



INCENTIVES SA

Helping Your Business Grow

Agro-Processing and Agriculture (IDC)

Description:

The IDC's goal is to develop a competitive processed food, beverage, fibre, forestry and derivative industry that optimally utilises and develops local and regional resources to supply domestic demand and increase participation in international trade. This will be achieved by expanding production capacity and promoting value adding expansionary agro processing activities in a manner that fosters economic inclusivity.

The IDC business unit provides support to a wide range of economically viable activities in agro-processing (food and non-food) sectors such as:

- Maize
- Wheat and sugar
- Livestock such as cattle, poultry, pigs and game
- Fishing and aquaculture
- Beverages
- Forestry
- Horticulture including fruit, vegetables, nuts, tea and coffee.

The IDC Strategic Business Unit (SBU) is especially keen to work with agro-processors that want to increase their procurement levels from resource poor historically disadvantaged farmers or farming communities.

Outcomes:

The IDC envisage that through their funding and project development activities, they can have the following impact on the South African economy:

- Promote, expand and extend new/existing industries in order to create and/or preserve jobs and drive sustainable economic growth.
- Enable local industry to ensure better utilisation of resources and infrastructure.



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- Enable local industry to improve operating margins and enhance/maintain competitiveness.

Doing Business with the Unit:

The IDC's focus is on identifying and developing projects in the Agro-Processing and Agriculture industry that would expand local production capabilities, replace imports, and enhance industry competitiveness, with the ultimate goal of lowering costs to consumers. The IDC provides funding solutions of up to R1 billion that are tailored to suit the needs of the applicant.

Industrial Finance – this is ideal for funding existing operations or new business on the basis of a bankable business plan; or

Project Development Finance – this is typically offered to a strategic operating partner. Here, a portion of the development of a project that has not yet reached a bankable stage is funded. Note that this option is only considered on an exceptional basis.

Who should apply for funding?

The IDC encourages new or existing companies within the agro-processing and agriculture sector that plan to create new or expand industrial capacity within the economy to apply. The IDC can also consider the funding of expansionary BBBEE acquisitions in the sector where the majority of the acquisition funds remain within the target company for expansionary purposes (usually through an issue of shares).

Funding criteria:

For investments in South Africa

- The funding application must facilitate the creation of new industrial capacity and create new jobs.
- Risk-sharing from operating private-sector investment partners is non-negotiable and the shareholders will have to guarantee the funding of shortfalls
- **Equity-related funding:**
- Only applicable to larger investments



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- Only when project is perceived of strategic importance
- Only minority interests
- **Funding limits:**
- Start-up businesses: IDC maximum funding equates to 60% of the total funding requirement (for start-ups)
- Expansion projects: IDC can fund a full expansion if the equity structure at peak is a minimum of 35%
- Preferred equity structure for start-up projects of at least 50% at peak
- BBBEE conditionality: We expect all business partners to have at least a level 5 or 4 accredited BBBEE rating or that they provide the IDC with an undertaking to achieve such rating within a specific time period.

For investments in outside South Africa

- The project must be of direct benefit to South Africa in any of the following ways:
- Risk-sharing from operating private-sector investment partners is non-negotiable and the shareholders will have to guarantee the funding of shortfalls
- **Equity-related funding:**
- Only applicable to larger investments
- Only when project is perceived of strategic importance
- Only minority interests
- **Funding limits:**
- Start-up businesses: IDC maximum funding equates to 60% of the total funding requirement (for start-ups)
- Expansion projects: IDC can fund a full expansion if the equity structure at peak is a minimum of 35%
- Preferred equity structure for start-up projects of at least 50% at peak



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- **BBBEE conditionality:** We expect all business partners to have at least a level 5 or 4 accredited BBBEE rating or that they provide the IDC with an undertaking to achieve such rating within a specific time period.

Applying for funding:

The IDC considers each application carefully.

In addition to the specific requirements of the agro-processing and agriculture SBU, applications must meet the IDC's minimum requirements.

Minimum requirements:

- Compliance with international environmental standards.
- Shareholders/owners are expected to make a financial contribution:
- The contribution of historically disadvantaged people under special circumstances may be lowered, in which case the IDC will be prepared to extend finance in excess of the owner's contribution.
- The project/business must exhibit economic merit in terms of profitability and sustainability.
- The IDC does not re-finance fixed assets since our aim is to expand the industrial base.

For more information please contact Incentive SA on the following numbers:

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