BUILDING AFRICAN AGRIBUSINESS FOR IMPACT

AgDevCo

OUR INVESTMENT APPROACH AND IMPACT
OUR MISSION
Building successful African agribusinesses through long-term investment and support to deliver positive impact at scale.

OUR VISION
A thriving, commercial African agriculture sector that benefits people, economies and the environment.
ABOUT AGDEVCO
IMPACT INVESTOR

At AgDevCo we are contributing to the transformation of agriculture in Africa from subsistence farming to a modern, commercial and value-adding sector. We do this by investing debt and equity and providing hands-on support to establish and develop commercial-scale agribusinesses.

OUR INVESTMENT FOCUS
We select our investment opportunities with care and scrutiny. Typically, we invest between $2 million and $10 million of debt and equity in early-stage enterprises, targeting primary food production and agro-processing companies where we believe we can make the most impact. However, we invest right across the supply chain – from inputs (e.g. high-yielding seeds) to logistics; and can do lower ticket sizes.

We have a long-term outlook, recognising that early-stage agribusinesses can take ten years or more to reach maturity. That means we can support agribusinesses that would otherwise struggle to secure financing with affordable pay-back criteria. We give more time to our investments, improving their chances to develop into viable, commercial businesses.

OUR OPERATIONAL SUPPORT
Alongside financial support, we provide hands-on guidance to management teams. We collaborate with our investees to grow their businesses, sharing commercial and agronomic expertise, bringing environmental, social and governance (ESG) practices up to international standards, putting in place robust financial management systems, and creating new market opportunities by drawing on our wide networks.

OUR IMPACT
Our investments are boosting prosperity and improving food security for farmers, their households and communities. We are creating jobs, linking smallholders with markets and establishing successful export businesses.

Ultimately, we will measure our success through the long-term transformational impact our investments make. By driving the development of new agro-industries and creating investable opportunities for the private sector, we will help accelerate the transformation of rural Africa to a thriving, commercial agriculture sector.
WHY AFRICA? 
FOCUSED ON THE 
LONG-TERM OPPORTUNITY

Sub-Saharan African agriculture is underdeveloped. Its transformation from subsistence farming to modern, commercial agribusinesses represents a massive long-term opportunity, especially considering Africa’s wealth of natural resources.

However, the sector suffers from an overall lack of investment and expertise, compounded by volatility in many guises – challenging climatic conditions, political instability, and unpredictable commodity prices and currencies. Against this backdrop, opportunities for early-stage development and primary production, in particular, are perceived to be too risky, too small or too difficult, with financial returns that are either too modest, too long-term, or both. Exactly where it is needed most, investors are reluctant to commit capital.

And yet without investment in early-stage development or primary production, the African agricultural sector will not advance, commercial value chains will not materialise and mainstream investment potential will be lost. Put simply, future opportunities cannot arise without a successful starting point.

UNDERSTANDING LOCAL NEEDS
AgDevCo steps in where investment would otherwise not happen. To this end, we have developed a set of financial products, tailored to the specific needs of African agribusinesses, which include long-term risk capital, working capital and smallholder farmer grants.

We have recognised and experienced, through trial and error, that money alone is not enough. AgDevCo also provides technology, training and management support to develop the successful African agribusinesses of tomorrow capable of competing in global markets.

1. LONG-TERM RISK CAPITAL
($2 TO $10 MILLION)
Loans and equity to finance growth of early-stage agribusinesses, including operating costs and capital equipment. We can invest multiple rounds of capital to support growth and can do smaller sizes.

2. WORKING CAPITAL
($2 TO $5 MILLION)
Loans for working capital needs. Our sister facility, LAFCo. (www.lendingforafricanfarming.com), can provide loans below $2 million.

3. SMALLHOLDER FARMER GRANTS
(UP TO $500K)
Matching grants to help agribusinesses link to smallholder farmers, through our Smallholder Development Unit (SDU).
AGDEVCO HQ, LONDON

NUMBER OF CURRENT INVESTMENTS BY COUNTRY

<table>
<thead>
<tr>
<th>Country</th>
<th>Investments</th>
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<tbody>
<tr>
<td>Mozambique</td>
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<tr>
<td>Tanzania</td>
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<td>Ghana</td>
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</tr>
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<td>Zambia</td>
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<td>Malawi</td>
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<td>Senegal¹</td>
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<tr>
<td>Sierra Leone²</td>
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<tr>
<td>Pan-African</td>
<td>1</td>
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<tr>
<td>Kenya</td>
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CAPITAL COMMITTED ALONG VALUE CHAIN, %

- Primary production with value-adding activity: 17%
- Primary Production: 7%
- Processing: 5%
- Inputs: 1%
- Finance: 2%
- Storage, distribution and trading: 8%

1 Grant from our Smallholder Development Unit (SDU)

Countries with active investments
Countries eligible for investments
WHY AGDEVCO?
UNIQUE CAPITAL AND KNOWLEDGE

Our specialist knowledge of Africa and agriculture, and our ability to make long-term investments, means we are uniquely placed to act as a catalyst for the development of a commercial agriculture sector. We are willing to invest smaller amounts at an earlier stage, accept lower risk-adjusted returns and work to a longer timeframe.

