



Agro-Processing & Agriculture

Strategic Business Unit

Our Objectives

One of IDC's objectives, through the Agro-processing and Agriculture Strategic Business Unit (SBU) is to invest in the development of projects and businesses that either create new or expand local manufacturing capabilities – replacing imports and enhancing competitiveness. This is done by lowering production costs through the introduction of new technologies, by promoting the value chain approach.

The aim is to develop a competitive industry in the food, beverage, fibre, forestry and agro-derivative industries; that utilises and develops local and regional resources to supply domestic demand and increase participation in international trade.

This is achieved by expanding production capacity and promoting value adding expansionary agro-processing activities in a manner that fosters economic inclusivity. The SBU also provides assistance to agro-processors that want to increase their procurement levels from resource of historically disadvantaged farmers or farming communities.

Our Impact

We envisage that through our funding and project development activities, we can have the following impact on the South African economy:

- Promote, expand and extend new/existing industries in order to create and/or preserve jobs and drive sustainable economic growth;
- Enable local industry to ensure better utilisation of resources and infrastructure; and
- Enable local industry to improve operating margins and enhance/maintain competitiveness.

What We Fund

The business unit provides support to a wide range of economically viable activities in agro-processing (food and non-food) sectors such as:

- Horticulture and high-value field crops;
- Beverages;
- Wheat and sugar;
- Forestry;
- Livestock value chain such as cattle, poultry and pigs;
- Horticulture including fruit, vegetables, nuts, tea and coffee; and
- Fishing and aquaculture.

Who Should Apply

We encourage new or existing companies within the agro-processing and agriculture sector that plan to create new or expand industrial capacity within the economy to apply. We can also consider the funding of expansionary BBBEE acquisitions in the sector where the majority of the acquisition funds remain within the target company for expansionary purposes (usually through an issue of shares).

What We Look For

The funding application must facilitate the creation of new industrial capacity save and create new jobs. Risk-sharing from operating private-sector investment partners is non-negotiable and the shareholders will have to guarantee the funding of shortfalls. Equity-related funding must be:

- Mainly applicable to larger investments;
- Applicable when a project is perceived of strategic importance; and
- Only minority interests.

How We Structure Funding

- Start-up businesses: IDC's maximum funding equates to 60% of the total funding requirement (for start-ups);
- Expansion projects: IDC can fund a full expansion if the equity structure at peak is a minimum of 35%;
- Preferred equity structure for start-up projects of at least 50% at peak;
- BBBEE conditionality: We expect all business partners to have at least a level 5 or 4 accredited BBBEE rating or that they provide the IDC with an undertaking to achieve such rating within a specific time period. BEE empowered, women and youth-owned businesses are encouraged to apply; and
- Value-chain base projects are preferable.

For Investments In The Rest Of Africa

The project must be of direct benefit to South Africa in any of the following ways:

- Must promote regional economic development;
- Must develop and integrate regional value chains;
- Must promote South African ownership (25% or more) on the rest of the African continent (Note that the above conditions could in some cases be relaxed for South Africa's neighbouring countries);
- The minimum size of the total project funding requirement must be:
 - R5-million SACU-based investments
 - USD 3-million for SADC-based investments
 - USD10-million for investments in countries outside SADC
- The IDC will not fund more than 50% of the total funding requirement (for expansions not more than the existing asset base);

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