

AGRI-VIE INVESTS US\$6 MILLION IN TANZANIA FOOD CORPORATION

June 2013: Agri-Vie, the Sub-Saharan private equity fund investing in food and agribusiness, has announced an equity investment of US \$6 million (R50 million) into Tanzania Food Corporation (TFC), the owners of Mtanga Farms Ltd in Southern Tanzania.

Tanzania, which has the second largest cattle population in East Africa, paradoxically also has one of the lowest per capita meat consumption and supply, far below regional and global averages for emerging markets.

According to Herman Marais, managing partner at Agri-Vie, the acquisition follows fast growing consumer demand for processed beef products due to rapid urbanisation in the region and spurred on by growing consumer spending in the emerging markets of East Africa. "There is a growing demand for quality meat products thanks to a growing middle class, increased investment, increasing awareness of food safety and the growth and development of a number of sectors in the country."

Marais adds that there is currently a low level of consistent, competitive supply of quality beef meat products produced in Tanzania. "Tanzania once had a thriving beef industry and there is now ample potential to revive the market."

Alan Mayers, CEO of Mtanga Farms Ltd, says that there has been a lack of adequate facilities and distribution networks. "There is currently a shortage of quality ranches and quality beef cattle for slaughtering, due to the deterioration of the genetic quality of cattle, as well as only a handful of fattening lots, registered abattoirs and meat processors in the country. As a result, almost all meat for the urbanised market is imported or supplied through informal abattoirs and butcheries."

However, according to Mayers, the private informal sector has continued and endured in the form of small scale (nomadic) cattle rearing and Tanzania still has a favourable grazing landscape resulting in relatively high stocking rates and relatively low animal feed costs. "There is an estimated cattle population of 15 - 18 million and an average stocking rate of one animal per three hectares, substantially higher than in South Africa (6ha/animal)," Mayers says.

Marais says that with the demand for animal proteins increasing, higher income levels and widespread urbanisation, the industry has significant potential, nationally and regionally.

"TFC has already established a viable platform in the form of a breeding herd, established cattle procurement channels, in partnership with the local herdsman, as well as a vertically integrated arable farming supplying maize and soya for animal feeds. The arable farming division of the business has also developed a pioneering seed potato venture serving small holder farmers who have had little access to quality potato plant material for many years."

Marais says that the fundamental strategy of TFC is focused on producing and distributing branded meat. "Agri-Vie's injection of risk capital over the next few years, the importation of genetic material from neighbouring African countries, enhanced animal feeds and beef sector know-how will see the company increase production and sales many-fold. We are proud to join the local and international founding shareholders of TFC who have developed the venture to a stage ready for significant expansion."

TFC's existing shareholders are Thirty Degrees East Ltd from Tanzania and a group of international founding investors including, Lion's Head, Voxtra, the Calvert Foundation and the Tony Elumelu Group through Heirs Holdings and the Tony Elumelu Foundation. Lion's Head Global Partners acted as transaction advisor to TFC.

Agri-Vie's Africa Investment Fund invests with a view to both financial returns and development impacts. The TFC operations area is located mainly in the Iringa region of the Southern Tanzanian Highlands, forming part of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) – a coordinated initiative to boost agribusiness output in Tanzania through public and private investment.

“The operation comprises of abattoir and processing facilities, a sales and distribution channel, an estate rearing beef cattle, in combination with a supply chain for a fattening herd of cattle and sheep, and an arable farming operation focusing on maize and soya as basis for animal feeds.

“There is also significant scope for value added products, as some 700 metric tons of processed meat are currently imported into the country annually,” concludes Marais.

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