

FUNDS: Pharos Miro agric fund gives investors something to chew on

Guy Norton in London
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Veteran Russian fund management group Pharos Financial and Dubai-based agribusiness specialist Miro Asset Management have teamed up to launch the Pharos Miro Agriculture Fund to tap into the evolving agricultural investment theme, with food and water resources increasingly regarded as important as oil and gas reserves were 40 years ago.

Peter Halloran, chief executive of Pharos Financial, says that a combination of globalisation, climate change, population growth, biofuel usage and developments in dietary patterns is changing the way that institutional investors look at agriculture. "In the past few years, there's been a shift in the way institutional investors view agriculture," says Halloran. "Before, they tended to play it through the soft commodities futures markets, but now there's more interest in investing in real assets, such as land, which can generate long-term returns."

Not that the Pharos Miro fund should be viewed as a speculative real estate play *manqué*, says Halloran. Far from it. "We know where to find the right land and how to farm it properly to generate sustainable high yields."

Positive signs

While Miro has spent the past two years developing a pipeline of farming projects and establishing local managements teams to run them, Halloran and his Pharos colleagues have spent the past few months jetting around Asia, the Middle East, Europe and the US to drum up the cash necessary to realize their plans. The market feedback so far has been very positive, claims Halloran, with the fund looking to deliver annualized capital returns of 20-25% from the cultivation of prime arable farmland. Halloran says Pharos Miro is looking to make the first close on the fund at \$75m at the end of March, with final close at \$350m pencilled in for the start of the third quarter. As such, Pharos Miro hopes to be up and farming this summer.

The joint venture is looking to buy and/or lease prime arable land in the CEE region first and then later Africa at comparatively cheap prices, and grow agricultural staples such as rice, barley, wheat, oilseeds and animal fodder. In emerging Europe, it is eyeing opportunities in countries such as Bulgaria, Kazakhstan, Moldova, Romania, Russia and Ukraine where it's possible to buy/lease land at an average level \$2,000 a hectare and then put in experienced management teams to ensure the land generates the

maxim possible yields. The fund intends to secure storage facilities to mitigate against price fluctuations in the price of soft commodities.