tend to think in terms of it being a farming or a single-sector investment vehicle. But investments we would consider include forestry, timber, convenience foods, animal protein, fish breeding, flowers and seeds, and agrochemicals. The other hallmark of the portfolio is that most of the businesses are vertically integrated, which is relatively rare in the developing markets of Africa. Our investment focus is on processing; this is where we see the opportunity to add value.

Q: Investing in agriculture brings you face-to-face with issues such as food security and land rights. How do you manage this?

A: In 2007-08, the food riots in Mozambique and Uganda led to the expansion and support of the food and agri-sectors in sub-Saharan Africa becoming a topical issue. More urban subsisting means people are increasingly dependent on processed foods rather than living off the land. Outside of South Africa, processed food products are largely imported. Our approach is to help companies increase both the supply and choice of food products available and lessen the reliance on more expensive food imports. In so doing, becoming more competitive and efficient.

Land rights present a natural tension. We encourage investee companies to lease rather than own land. Increasingly, there are multiple needs for land - farm land versus subsistence use or smallholder use. We have an investment in Mtanga Foods, a meat business in Tanzania. As we grow the business and expand the number of livestock, if we don't liaise carefully with the stakeholders in our host community we could easily find we have encroached on the territory of traditional herdsmen. We therefore need to reach an understanding of the utilisation of the land during certain times of the year. Companies need to develop sound relationships with the local community.

Q. You are at the end of the investment period of your first fund. What's next?

A: While the Fund I exit programme is gaining momentum, we are currently in the market raising a successor fund, Agri-Vie Fund II, that will start investing during 2015. The first close is in our sights and we aim to raise a total of US$175mn.

From the reception we have had so far, we expect other members of the DFI community to join hands in Fund II. We also expect to garner more support from the commercial investor community. The transaction size for Fund II will increase by 20 – 25% bringing it to US$5 – $10mn ticket sizes. A portion of the fund will be set aside for some larger transactions and we will expand our investment focus beyond Eastern and Southern Africa.

Success Story

Company: Fairfield Dairy, South Africa

Sector: Dairy

Entry Date: September 2009

Investment Size: <US$5mn

Revenue Increase Since Inception:
>80%, mostly resulting from the expansion of the value added product range and product mix

How Agri-Vie Helped the Business

- Improvements in facilities - construction of a new and highly advanced factory
- Improvements in management, long-term planning and reporting
- Improvements in corporate governance
- Improved profitability and budgeting

Fairfield Dairy, Agri-Vie

At the moment, we have offices in Cape Town and Nairobi and contract representation in Dar-es-Salaam, Adidas Ababa and Kampala. The next operational office will, over time, likely be in West Africa. We have earmarked people to hire so we can press the button as soon as Fund II holds its first close. And we continue to look for other investment vehicles where we can put our experience to use in future.

Q. How has AVCA been of value to you?

A: AVCA continues to be a valuable networking vehicle. It provides an important platform to stimulate investor activity and helps private sector investors and others to become more familiar with the private equity and venture capital industry in Africa, which is especially important.

Contact AVCA

The Banking Hall, Cropthorne Court,
26 Maida Vale, London W9 1RS

+44 (0)20 3632 0408
www.avca-africa.org
avca@avca-afrca.org

@AVCA_Africa
#AVCAAfrica

African Private Equity and Venture Capital Association