



*Industrial Development Corporation*

# Portfolio Committee on Agriculture: Update on the implementation of the Blended Finance Scheme (AIF)

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10 September 2024

1. Fund Mandate
2. Fund Regulations
3. Fund Dashboard
4. Fund Facility Report
5. Geographic Impact of the Fund
6. Active Deal Pipeline
7. Performance against Poultry Master Plan
8. Support to Land Reform Programme
9. Project Implementation Status
10. Case Studies
11. IDC Agro-Processing & Agriculture Priorities
  - (i) *Structured Enterprise Development;*
  - (ii) *Protein Value Chain;*
  - (iii) *Horticulture Value Chain*

- **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 Chain:** high-value, export-oriented crops; animal protein value (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.

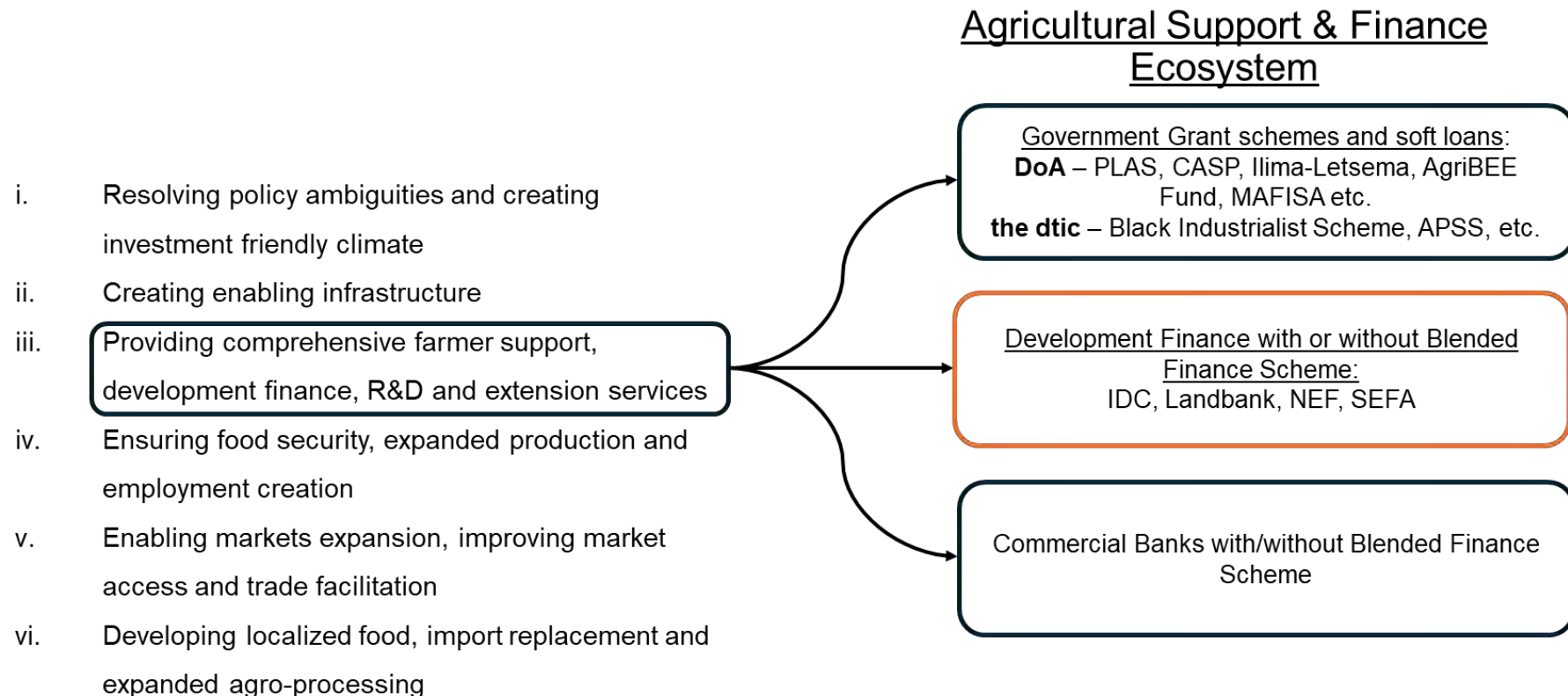
- **Criteria:**

- 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 was is deemed affordable to client and acceptable to the IDC.***

# AAMP Pillars – How IDCs AIF Fits into the Big Plan



# Fund Dashboard

Total IDC  
Approved  
Amount

**R2,145  
billion**

AIF Approved  
Amount

**R667  
million**

Undrawn AIF  
Approved  
Amount

**R250  
million**

Poultry Industry  
Plan – Achieved %

**85%**

Receipt from  
DALRRD:

**R800  
million**

Drawn AIF  
Approved  
Amount

**R417  
million**

Jobs Created

**2112**

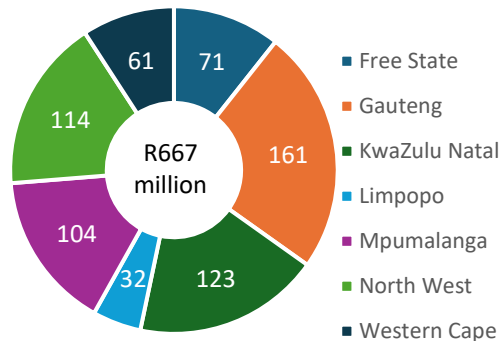
Cost/Jobs Created

**R1,016m**

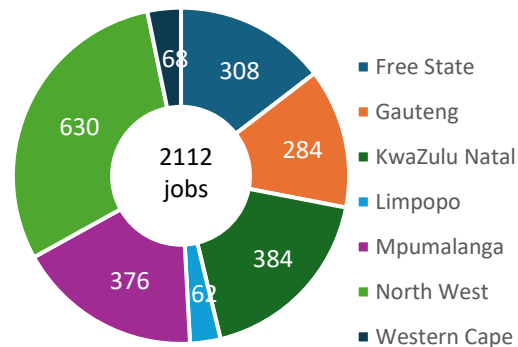
No. of businesses  
owned by women  
funded

**52%**

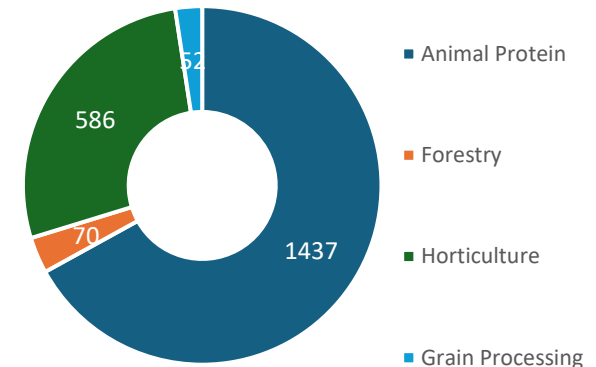
AIF approved by Geography



Jobs Created by Geography



AIF approved by Value Chain



# Fund Facility Report

*IDC has approved 31 applications since inception (March 2021) to a combined value of **ca R2,145 billion**. Of which **ca R667 million** is approved from the Agri-Industrial Fund (AIF).*

## Commentary

ZAR' Million	31 March 2022 (Cumulative)	30 June 2024 (Cumulative)
Receipt from DALRRD	400	800
Interest	6	86
Drawn	(14)	(417)
<b>Available Cash</b>	<b>392</b>	<b>383</b>
<b>Approved but undrawn Commitment</b>	<b>(118)</b>	<b>(260)</b>
<i>+ Approved but undrawn commitment (within 12 months)</i>	<i>(118)</i>	<i>(250)</i>



Agri-Industrial Fund received three deposits since inception from DALRRD.



The Fund earns variable interest and capitalized monthly. The Fund has earned **interest amounting R85m**.