SPECIALIST INVESTOR WITH RELEVANT EXPERTISE AND FINANCIAL PRODUCTS

100%
Focus on African agriculture

PRIMARY PRODUCTION INVESTMENTS (OFTEN INCLUDING PROCESSING)

60-70%
Of portfolio

ON-THE-GROUND INVESTMENT AND SUPPORT

2/3
Of AgDevCo staff in Africa

WILLING TO INVEST OVER LONG TIME PERIOD

7-10 years
Average investment time

WILLING TO CONSIDER SMALL INVESTMENTS OVERLOOKED BY OTHERS

$2-10 million
Average investment range and can be lower
HOW WE WORK

1. WE FINANCE
   We provide long-term risk capital, access to seasonal working capital and the availability of matching grants to develop smallholder farmer programmes.

2. WE ENGAGE
   We work closely with our investees as collaborative, yet challenging, partners. Our engagement allows for a better mutual understanding of each investment’s opportunities and risks, which facilitates and accelerates business improvements.

3. WE SUPPORT
   We support our investees both at an operational and strategic level, giving them practical, day-to-day commercial and agronomic advice, tailored to their needs and business models. AgDevCo employees also act as board members of the investee businesses, sharing best practice information on systems and standards. Our support covers four key areas.

4. WE INNOVATE
   We apply our extensive knowledge of agriculture and our experience of working in Africa to identify how to use available land supply in new and productive ways, grow different products, innovate irrigation practices and forge new commercial connections.

5. WE CONNECT
   Using our global networks, we connect our investee businesses to stakeholders across agricultural food chains such as technical experts, seed suppliers and off-takers. We also develop smallholder schemes, which link smallholder farmers to agribusinesses and give them access to quality inputs, training and markets.

Agronomy
- e.g. appropriate crop selection, irrigation systems, fertilisers, improved seed, detailed field guides, mechanisation and harvesting techniques.

Commercial
- e.g. removing bottle necks in value chains, marketing produce and establishing local and export markets.

Management
- e.g. bringing accounting, controls and governance systems up to international standards.

Environmental, social and governance (ESG)
- e.g. working to promote gender equality, a culture of health and safety, and implementing environmental best practice.
OUR IMPACT AND GOALS

REALISING OUR VISION

BUILDING SUCCESSFUL AGRIBUSINESSES
Emerging enterprises become profitable and sustainable, through:
> Improved yields, agronomic practices and produce quality
> Innovation in crops, land use, irrigation and mechanisation
> Stronger supply chain relationships and greater marketing opportunities

ENRICHING LIVES
People’s lives and livelihoods associated with our investments will improve, through:
> Better living standards, food security and community benefits
> Job creation, increased employment levels and incomes
> Wider engagement with smallholder farmers

CREATING ECONOMIC BENEFITS
Our investments affect the wider economy positively, through:
> More efficient markets and successful new businesses, which inspire others
> Sharing of best practices to improve environmental performance and gender equality
> Increased economic and investment activity in sectors relating to agriculture

A THRIVING, COMMERCIAL AFRICAN AGRICULTURE SECTOR THAT BENEFITS PEOPLE, ECONOMIES AND THE ENVIRONMENT.
Inspired by the success of another AgDevCo investment, and following a $3.9 million debt and equity investment from AgDevCo, Westfalia Fruto established a commercial avocado plantation in central Mozambique, becoming the country’s first large-scale avocado exporter. Westfalia Fruit is also working with a group of 27 neighbouring smallholder litchi and avocado farmers to share know-how and learnings. Productivity has increased and GlobalGap certification has been obtained, which ensures produce traceability and access to attractive export markets.

In 2016, Westfalia Fruto marketed $900,000 of litchis to France, increasing the farmers’ group income four-fold and paving the way for a new litchi block farm. This is a long-term project given the seven years it takes for litchi trees to come into production. If successful, this enterprise will drive a viable horticultural export industry and create a middle class of local fruit producers in a deprived region of Mozambique.

Smallholders in the area used to grow litchis ad hoc and many nearly gave up farming them altogether. Three years later, litchis are now an established export crop, with farmers employing seasonal workers and looking for further export opportunities.
Northern Zambia has scant formal infrastructure and employment, and is highly dependent on rain-fed agriculture, despite being naturally rich in water. Until now, Zambia has also been 100% reliant on imported seed potatoes, an economically important food crop.

