



Industrial Development Corporation

Portfolio Committee on Agriculture, Land Reform and Rural Development

Friday, 12th March 2023

Agenda

Fund Mandate

Fund Regulations

Fund Investment Dashboard

Fund Facility Report

Geographic Impact of the Fund

Active Deal Pipeline

Performance against Poultry Master Plan

Commercial Bank Agri Book vs. IDC

IDC Agro-Processing & Agriculture Priorities

Fund Mandate (*DALRRD & IDC*)

- **Objective:** To support economic growth, value chain expansion and broad-based transformation initiatives within the sector. Achieved through leveraging each others financial capacity and competencies.
- **Key performance indicators:** (i) black-ownership, (ii) commercialization of black farmers, (iii) revitalization of land reform assets, (iv) industrial expansion, (v) export focus, localization, (vi) job creation.
- **Prioritized Value Chains:** high-value, export-oriented crops; animal protein (poultry, pork, integrated beef).
- **Value chains within IDC mandate:** Agro-processing with back-ward integration.
- **Fund Size:** R1,0 billion over 5 years (R200 million per year).
- **Fund Structure:** Off-balance sheet fund managed by the IDC.
- **Fund Instrument(s):** Grant.

- **Criteria:**

- i. Black Ownership: \geq 60% black ownership.
- ii. Existing farmers with expansion plans in the prioritized value chains are given preference.
- iii. Greenfield projects with new or existing black farmers.
- iv. Expansionary acquisition transactions by new Agri-prenuers or existing farmers.
- v. Minimum of 20 points on DALRRD's Economic Benefit Criteria linked to key economic metrics.

- **Terms of the Scheme:**

- i. IDC investment policies and processes are used to assess and approve funding from the scheme
- ii. Grant must always be used in conjunction with IDC senior debt and/or equity funding.
- iii. A project qualifies up to a maximum of 40% of total project costs, capped at R50 million.
Shareholders qualifies once
- iv. Shareholders are expected to contribute financially towards their projects. A means test utilized to determine what is deemed acceptable to the IDC.

Fund Dashboard

Since March 2021

Total IDC Approved Amount **R1,1 billion**

AIF Approved Amount **R392 million**

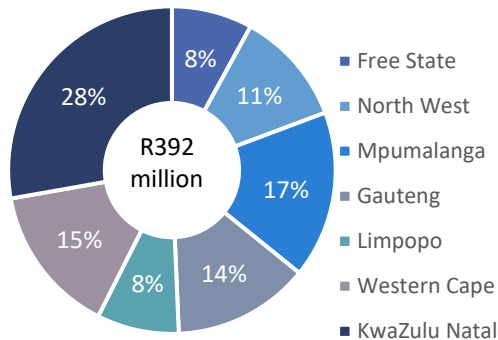
No. of businesses owned by women funded **27%**

Receipt from DALRRD: **R400 million**

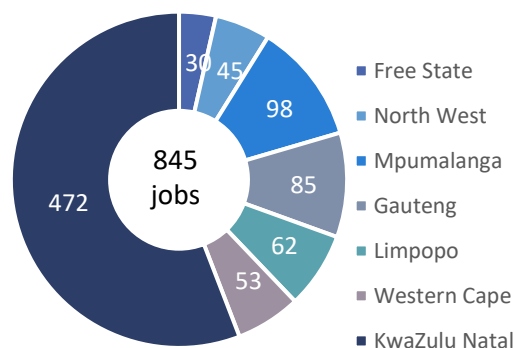
Drawn AIF Approved Amount **R190 million**

Jobs Created **845**
Cost/Jobs Created **R1,3m**

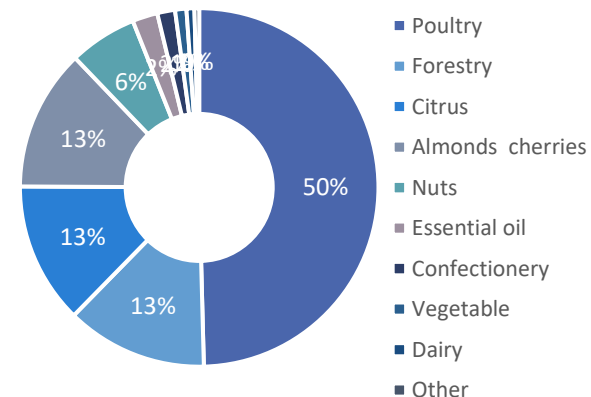
AIF approved by Geography



Jobs Created by Geography



AIF approved by Product



Fund Facility Report

IDC has approved 20 applications since inception (March 2021) to a combined value of **caR1,1 billion**, of which **caR392 million** is approved from the Agri-Industrial Fund (AIF).

