



AQUIFER LIMITED – EXPERIENCE IN MOZAMBIQUE

UK MOZAMBIQUE INVESTMENT FORUM

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Executive Summary

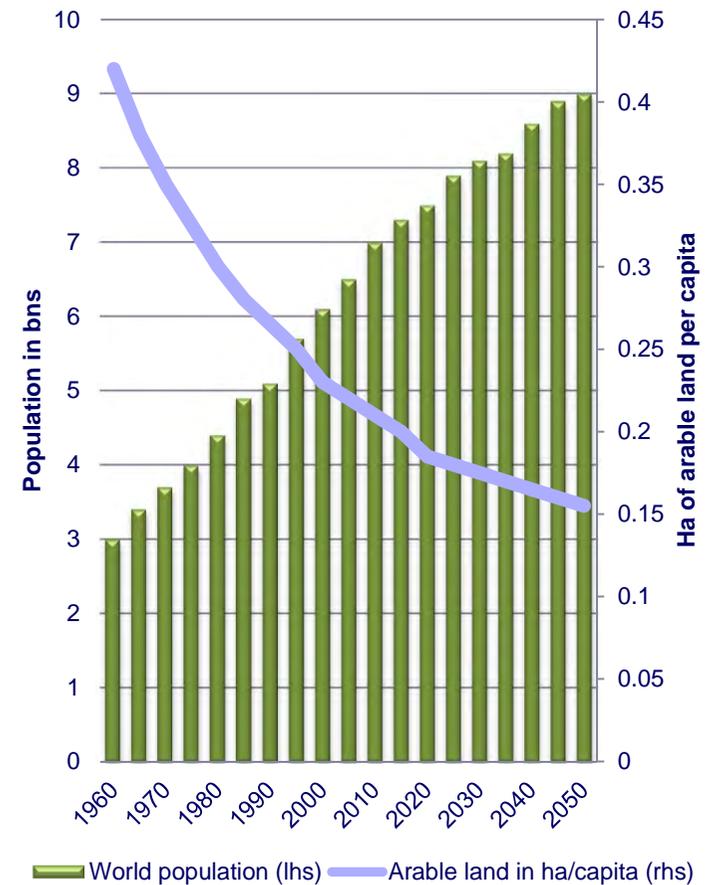
- ❑ AQUIFER LIMITED, domiciled in the UK, an investment company sponsored by Lord Sainsbury of Turville was created to undertake direct investments in Mozambique in opportunities to create new economic value. The Gatsby Charitable Foundation is the sole economic shareholder of AQUIFER.
- ❑ AQUIFER was initiated to affect development objectives in Mozambique through successful commercial activities and has invested in rice and seed production and market led export of fresh products
- ❑ Mozambique was chosen after extensive review for its investment + industrialization gap, policy attitude and prospects for achieving internationally competitive scale in selected sectors
- ❑ In Mozambique, AQUIFER operates under the brands
 - Mozfoods
 - Compania Vanduzi
 - MIA
 - TIA ROSA



The Opportunity - Agriculture

GLOBAL TRENDS DRIVING COMMERCIAL AGRICULTURAL INVESTMENT

- ❑ World Population will grow by 50% within 40 years
 - Increased demand for food, feed, and land will put upward pressure on prices of food and land
 - Exacerbated by rising income levels in Asia
 - Against inexorable backdrop of increased urbanization
- ❑ Peaking productivity levels in the West
 - Limits on expansion potential for agriculture through productivity improvements
- ❑ Increased awareness and responsiveness to climate change
 - Uncertain but most likely negative outcome will put upward pressure on prices for food and land

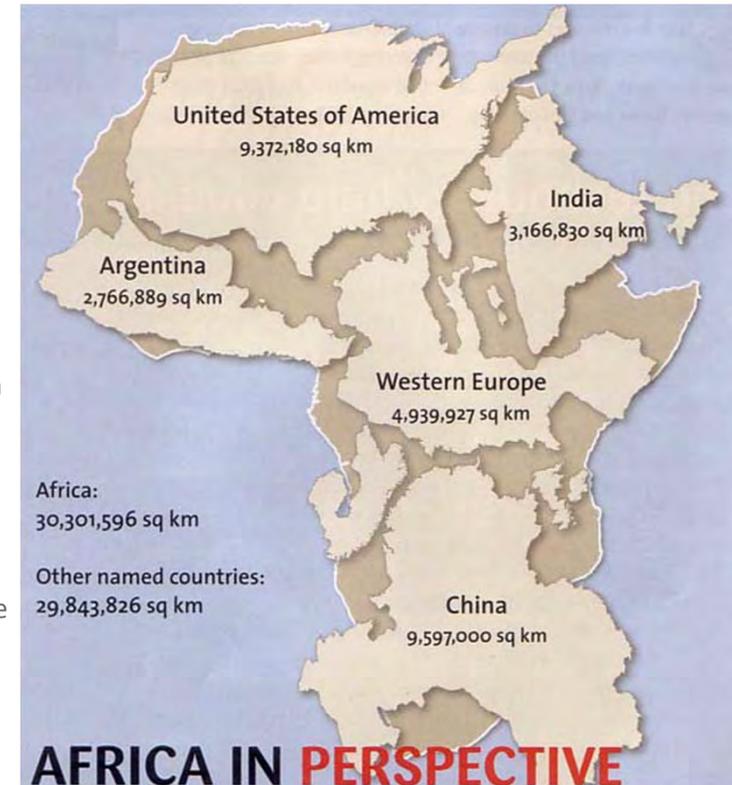




The Opportunity – African Agriculture

Agriculture in Africa and Mozambique

- Agricultural Sector
 - Agriculture constitutes approximately 30% of Africa’s GDP
 - Contributes about 50% of total export value
 - 70% of population depends on the sector for livelihoods
 - Farm productivity in Africa is less than 25% of global¹ average
- The African Opportunity
 - By 2050,
 - 20% of world population will live in SS Africa
 - Population aged 15 -25 years will be 20% of SS African population
 - 800+ million population
 - \$2.2 trillion GDP (PPP) and growing
 - 25% of world’s arable land, yet only 10% of global agricultural output
 - From 2005 -2008, consumer spending rose at a cumulative annual growth rate of 16%
- Why Mozambique
 - Pioneering
 - Diverse and unique number of microclimates
 - Land fertility and availability
 - Widespread water availability
 - Stated political will to support agriculture