Following our investment of $6.1 million in Saise Farming Enterprises Limited (SFEL), the first priority was to tap into the Northern Province’s ample river water supply by installing 16.5 hectares of irrigation. With one third of the water fed by gravity, overreliance on pumps was eliminated and power requirements reduced. This work has led to a major breakthrough: high-quality, certified seed potatoes are now being cultivated for the first time ever in this area. In 2016 SFEL started producing certified seed potatoes. These replaced expensive imports and will help save millions of dollars in外汇 costs for Zambia and provide 475 SHF with better quality and cheaper seeds.
Phata successfully paid back its development loan, two years early. An achievement in its own right – especially for a newly formed co-operative – this was more impressive given that southern Malawi has been hit hard by drought, floods and power shortages in recent years.

We first invested in the Phata co-operative in 2013. Local farmers voluntarily pooled their land to grow sugarcane and food crops under irrigation. Alongside the management company (Agricane Malawi), we helped improve governance standards and management practices, including workers’ rights. Our work has helped build a strong co-operative, which is paying regular dividends to its members and is fully Fairtrade certified.

Based on the success of the first phase of the project, AgDevCo has made a follow-on investment of $1.6 million to replicate and extend Phata’s successful model. In 2018, Phata 2 employed 200 people and paid dividends to 600 co-operative members.

Phata’s financial and social achievements go hand in hand. 77 hectares of co-operative land are dedicated to growing food crops for the impoverished Shire Valley, providing vital nutrition, improving health and stabilising the workforce and community.
Our investment of $2.9 million in ECA, Mozambique, has been used to engage over 8,000 smallholder maize farmers in a formal marketing system, linking them to large-volume processors in the brewing industry. ECA made record sales in 2016 and was granted ‘preferred supplier’ status for grits by one of the largest breweries in the region.

Innovation, on many levels, has been key to ECA’s success. The business model relies exclusively on smallholder farmers who receive both high-quality inputs and training. Technical innovations include a state-of-the art maize mill, designed for use in rural areas, and the introduction of mobile phone payment services. ECA has also developed its own successful brand of fortified maize flour to diversify sales opportunities.

ECA is on track to realise its aim to boost the incomes of up to 10,000 farmers through its growing smallholder network and strong industry connections.

THROUGH ECA, THOUSANDS OF SMALLHOLDERS HAVE BEEN CONNECTED TO LARGE INDUSTRIAL CLIENTS, WHO OFFER RELATIVELY STABLE PRICING AND VOLUMES IN RETURN FOR IMPROVED GRAIN QUALITY AND SERVICE. THE ECA MODEL HAS PROVED ITS COMMERCIAL WORTH AND HAS THE CREDIBILITY TO BE REPLICATED ELSEWHERE.
With no large-scale farming operations in the northern region of Ghana and a lack of local management skills, AgDevCo’s vision for a 5,740-hectare irrigated farming and processing hub meant starting from scratch. AgDevCo has completed all technical and feasibility studies, developed a good relationship with the community, obtained a 50-year land lease, developed the first commercial farm at BIFH on 356 ha (the Babator Farming Company, "BFC") and started partnerships with fruit, grain and seed companies.

BFC has completed seven seasons with a cropping mix including maize, sorghum, onions and other arable crops.

Community and environmental interests remain at the heart of this flagship project, with local people benefitting from profit sharing and priority employment opportunities. Over two thirds of positions are filled by local people, and smallholder farmers in the area also gain access to irrigated plots to grow food and cash crops.

Finally, as part of an agroforestry initiative, 2,500 cashew and mango trees will be planted to help improve local livelihoods while contributing to climate resilience.
Along with success comes challenges. Traditionally perceived as a ‘women’s crop’, groundnuts were predominantly grown for home consumption and rarely attracted male farmers. However, our investment of $1.6 million in new groundnut varieties, agronomic training and modern processing technology for New Rotations Zambia (NRZ) has improved access to more profitable regional and export markets. This has attracted more male farmers.

As AgDevCo, our role is to monitor these trends and ensure that women are in no way disadvantaged. Currently, 58% of smallholder farmers are female, as are 26 of the 54 lead farmers who manage demonstration plots. By providing training to NRZ staff on gender issues we aim to maintain an appropriate gender balance among the company’s supplier base.

Groundnuts are high in nutrition with a rich source of dietary fibre, minerals and vitamins. They also contain 48-50% oil, making them a high-value product with significant commercial potential in the global food production and pharmaceutical industries.
TO LEARN MORE ABOUT OUR WORK AND APPROACH

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Figures used in this document are the latest published figures as at May 2019.