ZAR' Million	31 March 2022 (Cumulative)	31 March 2023 (Cumulative)
Receipt from DALRRD	400	400
Interest	6	29
Drawn	(14)	(190)
Available Cash	392	239

ZAR' Million	31 March 2022 (Cumulative)	31 March 2023 (Cumulative)
+ Approved but undrawn commitment (within 12 months)	(118)	(83)
+ Approved but undrawn commitment (after 12 months)	-	(133)
Approved but undrawn Commitment	(118)	(216)

Commentary



Agri-Industrial Fund received two deposits since inception from DALRRD on the **08th April 2021** and **15 December 2021**.



The Fund earns variable interest and capitalized monthly. The Fund has earned **interest amounting R29m**.



Approved AIF Grant amount is R392m

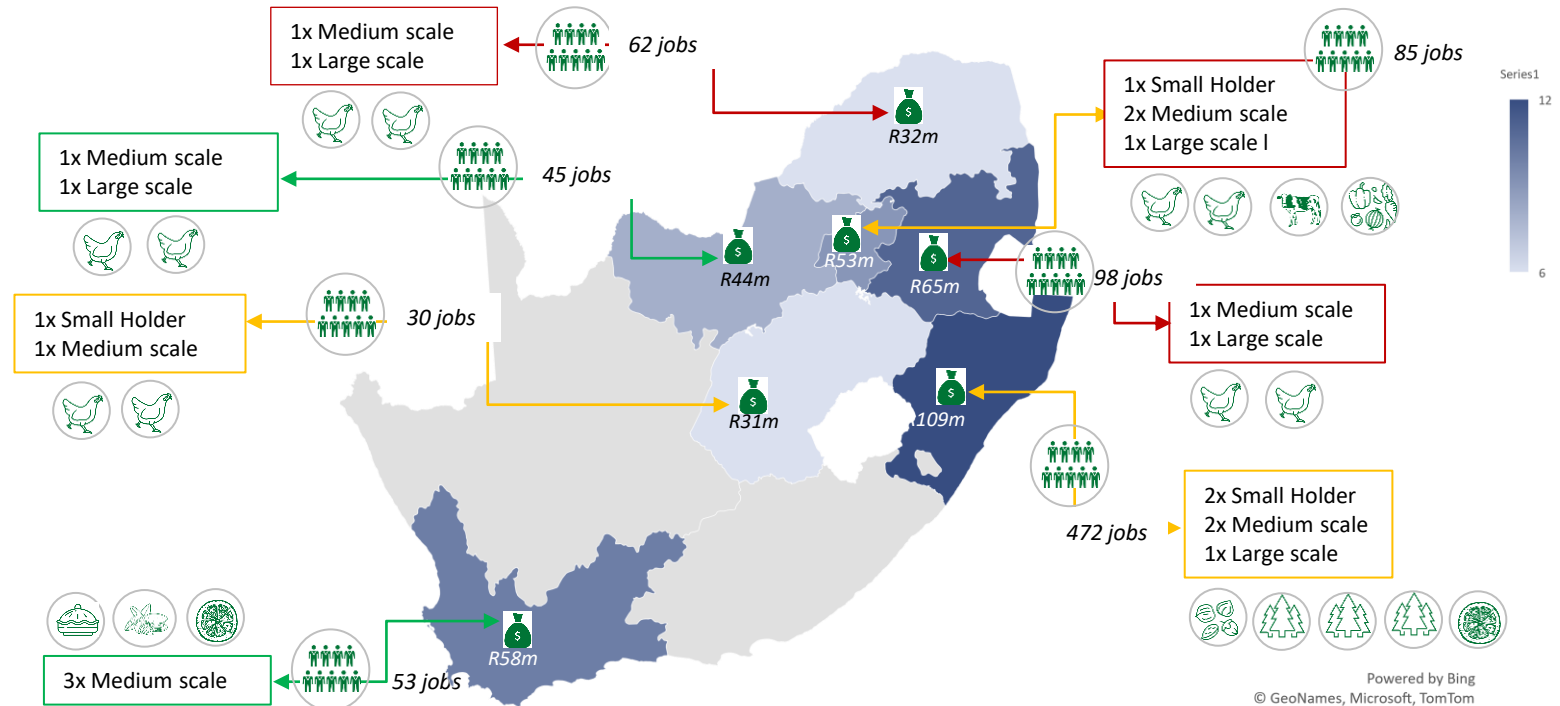
- Drawn: R190m
- Committed (*reserved for this year*): R83m
- Committed: R133m



