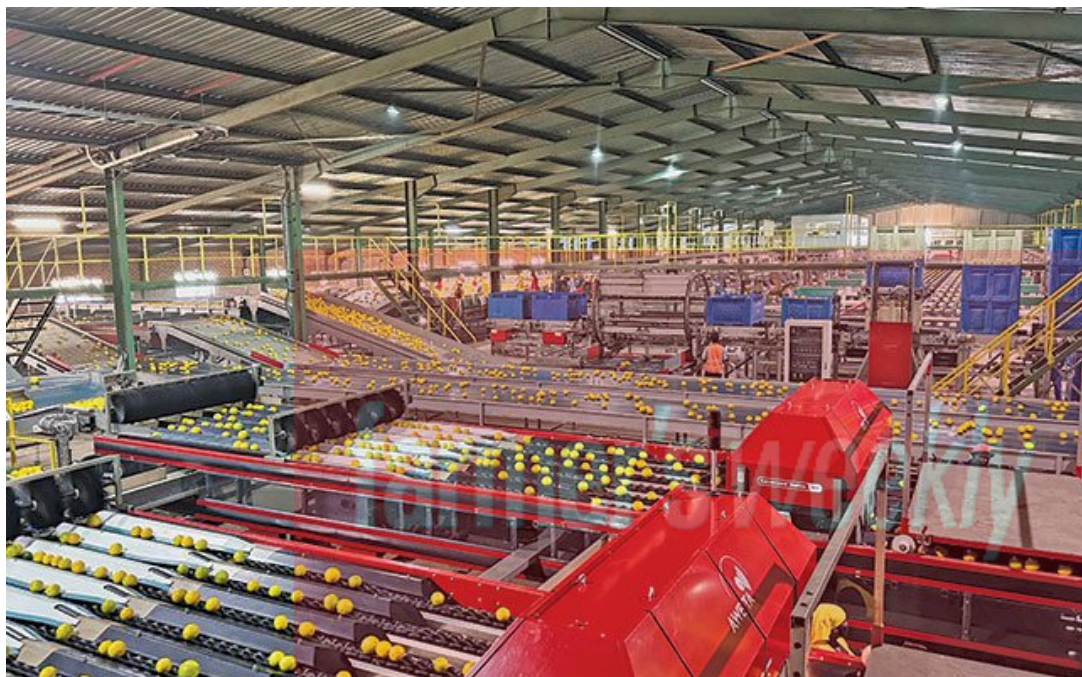


Foreign investment: agriculture maintains its appeal

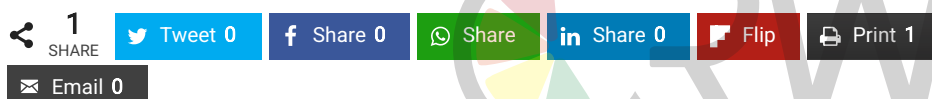
By Lindi Botha | 23 January 2025 | 8:00 am

South Africa remains a popular destination for foreign investors, despite an often negative outlook from its citizens. It is a gateway to Africa, and with its counterseasonal production to the Northern Hemisphere and favourable weather, local agriculture is especially well placed to attract foreign interest, bringing with it hope for rural communities.



Verdant Orchards has a packhouse that can pack 1,5 million 15kg cartons of citrus per annum. It will be expanded to accommodate the growth in citrus volumes as the company increases production at its farms.

Photo: Supplied



South Africa attracted R100 billion in foreign direct investment (FDI) last year, equal to 1,4% of the country's gross domestic product (GDP).

"South Africa has many positive attributes for foreign investors," says Olusegun Zaccheaus, leader of PwC West Africa's consulting business, Strategy&.

In its South Africa Economic Outlook report for 2024, PwC notes that the perception among non-residents of South Africa's public governance and business ecosystem is 'moderately positive' on average.

"South Africa's performance is near the middle of the pack when countries are ranked, not as dismal as some might think, and in the company of countries like Malta, Croatia and Slovakia," says Zaccheaus.

The manufacturing industry holds the largest share of foreign investment (38,5%), followed by mining (24,2%), and financial services (20%). South Africa's factory industry is home to

production facilities owned by some of the world's largest producers of vehicles and food, among other products.



Zaccheaus notes that, despite its challenges, the South African economy is more diversified and stable compared to many other African economies. "The country has a very strong financial services and capital market, which is more sophisticated than most markets in Africa.

"Furthermore, South Africa's banking industry offers clients access to a comprehensive suite of financial instruments and services alongside a robust banking regulatory framework that ensures the safety and soundness of financial institutions and their clients," he says.

Bruce Hamilton, CEO of Verdant Orchards, knows this all too well. In October 2024, the company acquired the Noordgrens farm in Limpopo, which has 800ha of citrus in production, adding to its portfolio of farms across the Southern African Development Community region.

