

AGRI-VIE ANNOUNCES R37 MILLION JOINT-VENTURE IN COCONUT OIL INDUSTRY

June 2013: Agri-Vie, the private equity fund focused on food and agribusiness investments in Sub-Saharan Africa, has announced a \$4 million (approximately R37 million) joint venture with Vida Oils International for processing coconut into specialist oils and fats for the food, pharmaceuticals, cosmetics and chemical sectors in South Africa.

Avril Stassen, Partner at Agri-Vie, said that the transaction comprised the acquisition and merger of three separate South African and Mozambican entities from different vendors. "A new, experienced management team will join and co-invest with Agri-Vie to grow and develop the new vertically integrated business, leading to an attractive return going forward," says Stassen.

Deon Coetzee, CEO of Vida Oils International, explains that coconut competes in the Lauric oil market where it provides a unique cost-benefit in food, pharmaceutical, cosmetic and chemical applications. "There is significant market development potential for coconut oil and there is currently a high degree of interest in the medical and health benefits of the product. Coconut oil is already a key ingredient in dermatological applications and the critical role of coconut products are increasingly growing in acceptance in the US."

However, he says that its African procurement and processing strategy is focused on providing a route to market for less developed African countries initially using small scale growers in Mozambique, who tend to lose most of their crop to waste, and integrating with Asian supply chains to diversify the supply base.

Louis Strydom, a Director and founding member of Vida Oils International says that the strong growth in demand for Lauric oils over the past decade has highlighted a number of environmentally damaging and socially harmful plantation practices in the industry. "From the onset we have implemented a supplier engagement programme that ensures our feedstock procurement operation is founded on developing a socially, economically and environmentally sustainable supply, controlling every aspect from feedstock to the end user of the product."

Coetzee adds that sustainable agriculture and agri-processing is core to the business model ensuring a reliable, quality supply to the market while assisting with the growth and development of the Mozambican coconut industry. "To further improve sustainability, Vida Oils is upgrading all its operations to ISO and FSSC 22000 specifications while entering into strategic relationships with Asian suppliers that share our views on sustainability to ensure that we can deliver a consistent, quality and sustainable product."

Stassen says that because the Mozambique coconut plantations are long established and are cultivated by mostly small scale growers, these communities will be uplifted by the introduction of market price stability and improved sustainable agricultural practices. "Formal programmes will also be implemented with the support of Agri-Vie as well as government, various development finance institutions and social interest groups."

He adds that Vida Oils will also develop by-product markets for the small scale growers by converting the husk and the shell of the coconut and uprooted trees into a biomass energy source, and growing medium and environmental rehabilitation products.

As a result, Stassen says that Vida Oils is set to increase the output of coconut oil by three to four-fold over the next three to five years. "Currently, this is an untapped market and only a very small portion of the coconuts produced in Mozambique are currently converted to value added products. Most of the final product will be sold into the South African market to replace imported lauric oils," he concludes.

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