Creating value and a positive impact in African agriculture
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2. What are the problems in the smallholder sector in Africa?

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SilverStreet Capital – a leading investor into the agricultural sector

- Silverlands I: the largest African agricultural fund
- Mid-teens net IRR (unleveraged) target
- Significant social impact arising from the strategy
We invest across the agricultural value chain
High quality investment partners

- European and US institutional investors
- US government: ‘soft’ loan facility
- World Bank: political risk insurance
- UK, Denmark and Finland governments: investors in fund
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~60% of the population live on small-holder farms.
Yields well below global standards

Source: The Bill and Melinda Gates Foundation (2009)
Small-holder farmers typically grow low value crops

Cassava
Access to market
Inadequate infrastructure and processing capacity

• Markets needed for higher value crops…

• …normally a processing plant

• 30% of small-scale crop is lost because of inadequate storage
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Three factors needed to develop the small-holder sector

 Inputs → Farmer → Market

Technical Backup and training
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Case Study: Silverlands Tanzania
Tanzania: high growth with an undeveloped poultry sector

- Per capita poultry consumption ~12% of South Africa
- Poor quality feed
- Poor poultry genetics
Factors needed to develop the small-holder sector

Inputs

Farmer
We built soya processing, storage and feed-mill
Silverlands hub produces chicks and feed

Poultry feed

Day-old-chicks
Distribution developed from scratch serving 33,000 farmers

Day Old Chicks – Deliveries 4 x Weekly

Feed – Deliveries Daily

13 Distribution Centres

190 Agents

~33,000 Farmers
Improving productivity and yield

Silverlands introduced a more productive breed: Sasso
Factors needed to develop the small-holder sector
Poultry training facility – a huge success

• Partnered with the World Poultry Foundation and started the African Poultry Multiplication Initiative (AMPI) in 2017
• aims to reach over 1million small-scale farmers in the next ~5 years.
Silverlands distribution across Tanzania
...13 distribution centres, 190 agents
Factors needed to develop the small-holder sector

Farmer

Market
Rapid growth in production
...26,500t feed, 7.6m day-old chicks - from zero in 2014
Quantifying the impact
...22,500 farmers, earn ~$20m more for communities

<table>
<thead>
<tr>
<th>Type of Poultry Farmer</th>
<th>Project Participants from Community (#)</th>
<th>Average Household Income ($)</th>
<th>Average Household Income for Participants ($)</th>
<th>Total Value Added to Community ($ per annum)</th>
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<tbody>
<tr>
<td>Brooder unit</td>
<td>233</td>
<td>$600</td>
<td>$2,709</td>
<td>$491,397</td>
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<tr>
<td>Semi-commercial broiler farmers</td>
<td>803</td>
<td>$600</td>
<td>$3,078</td>
<td>$1,989,834</td>
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<tr>
<td>Semi-commercial layer farmers</td>
<td>270</td>
<td>$600</td>
<td>$3,720</td>
<td>$842,400</td>
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<td>Small-scale / rural</td>
<td>21,278</td>
<td>$600</td>
<td>$1,373</td>
<td>$16,447,894</td>
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<tr>
<td>Total</td>
<td>22,584</td>
<td>$600</td>
<td>$1,475 (Avg)</td>
<td>$19,771,525</td>
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</tbody>
</table>

Excludes 10,700 farmers who only purchase feed
33,000 poultry farmers benefiting economically – over 80% are women
We contribute positively to 4 Sustainable Development Goals in particular.
Poultry Farmer Success Story: Rena Mmasi…highly profitable egg production

- $220/month salary from the post office
- 2006: 600 chickens (from Dar, 500Km)
  
  Switched to Silverlands feed and chicks
- Largest poultry farm in Iringa
  
  4,000 chickens, ~1,900 eggs per day
  
  Profits $3,500 per month
- 4 well educated children – doctor, aeronautical engineering
Summary

• The agricultural sector employs an average of 60 percent of the working population in sub Saharan Africa.

• We focus on solving the problems faced by smallholder farmers as a core part of our investment strategy.

• We have succeeded in achieving substantial social and economic impact through working with small-holder farmers and communities.
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• **Investment and Trading Risk**: All investments risk the loss of capital.

• **Investing in Emerging Markets**: The investment strategy of the Silverlands Funds is such that a substantial proportion of their assets may be invested in emerging markets. Investments in emerging markets carry a higher risk than investments in developed markets. Political or economic change and instability may be more likely to occur and have a greater effect on the economies and markets of emerging countries. Adverse government policies, taxation, restrictions on foreign investment and on currency convertibility and repatriation, currency fluctuations and other developments in the laws and regulations of emerging market countries in which investments may be made, including expropriation, nationalisation or other confiscation could result in loss to the Silverlands Funds.

• **Investment in Agriculture-Related Opportunities**: The Silverlands Funds invest in illiquid investments in the agricultural and related sectors in Sub-Saharan Africa. The global market for agricultural products is highly competitive and is sensitive to changes in industry capacity, producer inventories, commodity speculation and cyclical changes in the world’s economies, any of which may significantly affect the selling prices of our products and therefore their profitability.

• **Concentration of Investments**: As the Silverlands Funds may only make a limited number of investments, and many of the investments may involve a high degree of risk, poor performance by a few investments could affect the total returns to the Silverlands Funds.

• **Currency**: The Silverlands Funds’ assets may be invested in property or companies incorporated in any country, and the income received by the Silverlands Funds may be denominated in several different currencies, whereas capital contributions and distributions from the Silverlands Funds will be made in US Dollars. Therefore, the amount of the distributions made by the Silverlands Funds, as well as the US Dollar-denominated value of their investments, may be affected favourably or unfavourably by fluctuations in currency rates.

• **Illiquid Investments**: The Silverlands Funds intend to invest in private businesses, farmland, agricultural infrastructure and, potentially, illiquid agricultural listed companies. Such assets are illiquid as a general matter and may decline in value, and are especially illiquid in some of the countries where the Silverlands Funds may invest, and the Silverlands Funds may be unable to liquidate them at a profit.

• **Limited Liquidity**: Interests in the Silverlands Funds will be illiquid and there is no guarantee that an investor would be able to sell its interest should it wish to exit from the Silverlands Funds before the end of the term. Investment in the Silverlands Funds requires a long-term commitment.

• **Valuation**: Given the nature of the Silverlands Funds’ proposed investments, valuation may be difficult. There may be a scarcity of market comparables or other relevant data on which to base the value of the Silverlands Funds’ assets.

• **In-Kind Distributions**: Upon the winding-up of the Silverlands Funds, distributions may consist of unlisted restricted securities or other assets.

• **Conflicts of Interest**: SilverStreet may, from time to time, face conflicts of interest relating to its dealings with the Silverlands Funds.

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