The Fund is charged 1.4% (excl VAT) management fee

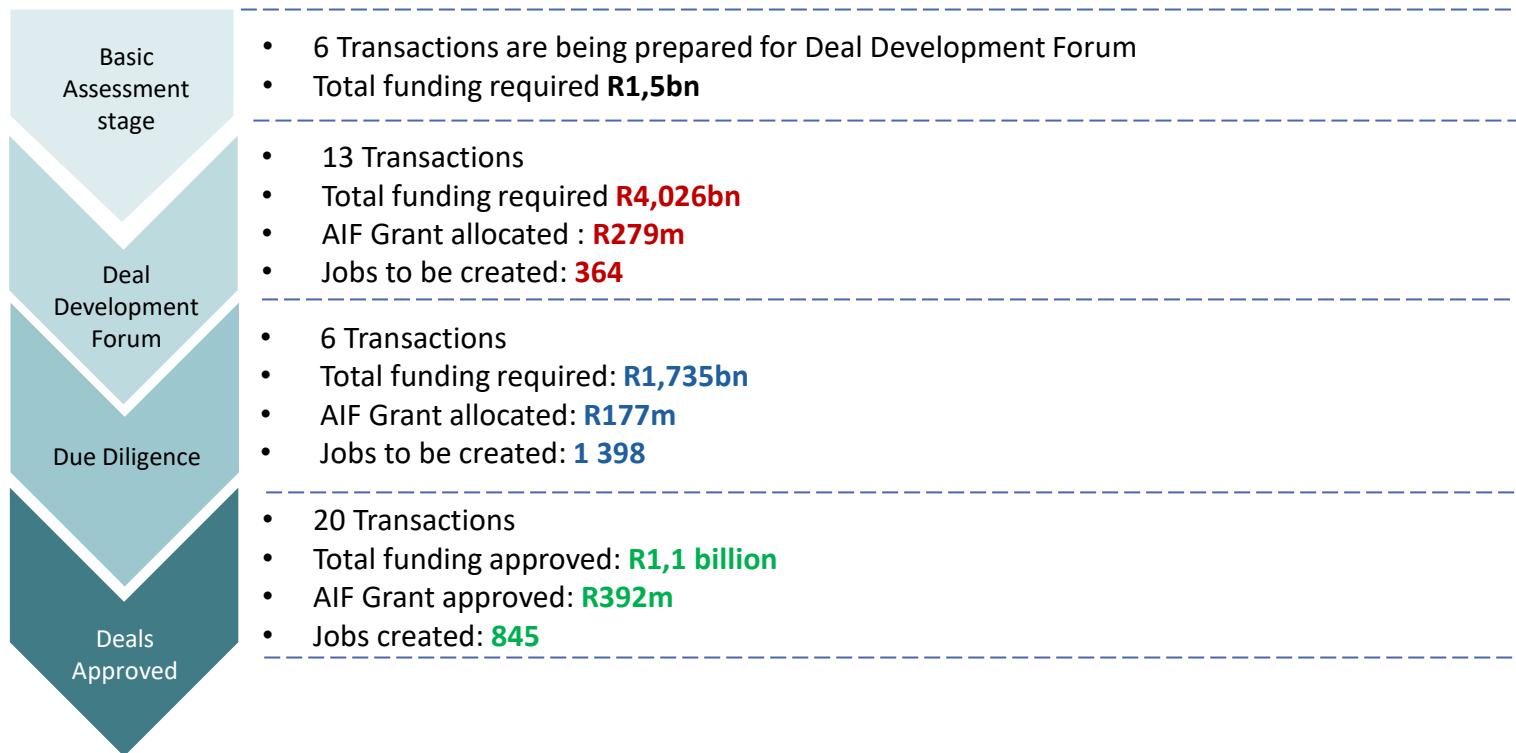
Geographic impact of the Fund

Twenty applications have been approved worth **R1,1 billion** with **845 Jobs** to be created. Significant recipient Provinces are KZN and Mpumalanga, receiving 30% and 20% of the approved AIF grant respectively



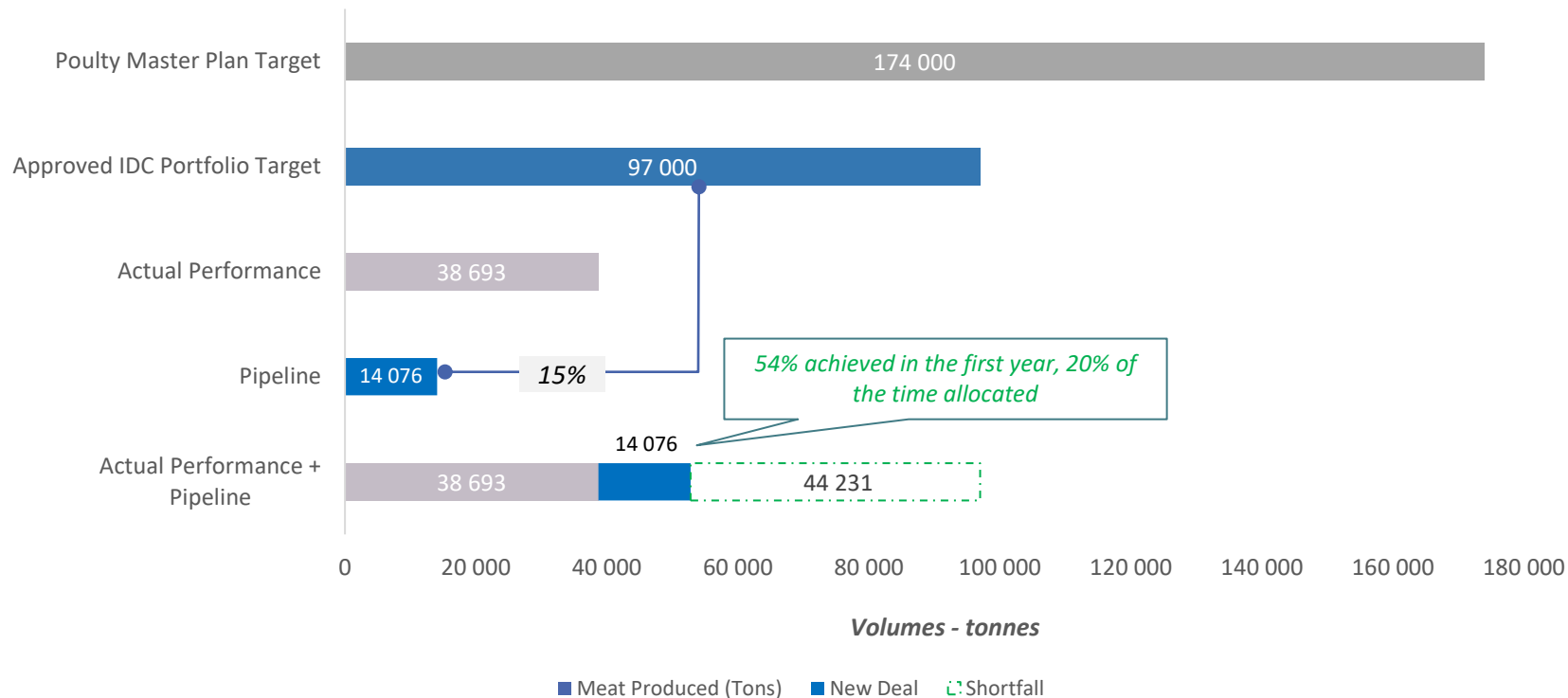
Active Deal Pipeline

The applications under review continue to indicate the need for such funding to achieve developmental objectives



Performance against Poultry Master Plan

Ten applications of poultry achieved 54% of Poultry Master Plan target measured by tonnes of meat produced . Total approved funding R540 million; AIF grant was R194 million.



