

INTERVIEW-Gulf sovereign funds show interest in farmland fund

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* Fund may lease 50,000 hectares of land in Tanzania

By Amena Bakr

DUBAI, Jan 21 (Reuters) - A private sector fund aiming to invest \$350 million in farmland in Africa and Europe has attracted interest from Gulf sovereign wealth funds seeking to secure food supplies, an executive told Reuters on Thursday.

Gulf countries, mainly reliant on food imports, have increased efforts to buy or lease land in developing nations to secure food supplies and to minimize the impact of food inflation.

Pharos Miro Agriculture Fund was launched in November last year, a joint venture between UAE-based Pharos Financial Group and Miro Holdings International.

"So far we have received a lot of interest from international investors, particularly sovereign wealth funds in the Gulf region in addition to pension funds elsewhere," John Papesh, managing director of Pharos Financial Group told Reuters in an interview.

A road show to promote the fund has included visits to Abu Dhabi, Saudi Arabia, Bahrain in addition to Singapore and the United States.

Food prices have risen sharply over the past year, prompting government and private sector firms in the Middle East to look into ways of securing supplies, as the majority of the food in the region is imported.

RISING FOOD DEMAND

"There is quite a bit of demand as farmland as an asset class because investors realize that food demand is on the rise as global population increases," said Papesh.

The fund will target areas of land in Africa and Eastern Europe for the production of agricultural commodities such as rice, barley, wheat, oilseeds and animal fodder, Oliver Barnes, chief executive of Miro said.

"We are in the process of leasing 50,000 hectares of land in Tanzania which will be complete by the end of this year and will mainly be for rice production," he said.

The Tanzania contract will be 98 year lease and includes terms under which the local community would benefit from the farm's produce in addition to creating employment opportunities, Barnes added while declining to disclose the cost of the deal.

"Many people think that land in Africa is cheap but it's not because you have to invest in infrastructure which is not there so costs around \$1500-2000 per hectare."

In Eastern Europe the company would be able to have freehold rights over the land which roughly costs around \$2000 per hectare, said Barnes.

"And we looking for land across that area in countries like Romania, Bulgaria and Moldova and this will give a good mix for the portfolio to have land in both Africa and Europe."

Crops from Eastern Europe will be mainly sold to the Middle East while from land acquired in Africa the crops will be sold domestically, the fund announced last year.

Over the past two years a number of Gulf states have announced plans to buy land in developing nations. In many cases these have failed due to opposition from local communities, Barnes said.

"This is why investing through a fund like this would give sovereign wealth funds a new channel of investment without having to deal with all the other risks and without even disclosing their identity publicly to avoid creating a frenzy," he added.

Last year, the United Nations expressed concern that farmers' rights in developing nations could be compromised as rich countries buy farmland. (Reporting by Amena Bakr; Editing by Nigel Hunt)