**Approved AIF Grant amount is R667m**

- Drawn: R417m



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

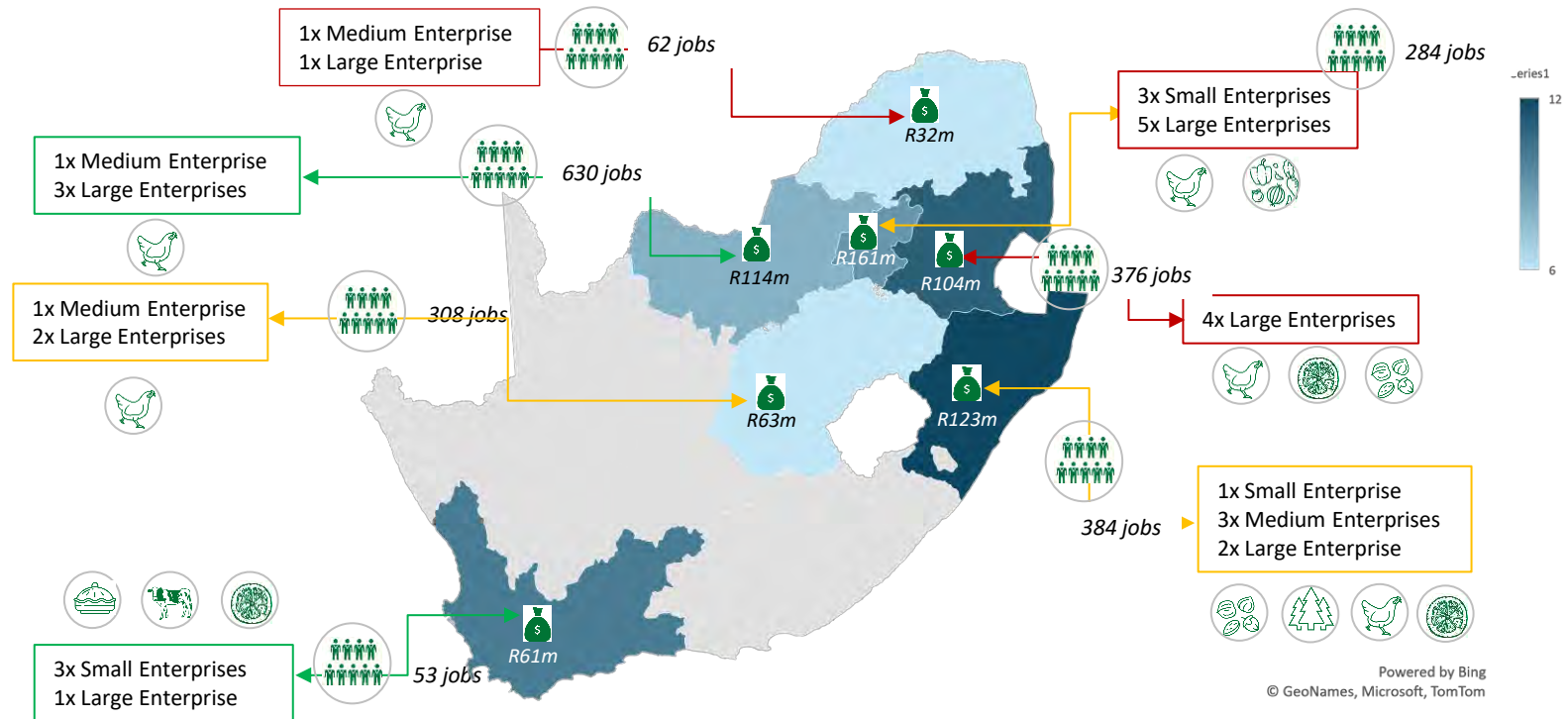
# Key Risks Consideration

Key Risks	Mitigations
1. Cash generation negatively by stagnant GDP growth	1.1 Financial structuring allowing for capital and/or interest moratorium 1.2 Scenario planning built in the financial modeling
2. Energy supply constrains	2.1 New applications must have alternative energy solution and are assessed by Energy SBU 2.2 IDC Energy SBU is assisting existing clients with alternative energy solutions
3. Water disruption due to ageing infrastructure	3. Consideration of borehole and rainwater storage infrastructure
4. Logistics bottlenecks at the Ports	4. Proper planning with allowance for delays
5. Inability to access market due to inadequate biosecurity protocols	5.1 SME Connect – linking IDC clients with corporate customers 5.2 Compliance audit certificates 5.3 Ensure adequate control and monitoring measures