Key Risks Consideration

Key Risks

Mitigations

Cash generation negatively impacted by stagnant GDP growth

- Financial structuring allowing for capital and/or interest moratorium
- Scenario planning built in the financial modeling

Energy Supply constraints

- New applications must have alternative energy solution and are assessed by Energy SBU
- IDC Energy SBU is assisting existing clients with alternative energy solutions

Water disruption due to ageing infrastructure

- Consideration of borehole and rainwater storage infrastructure

Biosecurity limits access to markets

- Compliance audit certificates, ensure adequate control and monitoring measures

Case study 1: Muden Citrus, KZN Midlands



- Total funding of R195m (R50m AIF)
- Muden citrus is a BI owned farming development in the town of Muden in KZN midlands
- 10% employee share scheme
- The project will plant 200 Ha of soft citrus. 70% of which will be exported.
- The project will create 200 jobs
- 100 Ha already planted, the remainder will be completed in September 2023
- The farm will produce 12,523 tons of citrus at its peak, which is about 835,000 cartons.
- 80% of the planting is with closed exclusive varieties

Case Study 2 : Northroost Hatchery Makhado Limpopo



- Nortroost is a hatchery situated in Limpopo
- Youth entrepreneur, Clive Tegere who partnered with CBH.
- Project is 60% black owned with 10% employee share scheme
- Project cost is R46million (AIF : R12.7m)
- The facility will produce 10,4-million-day old chicks per annum.
- Project has created 22 jobs

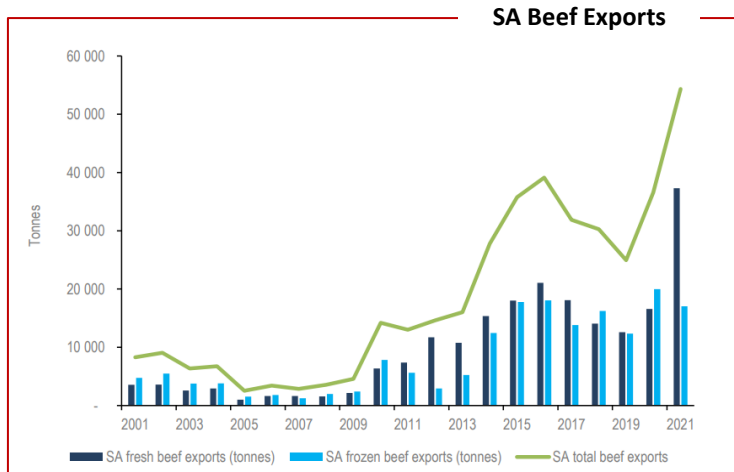
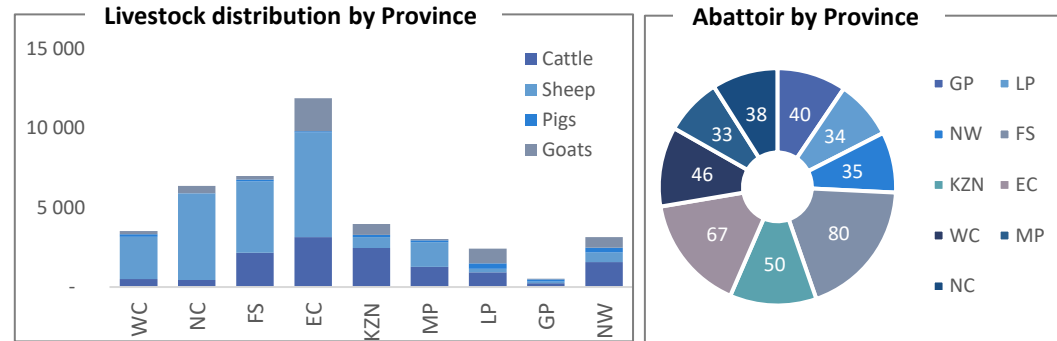
IDC AGRO-PROCESSING & AGRICULTURE PRIORITIES

