

IFU

AGRIBUSINESS INVESTMENTS IN CHINA



IFU

INVESTMENT FUND FOR
DEVELOPING COUNTRIES

IFU PROVIDES RISK CAPITAL AND ADVICE

The global demand for food is growing. This is also the case in China where the expanding middle-class is increasing its consumption of quality food products and is ready to pay additional premiums for higher food safety.

In China, farming and production of food is also moving from small-scale to large-scale and industrial mode throughout the value chain.

These developments open up new opportunities for Danish companies holding technology, products, know-how and services that match the changing demand in the Chinese market.

A new agribusiness fund

The Ministry of Foreign Affairs and IFU have launched a new agribusiness fund to assist Danish companies in taking advantage of the growing global demand for food. The fund will be a public-private partnership engaging public finances as well as institutional investors. The target for the first closing is DKK 800m.

When operational the fund will offer risk capital and advice to companies operating agribusinesses in emerging markets and developing countries in Africa, Latin American, parts of Europe and Asia, including China.

Built on 45 years of experience

The agribusiness fund will be managed by IFU. Therefore the new fund can draw upon more than 45 years of experience in setting up 1,200 businesses in more than 100 countries. Out of these 130 are located in China, and IFU has contributed with more than DKK 1.5bn in share capital and loans out of a total expected investment of DKK 10bn.

IFU has made a number of investments within the agribusiness sector, like for example:

- Production of grapes and avocados with DanPer in Peru
- Production of breeding animals with Dan Yu Pig Breeding in China
- Crop farming with Somawhe Estates in Zambia
- Production of pigs with Danosha in Ukraine
- Production and sale of animal feed with DLG in China

INVESTMENTS

Production and breeding of pigs

A number of Danish investors have engaged in pig production and sale of breeding animals to the Chinese pig industry. It started with sale of breeding animals imported from Denmark, and today the company operates two farms in China, Dan Yu Pig Breeding and Scandinavian Farms Pig Industries.

One farm is producing breeding animals, and the other is producing slaughter pigs to Chinese slaughter houses. The operation started in 2013, but both farms are already being expanded due to increased demand for high quality pork, and because the Chinese consumers are increasingly concerned about food safety.

When the expansion has been completed, total annual production will reach 45,000 breeding animals and 150,000 slaughter pigs.

IFU has participated with risk capital in the initial phase and the expansion.

Quality feed in China

China holds the world's largest pig population, four times larger than in Europe, and the demand for high quality pig feed is growing. This has led DLG to enter into a joint venture with the Chinese PUAJ Feed Group. The group's annual production is 320,000 tons of feed, and the revenue is DKK 1.2bn.

DLG is to contribute with know-how in manufacturing of quality feed as well as vitamin and mineral mixtures. Production and sales are handled by the Chinese partner through its eight production plants and sales offices.

Finding the right strategic partner in China has been challenging and time consuming. IFU has assisted DLG with the due diligence and negotiations with the PUAJ Feed Group. DLG and IFU have acquired 25 per cent of the shares.

FACTS ABOUT THE INVESTMENT



Danish partner:

Scandinavian Farms Invest

Status: In operation

IFU funding: DKK 90m

Total investment: DKK 351m

FACTS ABOUT THE INVESTMENT



Danish partner: DLG

Status: In operation

IFU funding: DKK 50m

Total investment: DKK 265m



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