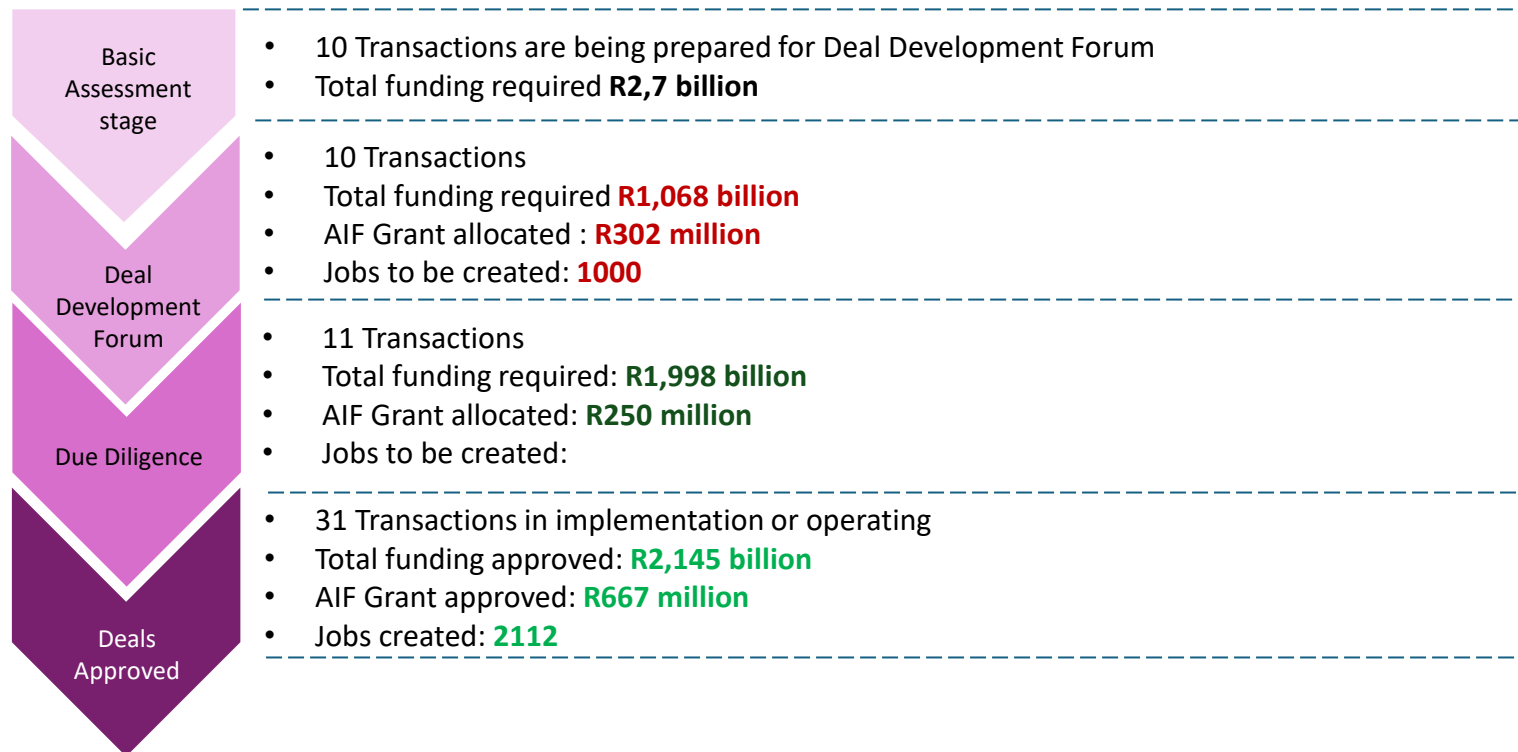
# Geographic impact of the Fund

Twenty applications have been approved with **R2,145 billion (R667 Grant)** with **2112 Jobs** to be created. More effort placed in sourcing projects in the Eastern Cape (2x transactions this year) and Northern Cape



# Active Deal Pipeline

The applications under review continues to indicate the need for more grant funding to achieve developmental objectives



# Performance against Poultry Master Plan

**13 approvals achieved 86% of IDC Target and contributes 49% to the Poultry Master Plan target (tonnes of meat produced). Pipeline in FY24/25 will increase contribution to 90%**

## IDC Activity in the Poultry Value Chain



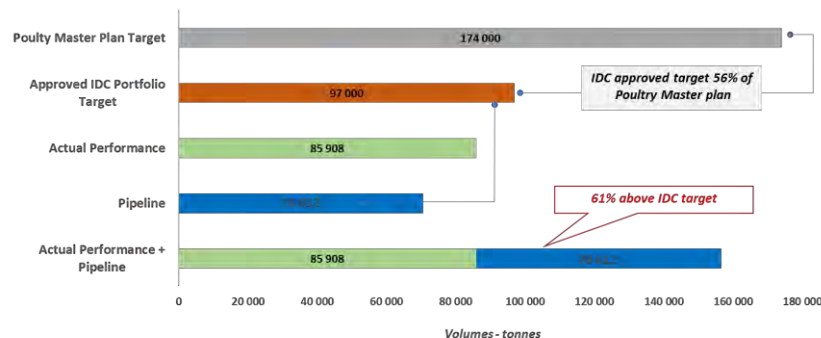
## New Capacity with Black Ownership Added to the Value Chain

• Northroost & Superchicks collectively to supply **34 million day-old-chicks per year** in the value chain

• 10x broiler farms with combined capacity to produce **31 million birds per year**

• JK Abattoir – capacity to produce **30k chicken meat per year**

## IDC Contribution to the Poultry Master Plan



# High Impact support to the Land Reform Programme

**PPPs between communities owning land and like-minded farming enterprises to re-establish or scale production in high-value exports. Economic benefit for communities and local jobs created**

- Piloted the model on 2x transactions and ready to scale to other provinces
- Pipeline of transactions under consideration-
  - Morebene (Limpopo): 300ha avocado
  - Tshakuma (Limpopo): 200ha avocado
  - Ikamva Lethu (Eastern Cape): 480ha citrus
  - Matsafeni (Mpumalanga): 200ha avocado and macadamia
  - Pure Vitamin (Eastern Cape): 50ha citrus
  - Muden Citrus (KZN): expansion of plantings in partnerships with local communities
  - Zebediela (Limpopo): re-establishments of multiple crops – citrus, macadamia