- 1** Facilitate the **Aggregation model** and co-funding model in partnership with **Industrial Processors and FMCG companies** aligned to the SME Connect partnership approach. The programme will seek to address chiefly (i) *supply chain optimization*, (ii) *supplier development and* (iii) *market access for emerging suppliers*.
- 2** Catalyse the commercialization of black farmers into **the “protein” value chain** (Beef, Poultry, Pork etc.). **Biosecurity** is a primary risk we are looking to solve for
- 3** **Re-establish former irrigation schemes: Development of high-value, export-oriented crop**, through supporting the development of high-potential, under-utilized agricultural land, including focusing on land reform assets (community and government-owned farms). **Partnerships with tribal authorities may be required.**

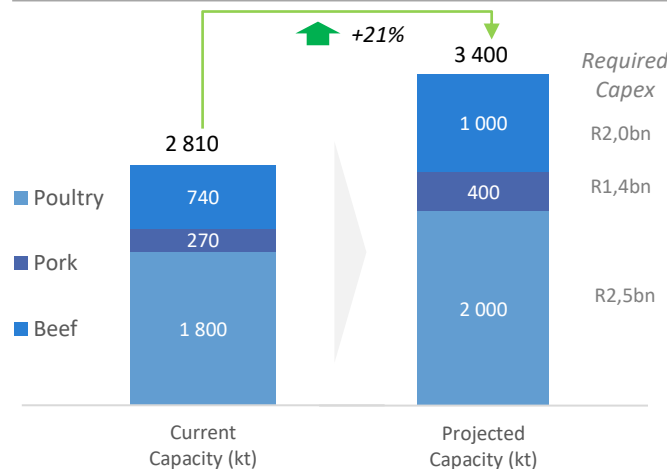
Protein Value Chain

Livestock is the largest agricultural subsector, has ample potential for accelerated, inclusive growth. Strong progress over the past decade was underpinned by substantial investments in intensive operations producing chicken, eggs and pork. **The gross value of beef production increased from R15 billion in 2009/10 to R37 billion in 2017/18.** South Africa currently exports 4 percent of its beef production. **Poor biosecurity systems limit SA's ability to grow exports to new markets.**

Only 1% of abattoir and feedlot capacity in South Africa is black controlled.



Source: Agbiz; 28-march-2022-agri-market-viewpoint



Over the next 3 – 5 years facilitate the commercialization of black farmers into the commercial protein value chain to 5 - 10% of market.

Horticulture Value Chain

South Africa has become a formidable player on the world's fresh produce export market, especially in key crops whose demand is increasing. **The outlook for the subsector is positive with double digit growth projections in the next 9 years to 2031.**

Whilst there is scope for expansion or replacement of old orchard in response to consumer demand and taste in privately-owned agricultural land, **the greatest opportunity is in targeting under-utilized agricultural land.**

Most of the latter is made up of assets that are **part of government's Land Reform programme** (land restitution and redistribution); and old irrigation schemes in former homelands that have unique micro-climates for key long-term crops identified in the Agriculture and Agro-processing Master Plan (AAMP).

Commodity	Production Stage	Projected Growth (2031)	Additional Volumes (Tons)	Projected Hectares
Avocados	Entrenched	208%	135 920	7 551
Macademia	Entrenched	159%	85 401	6 100
Blueberries	Entrenched	109%	21 833	1 092
Citrus	Entrenched	37%	851 569	12 710
Table Grapes	Entrenched	14%	46 320	2 316
Pecans	Intermediate	164%	7 500	3 000
Almond	Early	159%	1 523	435
Cherries	Early	106%	6 090	508

Commodity	Targeted Hectares	Potential Jobs	Total Project cost (R'm)
Avocados	1 000	1 500	660
Macademia	500	250	268
Blueberries	150	375	317
Citrus	1 000	2 000	860
Table Grapes	250	500	215
Pecan	300	150	161
Almonds	150	75	81
Cherries	150	300	317
Total	3 500	5 150	2 879