

EAST AFRICA IDENTIFIED BY AGRI FUND AS INVESTMENT HOTSPOT

12 January 2010: Agri-Vie, a major Sub-Saharan private equity fund investing in food and agribusiness, has announced it has invested more than \$10-million (R73-million) into two businesses in the East African agribusiness sector. The investments are indicative of the growing interest in the East African agricultural sector from a number of international and South African entities.

Agri-Vie invested \$6.7-million in New Forests Company (NFC), a forestry and timber products group with operations in Uganda as well as Tanzania, Rwanda and Mozambique. The second investment was \$3.5-million in africaJUICE, a company that is establishing fruit production and processing operations in East Africa. Its first operation is in Ethiopia growing yellow passion fruit, mango and papaya.

In keeping with its aim of making long-term investments in order to realise their full potential, Agri-Vie plans to maintain its exposure to NFC and africaJUICE for the medium to longer term and expects very attractive returns from both investments.

Commenting on its investment in NFC, Avril Stassen, executive at Agri-Vie, says the fund has a very positive outlook on the forestry industry in East Africa. "With the current energy infrastructure drive taking place across East Africa and a timber supply deficit that is only expected to get worse, we foresee a boom phase for the next decade in timber products."

East Africa has so far been a net importer of sawn timber and electrical poles and NFC aims to replace these imports with locally-produced goods. With more than 20 000ha of forestry land in Uganda, NFC is one of the biggest tree planters in the region and has already planted 7 700ha of pine and eucalyptus.

"Uganda is one of the most profitable areas to grow trees in Africa as there is good rainfall for almost the entire year. The current crop of trees should mature by 2013, however, processing is expected to start in the first quarter of 2010 by sourcing mature trees from third parties," says Stassen.

The company expects to start generating revenue and cash flow next year with revenues to be supplemented by deals such as a concession by the Rwandan government to harvest and replace 14 000Ha of existing mature forest.

Julian Ozanne, CEO at NFC, says the company also strives to make a social impact through its investments. “NFC has established its plantations in rural areas where there is little or no employment, offering the opportunity for significant job creation and social upliftment to the local community. As part of its social investment programme, the company has established schools, orphanages and maternity wards in the area.” In addition, NFC maintains sound environmental sustainability standards and recently won accreditation with the global Forestry Stewardship Council (FSC) for its plantations in Uganda.

Agri-Vie’s second recent investment, in africaJUICE, is aimed at capturing a slice of the lucrative European and Middle Eastern juice market. According to Izak Strauss, director at Agri-Vie, European companies usually source passion fruit juice from South American producers. However, he says both the supply and quality can be irregular.

“Yellow passion fruit has so far not been commercially grown in Africa but Ethiopia, with its dry and moderate climate, offers the perfect growing conditions, as it has low levels of rainfall, combined with plentiful water for drip irrigation. Countries with wetter climates can suffer unpredictable crops as the rain inhibits the pollination process of the passion fruit flowers.” says Harry van Neer, CEO at africaJUICE.

africaJUICE has already negotiated agreements to sell its fruit juice to a number of buyers with the first delivery scheduled for the middle of 2010. Cash flow is currently generated through vegetables and citrus fruits that are being harvested on the land for local marketing.

The company, which employs between 2 000 and 2 500 people depending on season, will apply for Fair Trade accreditation – making it the first Fair Trade-accredited tropical juice producer in Sub-Saharan Africa - and is aiming to transform the lives of the local community by offering a stake in the business to a farmer co-operative which represents the outgrowers in the local community.

“The Upper Awash area of Ethiopia, where africaJUICE is situated, had very little formal employment previously, so the company is providing new skills and employment opportunities to the local community and is also helping local subsistence farmers by providing them with



sustainable earnings growth,” says Strauss. “Some 1 000 of these farmers are becoming part of a structured outgrower programme supplying to africaJUICE on a long term basis.

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About Agri-Vie

Agri-Vie is a private equity investment fund focused on agribusiness in Sub-Saharan Africa with a mission to generate an above average investment return, as well as demonstrable socio-economic development impacts through its equity investments. The fund was initiated by SP-aktif and Sanlam Private Equity with the cooperation of South African and international investors. The fund’s vision is to be a catalyst for sustainable growth through investing in one of the foundation sectors of Africa’s economies. Agri-Vie seeks to realise this vision through deploying development capital and management know-how according to sound investment and business principles. Visit www.agrivie.com for more information.