## **Kubalele Farming (Mpumalanga): R102,5 million (Grant R20 million)**

- Farming business owned by Mawulu Community and a Strategic Equity Partner, AgriStar
- Leases land from the Mawulu CPA on a long-term basis
- Operates a 123ha macadamia orchard
- Exports

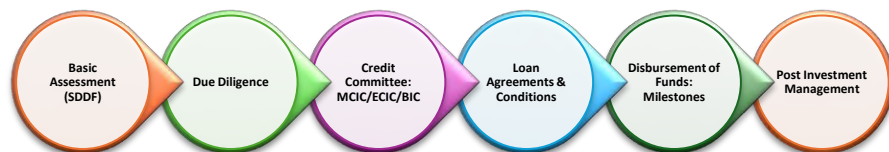
## **Ilima Management Holdings (Mpumalanga): R158 million (Grant 39,6 million)**

- Farming business owned by the Mlambo Mahlalela Community and black Strategic Equity Partners, Odilinx Group and Ceder Creek
- Leases land from the Bambanani Mlambo Trust on a long-term basis
- Operates 800ha sugarcane, 370ha citrus and 20ha mangoes
- Local cane and mango supply and exports for citrus

# Project Implementation Status

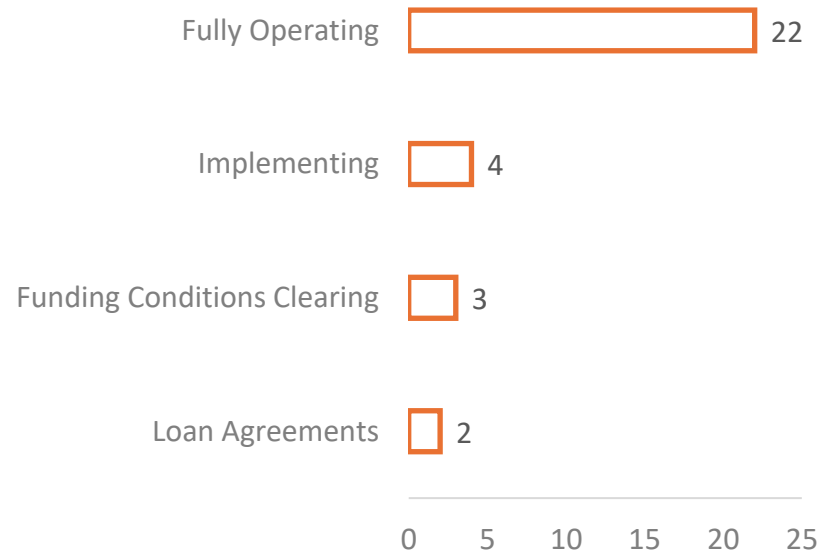
IDC supports client pre and post investment to ensure success and sustainability

## IDC Process



- Balance between speed of processing applications and packaging a project for greater success – profitability & sustainability.
- Clients supported along the process until loans are fully repaid.
- Referral of clients to other sources of funding based on stage of development of an enterprise

71% of projects operating and repaying/on track to start repaying IDC loans



# Project Implementation Status

## Close management of implementation because of long construction periods and phased planting of orchards to ensure execution within approved budget

### ○ R42 Capital –

- final planting of the last 20ha (out of 120ha) of almonds & 20ha of cherries this spring/summer season (starting later this month)

### ○ Mokoka Shabangu –

- construction of 10 chicken houses completed and being commissioned
- Staff employment and training
- 1<sup>st</sup> placement of DOCs on 24 September 2024

### ○ Vukani Agricultural Project –

- Construction of piggery houses underway
- Completion and commissioning targeted for March 2025

### ○ JK Abattoir –

- Clearing of conditions of funding in July 2024 and first drawdown in August 2024
- Construction underway with commissioning targeted for January 2026

