

**Opalesque Exclusive: Pharos sees agriculture as strategic asset in 21st century, with high rate of returns and food security**

From Precy Dumlao, Opalesque Asia:

The managers of [Pharos Miro Agriculture Fund](#) said that the agricultural sector would become the new strategic asset of the 21st century because of the increasing global population and the limited arable land.

At the same time, Pharos Financial Advisors Ltd's managing director John Papesh predicted that more investors would take note of this trend and participate in making investments in agriculture. "Also that the play on food security will gain more momentum as many sovereign wealth funds are becoming increasingly active in this space," Papesh said in an interview with Opalesque.

The private equity fund is scheduled to launch on 31-Mar. It is a joint venture between emerging markets fund manager Pharos and global agriculture asset manager and developer Miro Asset Management Ltd. The fund expects its first closing before its official launch, and to raise \$350m by Q3 of this year. Papesh boasted that they have many global investors ranging from private banks, sovereign wealth funds, pensions, endowments and family offices which have expressed interest in the fund.

Indeed the Pharos Miro Agriculture Fund is the only fund to focus on the geographical locations of Eastern Europe, Eurasia and Africa and is the only fund leveraging the experience of a proven fund manager and agriculture asset manager. The fund targets 20-25% annualized returns from operational yields off arable crops (namely wheat and rice).

**Emerging imbalance between supply and demand to push agricultural fund**

Papesh explained that the partnership between Pharos and Miro was a result of the growing trend amongst investors to move towards agricultural investing. There is an emerging imbalance between supply and demand that will increase focus on agricultural producing assets. Also, investors have a strong appetite for real assets, which made the venture more attractive.

"Since Pharos is an experienced emerging markets fund manager without the expertise of managing farm operations, we sought an experienced agriculture asset management firm with focus on places in Eastern Europe and Africa. Hence, a JV was created with Miro, a proven agriculture development group," he said.

**Growing trend**

According to him, there is a strong appetite for agriculture fund and food security as some investors look at it as less risky with a high rate of return. Others look at the sector for its long term security.

He cited several Middle East countries which are looking at long term investors to secure food sources to hedge against inflation and future shortages. "For example, the 6th largest grower of wheat in the world, Saudi Arabia, has a Government initiative to close all arable farms by 2016 in order to conserve water supplies. Currently, 80% of the water in Saudi is used for agriculture. Hence, they are looking at global opportunities to secure food sources in other countries to supply their growing population. Saudi Arabia is only one of many other countries looking to do the same. Some other countries include China, Libya and Qatar," he added.

**Farmland acquisition**

When queried on the issue of foreign ownership of arable lands, Papesh said that Eastern European countries, such as Romania, Ukraine, Moldova have decreasing population. This means the agricultural productions of these nations can far exceed the inhabitants' consumption. So the fund aims to acquire and operate agricultural land in Eastern Europe, as well as Eurasia and Africa.

In cases where foreigners are not allowed to own arable lands, Pharos Miro will try to secure a long term (99-year) lease, particularly in Africa.

However, there are countries which invite foreign investors in the agriculture sector to help employment and economic growth. The fund will try to add value to the regions it will invest in, he said.

#### **Tropical timber fund to be launched**

Confident of the success of the fund, Papesh said the company is already planning of launching a tropical timber fund later this year. He did not elaborate on the plan.

Pharos announced the launch of the Pharos Miro Agriculture Fund in Nov-09.

The firm, part of the Pharos Financial Group, with headquarters in Moscow, Russia, was founded in 1997 by U.S. national, Peter M. Halloran, with seed capital from Soros Fund Management and CS First Boston, and was granted a license by the Dubai Financial Services Authority to operate as an authorized firm within the Dubai International Financial Centre in Nov-08.

Miro Asset Management Ltd is part of the Dubai, United Arab Emirates-domiciled Miro Holdings International Limited, an investment boutique which seeks to invest in early stage, scalable businesses operating in emerging markets.