Agricultural Investment Funds (AIFs)

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Why an Agribusiness Investment Fund?

- Economy, Market Conditions, Shocks
- Climate
- Competition, strategy
- Low profits, high risk, but viable esp. with support for productivity enhancement

- Space for SEAF-like investment funds
  - Reasonable and consistent returns (less exposed to market factors than other sectors), but not extremely high returns.

- Space for subsidized lending & grants

- Agribusiness fund focusing on businesses that link farmers to global buyers can complete a farm-level development strategy for emerging markets.

Source: (SEAF), 2009
Why Invest in Agriculture?

Food Prices vs. Investment Indexes

Overview of FAO/ConCap Study

- Desk study: Stock-taking and case studies
- 31 AIFs identified mainly focused on SSA
- Significant growth of AIFs in recent years
- Many set up as a public-private partnerships (PPPs) - 58%
- Capital base ranging between US$8 million and US$2.7 billion
- Varied instruments: equity(14), debt(4), debt/equity(8), guarantee(1), others (4)
Rising Trend in Setting up AIFs

![Graph showing the number of agricultural investment funds over time.](chart.png)

Source: FAO/ConCap Study

Agribusiness Partners International Investment Fund

Example 1

- $100 million fund launched in 1995 and exited in 2005
- Managed by Burlington Capital Group/Agribusiness Management Company, LLC
- Private equity investors in food and agribusiness
- Investment strategy for high returns through capital placement and consumer product quality and growth
  - principal was guaranteed by US government agency
  - investor return on equity was 37%
- Examples of funded projects:
  - poultry production and processing
  - cheese startup company (sold at a loss)
Technical assistance & support:
  - promotion of higher quality products
  - provision of guidance on growth strategies
African Agricultural Capital (AAC)

Example 2

- Established in 2005 and funded by Rockefeller Foundation, Gatsby Charitable Foundation & Volksvermorgen NV.
- Venture Capital Fund- fully invested in 16 SMEs in Kenya, Uganda and Tanzania
- AAC also manages the Africa Seed Investment Fund

Examples of funded projects:
  - Victoria Seeds in Uganda which serves smallholder farmers in Uganda, South Sudan and DRC
  - Africado- a start-up company in Tanzania which grows and exports avocados to the EU
- Ideal for socially oriented investors

Distribution of AIFs by return expectations

- Financial return
- Development return
- Public investors
- Private investors
### Private Sector Engagement in AIFs

- Agriculture perceived as a sector that offers investment opportunities for the private sector
- AIFs offer a means for investors to pool their assets and invest in the rural/agriculture sector in developing countries, diversify portfolio
- AIFs offer opportunity for the private sector to build synergies with the public sector (risk sharing)
- In the study- 18 funds were PPPs and the rest private capital funds
  - private capital funds investing in agriculture increasing in recent years

### Investor Goals and Expectations

- Public investor without return expectations
- Public investor with limited or no return expectations
- Public and private investors in Public Private Partnership models
- Private investor with interest in agriculture as a new asset class
- Private investor with strong commercial
- Public or private investors with social double bottom line expectations
Conclusions

- Increased agricultural investment is critical to end hunger. Through AIFs and direct investment, the private sector can inject capital into the sector hence foster the development of rural enterprises.

- Beyond capital, the private sector can bring new technologies, build human capacity, link rural entrepreneurs to markets and so on.

- PPPs can be a useful tool to engage the private sector as they provide for sharing of risks and costs.

- Investors should go into industries where they can expand opportunities for increased value addition.

Recommended Websites

- AGS Website: [www.fao.org/ag/ags/index_en.html](http://www.fao.org/ag/ags/index_en.html)

- Rural Finance Learning Centre: [www.ruralfinance.org](http://www.ruralfinance.org)


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