A subsidiary of Verdant Frontiers, Verdant Orchards has investors mainly based in the US who wish to invest in Africa, bringing a return for investors while making a positive social impact on the communities in which they operate.

This is the company's first foray in South Africa, having first invested in farms in Mozambique and then Zambia. The collective pool of farms produces avocados and citrus, with macadamia in their sights.

Thus, Hamilton speaks with experience when he says that South Africa presents a particularly attractive option for foreign investment.

"It's an easy operating environment. Infrastructure, banking and legal systems in South Africa are far more conducive to doing business compared with the rest of Africa. South Africa is also ideally positioned as a gateway to the rest of Africa and presents good opportunities to provide the Northern Hemisphere with counterseasonal produce."

Noordgrens has a large component of citrus orchards already in production, and Verdant Orchards is planning to expand with another 250ha of citrus on this site. This will bring total production to around 2,5 million 15kg cartons by 2034, generating revenue of nearly R1 billion.

The farm also has a packhouse with the capacity to pack 1,5 million 15kg cartons per year, which will be expanded to accommodate the increased production.

The decision to invest in citrus in particular and expand production speaks to the potential that investors see in this sector.

Hamilton explains that while there are indications that citrus markets globally are becoming saturated, there are opportunities to supply fruit during specific marketing windows in the year.

"There is still a lot of opportunity for early lemons, and early, good-quality grapefruit, while Valencia [oranges] are always bankable, making citrus from the northern parts of South Africa very competitive."

Expanding into citrus production is also part of Verdant Orchards' strategy to spread risk across different countries and crops.



In Limpopo, Verdant Orchards has 800ha of citrus in production.

With South Africa's farmers being particularly adept at growing citrus, Hamilton says local expertise strengthens the case for investment.

"However, most South African farmers are not experienced in running operations in the rest of Africa, which is what Verdant Frontiers brings to the table. As a whole, the project then acts as a bridge into the rest of Africa, while benefitting the South African economy. Ultimately, we hope that trade will be enhanced in the region, for example by bringing Zambian avocados into South Africa at a time of the year when there is a shortage of local production."

Since citrus is a mostly export-orientated crop, the investment does not compete with local players in the local market.

"It also provides foreign exchange and opportunities for skills development and employment for people in deep rural areas of the country, which ensures that the investment has real benefits for the country," says Hamilton.

Local benefit

An investment of this size – around US\$40 million (roughly R720 million) across Mozambique, Zambia, and South Africa – brings a sizeable cash injection into the region.

Verdant Orchards currently employs 1 200 people, and expects this number to climb to 4 000 by 2030 as production expands.

"Projects like this give people a chance to work, feed their families, become self-reliant, and support themselves," says Hamilton.

Lullu Krugel, PwC South Africa's chief economist, notes that South African businesses need to be awake to the possibilities that foreign investment offers them and the country.



"FDI can play a significant role in business and economic development. It provides local industries and the economy with capital inflows, expansion of business into new markets, cost reduction through economies of scale, and skills enhancement of domestic employees. At a macro-economic level, FDI adds to the country's GDP, increases employment and household income, and contributes taxes to the fiscus."

With agricultural investments being focused on predominantly rural areas, they play a particularly important role in providing services that government frequently neglects.

"Some communities are so dark at night, it is difficult to move around. Our investment includes erecting solar-powered street lights. We also bring mobile clinics to the area, providing access to healthcare where there previously wasn't any," explains Hamilton.

A significant benefit is the direct spend on inputs and services obtained from the surrounding towns, which stimulates the region's economy.

With environmental health also a prerequisite for investment decisions, Verdant Orchards has set aside 1 800ha of the Noordgrens farm for wildlife conservation. Its carbon footprint is also being measured, with solar energy projects on the cards to reduce the farm's reliance on Eskom-supplied electricity.

While agriculture, and citrus production specifically, is not plain sailing in South Africa, Hamilton emphasises that the country remains a good investment destination.

"The delays at South Africa's ports are concerning, but I believe the port in Maputo will play an increasingly important role in getting the fruit to export markets. Facilities are being developed there and the service is improving."

The company did significant due diligence to identify any land reform risks. Hamilton, however, says that while this may seem like a barrier to many an investor, South Africa provides better tenure security than most other countries in Africa, where governments for the most part maintain ownership.

Political stability is a primary concern for investors in developing countries, but here, too, South Africa rises to the top.

"With a new coalition government in place this year, investors have far more confidence in South Africa. A stable political environment plays a crucial role in attracting foreign investment, and we hope that the government understands the seriousness of maintaining such stability, or FDI will dry up."

South Africa has a lot in its favour in attracting foreign investment, providing fertile ground for forward-thinking investors. Adding valuable forex and income for rural economies, it is a win-win for investors and the country alike.



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