	Business Partner	Province		Total Funding	AIF	IDC Loans	Loan SI	Value Chain	Stage
FY21/22	Agrico Irrigation Systems	Free State	17	22 679 211,00	8 472 368,00	14 206 843,00	Medium	Animal Protein	Operating
	Air Mahumas (Pty) Ltd	North West	37	78 991 308,00	27 494 368,00	51 496 940,00	Large	Animal Protein	Operating
	Gegana Business Enterprise CC	Mpumalanga	24	66 096 356,00	22 607 428,00	43 488 928,00	Large	Animal Protein	Operating
	Makhamisa Foods (Pty) Ltd	Gauteng	32	10 000 000,00	4 000 000,00	6 000 000,00	Small	Grain Processing	Operating
	Northroost (Pty) Ltd	Limpopo	22	36 790 000,00	12 716 000,00	24 074 000,00	Large	Animal Protein	Operating
	Phetogo Farming Enterprise PTY Ltd	Gauteng	25	65 131 667,00	22 706 667,00	42 425 000,00	Large	Animal Protein	Operating
	Roadgrass Investments (Pty) Ltd	Mpumalanga	21	52 085 365,00	18 168 823,00	33 916 542,00	Large	Animal Protein	Operating
	Crenebell (Pty) Ltd	Gauteng	12	7 200 000,00	2 800 000,00	4 400 000,00	Small	Animal Protein	Operating
	Umzimkhulu Treated Timbers (Pty) Ltd	KwaZulu Natal	26	25 000 000,00	10 000 000,00	15 000 000,00	Medium	Forestry	Operating
	Excelsior Pies Kaap (Pty) Ltd	Western Cape	10	4 688 701,00	1 667 226,00	3 021 475,00	Small	Grain Processing	Operating
FY22/23	Thiel Farming (Pty) Ltd	North West	16	68 342 000,00	23 510 000,00	44 832 000,00	Large	Animal Protein	Operating
	PMM Agri (Pty) Ltd	Limpopo	40	43 726 000,00	19 076 000,00	24 650 000,00	Medium	Animal Protein	Operating
	Primo Poultry 121 (Pty) Ltd	Free State	13	57 700 000,00	22 800 000,00	34 900 000,00	Large	Animal Protein	Operating
	Kubalele Farming (Pty) Ltd	Mpumalanga	53	79 400 000,00	24 000 000,00	55 400 000,00	Large	Horticulture	Operating
	TMM Tea Tree (Pty) Ltd	KwaZulu Natal	58	23 572 556,00	8 935 000,00	14 637 556,00	Medium	Forestry	Operating
	Muden Citrus (Pty) Ltd	KwaZulu Natal	198	141 000 000,00	50 000 000,00	91 000 000,00	Large	Horticulture	Operating
	R42 Capital Pty Ltd	Western Cape	27	135 360 000,00	50 000 000,00	85 360 000,00	Large	Horticulture	Implementing
	Pixibex (Pty) Ltd	Western Cape	16	19 201 000,00	6 277 000,00	12 924 000,00	Small	Grain Processing	Operating
	Moatswi T Enterprise	North West	8	49 159 400,00	16 870 000,00	32 289 400,00	Medium	Animal Protein	Operating
	Maloney's Eye Farming and Contracting	Gauteng	135	120 120 000,00	30 000 000,00	90 120 000,00	Large	Horticulture	Operating
FY23/24	Garles Consolidated Holdings (Pty) Ltd	Western Cape	15	9 750 000,00	3 000 000,00	6 750 000,00	Small	Animal Protein	Operating
	MokokaShabangu Farming and Poultry (Pty)	Gauteng	19	97 103 000,00	34 800 000,00	62 303 000,00	Large	Animal Protein	Implementing
	Iqlaas Foods (Pty) Ltd	KwaZulu Natal	8	18 190 959,00	6 102 293,00	12 088 666,00	Small	Grain Processing	Operating
	Dreamland Piggery (Pty) Ltd	Gauteng	2	15 900 000,00	3 500 000,00	12 400 000,00	Small	Animal Protein	Operating
	Vukani Agricultural and Projects Primary	North West	20	82 629 525,00	29 349 538,00	53 279 987,00	Large	Animal Protein	Implementing
	JK Abattoir (Pty) Ltd	North West	565	257 606 581,00	40 000 000,00	217 606 581,00	Large	Animal Protein	Implementing
	Superchicks Hatchery (Pty) Ltd	Gauteng	43	195 975 000,00	40 000 000,00	155 975 000,00	Large	Animal Protein	Clearing CPs
	Iluma Management Holdings (Pty) Ltd	Mpumalanga	278	109 859 616,00	39 619 000,00	70 240 616,00	Large	Horticulture	Clearing CPs
	Nala Beef Abattoir (Pty) Ltd	Free State	278	153 726 417,00	40 000 000,00	113 726 417,00	Large	Animal Protein	Clearing CPs
	Swati and Vishaka (Pty) Ltd	KwaZulu Natal	11	76 627 994,00	26 819 267,00	49 808 727,00	Large	Animal Protein	Loan Agreements
FY24/24	Imsebe	KwaZulu Natal	83	21 159 275,00	21 527 178,00	- 367 903,00	Medium	Forestry	Loan Agreements

# Case study 1. Mudén Citrus



1. Located in Mude, KZN Midlands
2. owned farming development in the town of Mudén in KZN midlands
3. 60% Black ownership with a 10% ownership by a Workers Trust
4. The project will plant 200ha of soft citrus. 70% of which will be exported.
5. First harvest exported to the Middle East in the 2024 season
6. The project will create 200 jobs at peak production
7. Total funding of R195m (Grants R50 million)
8. Exploring funding for own packhouse and expansion of orchard by another 200-300ha



