

## Phatisa and OPIC make great optics

In 2011, when Phatisa started fundraising for its first fund, it found a solid (and lasting) partner with Overseas Private Investment Corporation (OPIC.) OPIC invests in global development through emerging market private equity funds, while Phatisa invests in food and agri-related businesses in Africa that show strong growth potential.



Stuart Bradley, Joint Managing Partner at Phatisa (Image Supplied)

“We were aware of OPIC from our prior careers in the development finance world,” says Stuart Bradley, joint managing partner at Phatisa. “We made our pitch, successfully secured \$50m for Fund 1, and have never looked back.”

After Phatisa secured its first \$50m commitment from OPIC for its first fund (the African Agriculture Fund) OPIC have approved \$75m for the Phatisa Food Fund 2. “This is a real vote of confidence in Phatisa. OP is very loyal to its general partners (GPs,) which gives you assurance and funding to go out there and make some big impacts,” continues Bradley.

OPIC has very detailed Environmental, Social and Governance (ESG) policies and processes. Its inclusion in a fund, therefore, guarantees stringent ESG scrutiny, which ensures that risks are identified early and corrective action is implemented. It also provides significant comfort to limited partners (LPs) that are less equipped to monitor ESG.

“Given the perceived risk of Africa, coupled with the limited experience of the continent by international institutional investors, OPIC provides a degree of comfort to attract capital. OPIC’s evaluation and due diligence process is extremely thorough and uses third-party US advisors and legal counsel, which in turn helps us raise funds and bring commercial capital to Africa.”

### **African agri-investment environment ripe for the picking**

And that’s what it’s all about for Phatisa. It is an African resident private equity fund manager, with an investment focus across the food and agribusiness value chain in sub-Saharan Africa. It is a sector-specific

fund manager with committed investments from Sierra Leone (in West Africa) to Mauritius (in East Africa,) reflecting a total of nine portfolio companies across a diverse range of agri- and food-related businesses.

“We have boots on the ground, with our investment and portfolio teams operating from offices in Kenya, Lusaka, Johannesburg and new offices being established in Abidjan and Mauritius,” Bradley explains.

The African agri-investment environment is ripe for the picking. Africa’s food import bill is between \$30bn and \$50bn per annum. The World Bank believes that Africa’s agri- and food sector could develop into a \$1tn industry by 2030.

“Very simply, food is not optional – every human being needs to eat.”

“While Africa does have some of the world’s poorest countries, this actually creates an opportunity, as growth in GDP and disposable income, coupled with rapid urbanisation (where urban food markets are set to quadruple by 2030) creates increased demand for basic food products,” he continues.

For example, in its Fund 1, Phatisa backed Goldenlay, an egg business in Zambia that was producing 250,000 eggs a day. It has doubled the business to 500,000 eggs a day on the back of strong local and regional demand. “Comparing this with developed economies, GDP growth off a higher base is unlikely to drive sales of eggs, which are the cheapest form of protein.”

## **Mutually beneficial**

The partnership doesn’t only benefit the African partners, but there are multiple profits for the US economy too, aside from the financial wins.

“We have backed a number of companies that have purchased American-made goods and services, like AGCO products, Costex Tractor Parts and Black Cat Blades. We have a technical assistance facility in Fund 1 of \$15m, which is managed by TechnoServe, a US-based not-for-profit organisation, which employs a significant number of American citizens.”

AGCO Corporation is an American agricultural equipment manufacturer based in Duluth, Georgia, (in the US) and listed on the New York Stock Exchange. It manufactures leading agricultural equipment, including:

- Challenger
- Fendt
- Massey Ferguson
- Valtra

In 2013, Phatisa invested in FES in Malawi. FES is the sole distributor of AGCO products in Malawi. By growing the business and selling more equipment and parts in Malawi, FES directly benefits this US corporation.

Another portfolio company is Meridian, the largest independent distributor of fertiliser in southern Africa. Through its Technical Assistance Facility, Phatisa works directly with the University of Columbia in the US to map soils of smallholder farmers to produce bespoke fertilisers that improve crop yields and livelihoods in southern Africa. The soil sampling kits are also US-sourced.

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