Source : 1. Alliance for a Green Revolution in Africa,
The Mckinsey Quarterly



AQUIFER LIMITED

Overview

- ❑ AQUIFER was established as a UK domiciled investment company in 2004
- ❑ Its philosophy is long term in nature and to affect sustainable economic growth through effective use of private sector methodologies
 - Demanding but patient investor
 - Job creation
 - Wealth creation
 - Technology transfer
- ❑ AQUIFER is fundamentally an impact investment vehicle as it was initiated on premise that a private sector, investment led approach could deliver real sustainable economic growth while achieving the same social objectives that the Gatsby Charitable Foundation strives for
- ❑ Objective is not to repatriate profits but to re-invest sustainably in Mozambique
- ❑ AQUIFER has deployed over \$40m in past five years
- ❑ The London executive team remains actively involved in local decision making and oversight



MOZFOODS

Overview

- ❑ MOZFOODS is the holding company, trader, and distributor of both proprietary and representative brands within Mozambique
- ❑ Active in the production of fresh produce, cereals, and seeds
- ❑ Active in the processing, packaging, marketing and distribution of a wide range of agricultural products
- ❑ The subsidiary companies are active in the agro-industrial production and export of fresh products and in an early stage of investment in rice production, processing, marketing and distribution
- ❑ Targets domestic markets, W. Europe, and Southern Africa
- ❑ Total staff of ~2000



MOZFOODS IS ONE OF THE FIFTY LARGEST ENTERPRISES IN MOZAMBIQUE AND ONE OF THE TOP TEN AGRICULTURAL ENTERPRISES IN THE COUNTRY



Vanduzi

Overview

- ❑ The Vision
 - Market led, high quality producer and exporter of fresh produce supplying sophisticated markets with own brand and customer branded products
- ❑ Summary Statistics
 - 70 ton per week processing pack house capacity
 - 700 hectares of land under production; 900 hectares by June 2011
 - Producing baby corn, chilies, fine beans, mange tout, sugar snaps, cape gooseberries, passion fruit
 - Exporting primarily to Western Europe but with an increasing attempt at diversification to Southern Africa and the Middle East
- ❑ Production model
 - Current model involves own production on own land
 - Exploratory efforts underway for Vanduzi to act as a channel to market for local outgrowers
- ❑ Achievements
 - Up to 15% - 33% UK market share in select products at peak production
 - 2009 IPEX designation as fastest growing exported in Mozambique
 - Global GAP Certified
 - British Retail Consortium Certified





MOCFER Industrias Alimentares(MIA)

Overview

- ❑ The Vision
 - Return Mozambique to a self-sustaining rice producer, both growing a key crop sector for government and removing dependence on imports
- ❑ Summary Statistics
 - Mozambique imports ~400k-600k tons of rice annually, primarily from SE Asia
 - Southern Africa imports 1.8m tons of rice annually
 - Operations based on irrigation scheme with 22,000 ha of irrigated land – the largest contiguous irrigation scheme in Southern Africa
 - Working with >200 Associated Producers, many of whom aggregate smaller producers
 - 300% average yield improvements since operations initiated in 2006
 - Capacity to process 20,000 tons and significant room to install more capacity
- ❑ Production model
 - MIA provides the full range of inputs and technical assistance to associated producers on credit
 - Credit is recouped at the end of the season upon purchase of paddy
- ❑ Achievements
 - Harvested ~12,000 tons of paddy in 2009
 - World-class research and development of adapted seed varieties
 - Evaluation of thousands of varieties across several crops and the development of 12 proprietary improved rice seed varieties
 - Technical outreach competency





Issues Faced

Our Experience

People / Skills

- ❑ Local human and management capital are significant binding constraints to growth
- ❑ Local raw competency is hard to find and expat labor is very expensive
- ❑ Cultural differences exist around labor expectations (transient work force)

Role of Government

- ❑ Mozambique is fundamentally dependent on donor finance and isn't used to supporting or subsidizing the private sector
- ❑ Reforms to land laws would be welcome
- ❑ Difficulties turning rhetoric into action
- ❑ Labor Law
- ❑ Like much of SS Africa, corruption is systemic

Infrastructure

- ❑ Infrastructure needs significant investment
- ❑ Roads, electrification, communications
- ❑ Banking system needs modernization
- ❑ Not enough credit, working capital or CAPEX, flowing into critical sectors of economy



Lessons Learned

Our Experience

Feasibility & Planning

- ❑ Adjust plans based on local realities and cultural sensitivities
- ❑ Scenario test assumptions

Partnership / People / Skills

- ❑ Local partnership is critical
 - Sense of nuance
 - Helps to be perceived as part of the community
 - Political maneuvering and navigating the bureaucracy
- ❑ Equip local team with relevant skill sets
 - Reliance on expats is overly burdensome

Approach

- ❑ Be Incremental
- ❑ More effective to dose capital incrementally on evidenced validation of business thesis
- ❑ Keep flexibility to adjust business/model based on market demands