# Case study 2- Northroost Hatchery



1. Located Makhado, Limpopo
2. Youth entrepreneur who partnered with CBH and Bushvalley Chickens.
3. Project is 60% black owned with 10% employee share scheme
4. Project cost is R46 million (Grants R12.7 million)
5. Expansions
  - IDC funding - 10,4 million day-old-chicks per annum.
  - Own funding in 2023 – 15,3 million day-old-chicks per annum
  - Current finalizing IDC funding to increase to 25 million day-old-chicks per annum
6. Project has created 22 jobs



# Case study 3 – Maloney's Eye Cherry Farm



1. Located in Mogale City Municipality, Gauteng
2. A consortium of black shareholders with a female Farm Manager (R14,5 million own contribution).
3. Project is 60% black owned with 15% ownership by a Workers' Trust
4. Project cost is R134 million (Grants R30 million)
5. 56ha of cherries planted.
6. First harvest and exports started in 2023.
7. Project has created 154 jobs

# Case study 4 – Thiel Farming, North West



1. Located in Hartebeespoort, North West
2. Female farmer (R8,95 million contribution in land and cash)
3. Project is 100% black owned with a 10% employee profit share scheme
4. Project cost is R77,3 million (Grants R23,5 million)
5. Farm produces 2 975 000 birds per annum.
6. Project has created 16 jobs
7. Top performer in the Eagle Valley Poultry abattoir ecosystem

# Case study 5 – Kubalele Farming



1. Located in Mbombela Local Municipality, Mpumalanga
2. Partnership between strategic equity partners and the Mawulu Community and CPA
3. Operated professionally by a management team, supported by a Board
4. Land leased from the Community Trust
5. 60% black owned
6. 123ha macadamia orchards
7. Project cost is R102 million (Grant R20 million)
8. Project to create 53 jobs at peak production



# Case study 6 – Ilima Management



1. Located in Nkomati, Mpumalanga
2. Partnership between strategic equity partners and the Mlambo Mahlalela Community
3. Operated professionally by a management team, supported by a Board
4. Land leased from the Community Trust
5. 100% black owned
6. Sugarcane, citrus and mangoes
7. Project cost is R158 million (Grant R39,6 million)
8. Project to created 278 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.).

*-Karan Beef is keen to partner with IDC to help champion the program*

3

- **Re-establish former irrigation schemes: Development of high-value, export-oriented crop**, through supporting there-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.**

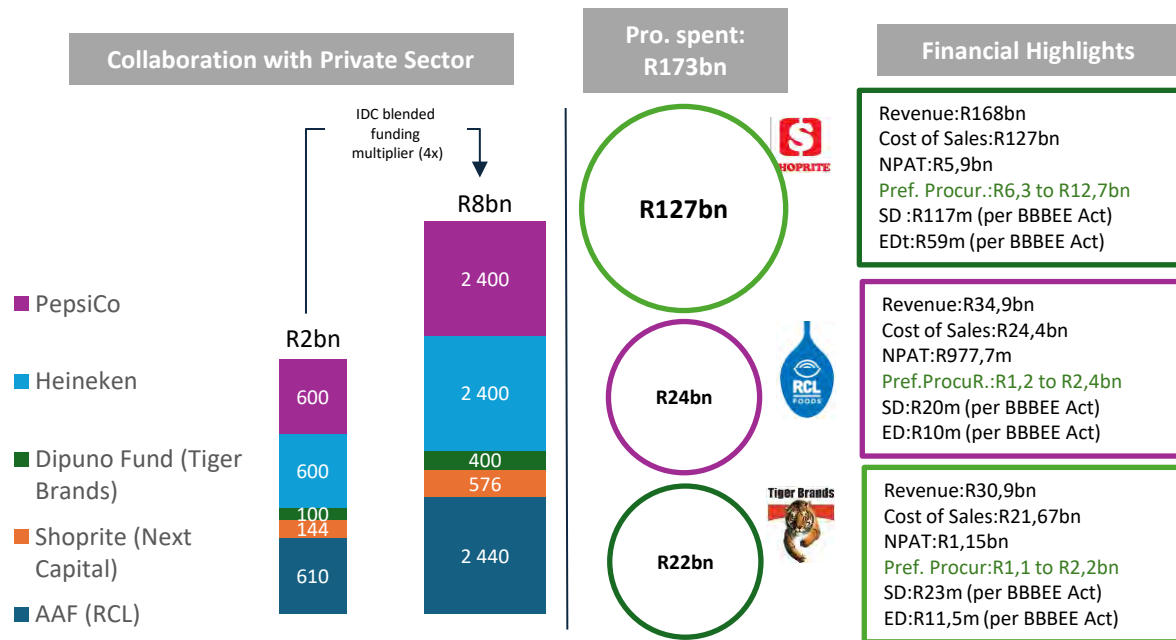
# Structured Enterprise Development (“SED”)

1

The SED (“Program”) is a co-funding model in partnership with majors such as Shoprite, Tiger Brands, PepsiCo (“Processor”) etc. the Program seeks to address chiefly (i) **supply chain optimization**, (ii) **supplier development** and (iii) **market access for emerging suppliers**. **The Program leverages the Processor’s supplier development funds (“Funds”) - most of which were given rise to by the Competition Commission condition on the back of an M&A transaction approval.** Assuming a 50% equity contribution, the Funds would enjoy a 2X impact.

