

agriVie

AFRICA AGRIBUSINESS INVESTMENT FUND



AGRIBUSINESS PERSPECTIVE # 4

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AGRIBUSINESS PERSPECTIVE # 4: AQUACULTURE, THE 21ST CENTURY PROTEIN LEADER?“

“Aquaculture, not the internet, represents the most promising investment opportunity of the 21st Century” – Peter Drucker

Aquaculture is the farming of aquatic organisms, including fish, molluscs, crustaceans and aquatic plants. As in agriculture, aquatic farming implies some form of intervention in the rearing process to enhance production, such as regular stocking, feeding, protection from predators, etc. Farming also implies individual or corporate ownership of the stock being cultivated. Hatchery based aquaculture includes control of reproduction. Capture based aquaculture implies the practice of collecting “seed” material from the early life stages to adults from the wild and its subsequent on-growing in captivity to marketable size, using aquaculture techniques.

Globally, aquaculture represents the fastest growing food-producing sector with an average annual production growth rate of 8.8% between 1950 and 2006. World-wide production reached 51.7m tons in 2006, valued at US\$ 78.8bn. Between 2000 and 2006, globally farmed fish production increased by 45% while wild catch decreased by 4% in the same period. China, producing more than 80% of the world’s bred fish, has a heavy influence on global trends in aquaculture supply, demand and prices. Fully exploited and diminishing fish stocks are increasing the need for fish farming. More than 50% of world-wide fish consumption is already fed from aquaculture. More than 20% of the world’s population is reliant on fish for a fifth of their animal protein. Per capita fish consumption is on the rise due to the perceived health value of this protein source. Over the period 1960-2001, global fish consumption more than tripled.

In Africa, aquaculture produces 570 000 tons of fish annually, while this is less than 1% of world production, 200m Africans eat fish regularly. Increasing purchasing power in Africa’s cities is expected to target mainly eggs, whole chickens and whole fish as the most affordable forms of non-vegetarian protein sources. Most production takes place in inland lakes. Egypt and Nigeria are the largest producers to date with Egypt by far the largest. South Africa is the fifth largest producer on the continent with the abalone segment the furthest developed. Deficiencies in seed, feed and knowledge transfer are generally hampering the sector’s development in Africa.

One of Africa’s fish species perceived as having high aquaculture potential, is Tilapia. Tilapia is presently the nr 2 farmed fish in the world after the carp family. World-wide production has increased from 0.5mt in the 1990’s to 2.6mt in the 2000’s – almost half the production takes place in China. Africa is seen as having excellent Tilapia growing conditions given lake water temperatures and water quality. A material export market exists – the USA imports some 0.4mt Tilapia annually and this fish product is currently ranked nr 5 in that market (nr 11 in 2000). The growing popularity of Tilapia is partly ascribed to its ‘green’ identity not requiring antibiotics or chemicals during its growth phase and itself feeding almost 100% on plant material.

While undeniably a global growth industry, the aquaculture sector is faced with its own set of challenging questions. Balancing production growth in lower cost species (eg. Carp) to fulfil local demand for affordable protein versus growing production volumes in higher margin fish species, e.g. salmon, for export markets, involve socio-political and economic trade-offs. From an environmental perspective, for example, chemicals used at fish farms can pollute the water, diseases can spread

easily from farmed to wild-caught fish and accident rates at fish farms can be high – Chile’s salmon farming industry was virtually wiped out in 2007-2008 due to ‘salmon amenia’, a disease arising from breeding fish in too close proximity from one another. Breeding of carnivorous fish places further pressure on collapsing wild fisheries. Despite a steep learning curve for this growing industry – learning in just 30 years what land farmers have garnered over 6,000 years – positive changes in the industry already are visible. Sustainability standards have been developed, or are in the process of being developed for popularly farmed species such as abalone, salmon, shrimp, tilapia, pangasius, trout, seriola, cobia and certain types of bivalve shellfish.

Agri-Vie is presently monitoring and evaluating a select number of aquaculture investment opportunities in Sub-Sahara Africa. These opportunities include both mariculture and land based aquaculture.

Sources: United Nations Food & Agricultural Organisation (FAO), World Wildlife Fund (WWF), proprietary research.