

Bloomberg

By Rudy Ruitenberg - June 10

Neil Crowder, chief executive officer of London-based investment adviser Clayton Capital LLP, said attracting funds for farming projects in Africa is “tough” because of many investors’ unfamiliarity with the region. Crowder made the comments at the Jetfin Agro industry conference in Geneva yesterday.

“My big challenge is convincing people who know Africa from Zimbabwe and Jacob Zuma’s wives that it is a good place to invest in. Africa as a region is misunderstood, but it is rapidly gaining recognition in the investment community. It’s still tough to get money.”

“The dynamics driving (Africa) are very similar to China and India. They are poor countries but there is a rapidly growing middle class. The political risks are largely overblown if you do the research.

“People are not as comfortable investing in Africa because it is not as safe as the BRICs,” Crowder said, referring to Brazil, Russia, India and China. “Corruption is in line with most of the BRICs. It’s in line with Brazil, it’s better than Russia. Clearly there is risk, but it is overblown.

“Agricultural potential in Africa is enormous. Only a small portion of the land in Africa that is arable is in production. You have the worst productivity for a whole lot of reasons in Africa, but you have fertile land. Parts of Africa have very good access to water.” Countries with good access to water include Mozambique, Zambia and Zimbabwe, he said.

China is looking to Africa for food security, which Crowder said is risky because the continent currently isn’t able to feed itself. “Our model is based solely on a feed-Africa model.”

Compared with investing in agriculture in Eastern Europe, “we think it’s a better business model in Africa.” Chayton is investing in farming in Zambia through a project guaranteed by the World Bank, according to Crowder.

“Zambia is just north of Zimbabwe, landlocked, bordering eight countries that all import food. We worked with the World Bank to get the contract and investment guaranteed. We’re in discussions to replicate that in four or five countries. We’ve identified five markets: Zambia, Botswana, Mozambique, Angola and Tanzania.”

“It’s one of the few places in the world where you can fully double crop. We are doing most likely a relatively simple rotation of maize in the summer and winter wheat, soy rotation.

“One of the big challenges in Africa, there are so few people who know how to farm. There are great ideas out there, but it’s going to come down to execution. We are buying working farms so there’s no displacement and they have existing workforces on them.”