The Funds by their nature are finite and of limited liquidity. When the Processor’s undertaking is fulfilled (i.e., committed amounts fully deployed) the company would bear no further obligation to support emerging suppliers. Yet oftentimes substantial, the Funds are insufficient to facilitate a broad-based enduring developmental impact. Leveraging Processor Funds, the IDC finances the farmer directly as per normal without losing sight of client ownership. In return, each Processor commits a percentage of their annual procurement spend in favor of suppliers.

IDC Participation **unlocks between ZAR8,6 to ZAR 17,3bn** of preferential procurement spend resulting in **sustaining job creation**

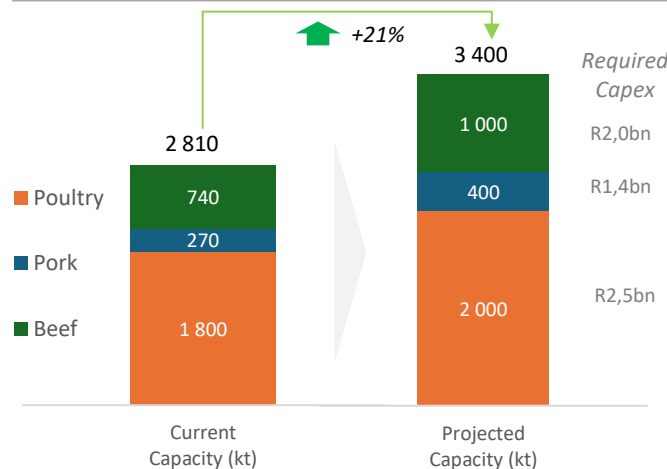
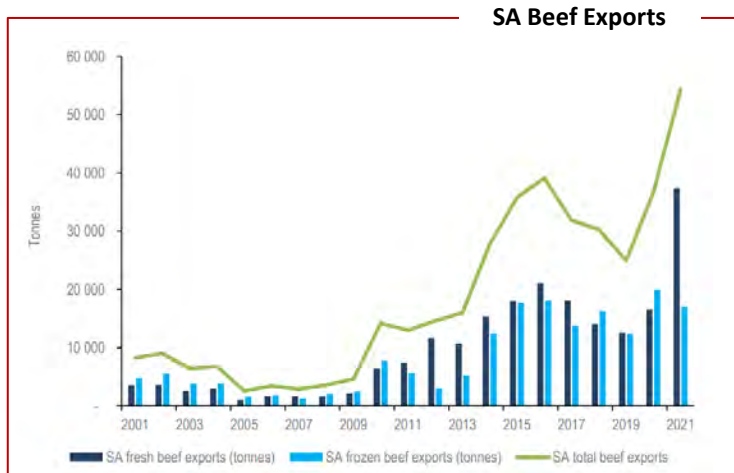
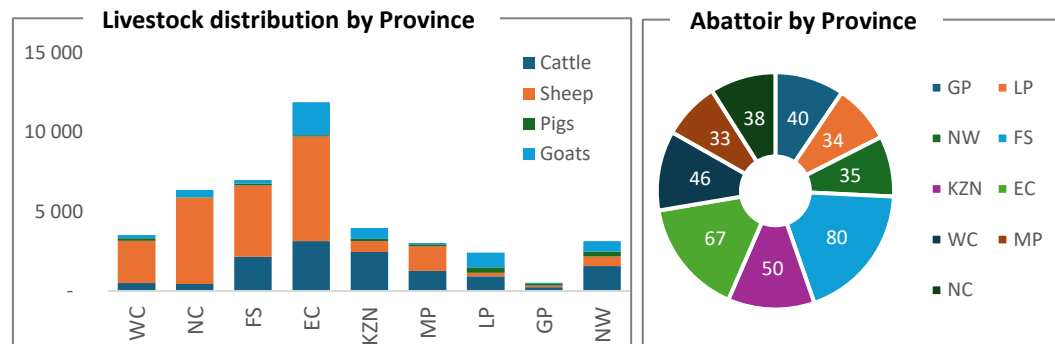


# Protein Value Chain



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.



**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
<b>Total</b>	<b>3 500</b>	<b>5 150</b>	<b>2 879</b>

# Thank You