

# Africa benefits from the relationship between Palm Oil and Potash

✘ Feronia (listed on the Toronto Stock Exchange, CA: FRN), which produces palm oil and develops arable crops in DR Congo, hosted the Fund for Agriculture in Africa roundtable. The latter organization, which employs 4,000 people, became one of the first shareholders of the Congolese company listed in the Toronto stock exchange, which employs 4000 people.

The African Agriculture Fund (AAF) will become a major shareholder in Feronia, formerly known as 'Plantations et Huileries du Congo', which owns and operates the largest oil palm plantation in Congo. The fund, managed by Phatisa (a private equity fund manager, servicing a range of sectors in a number of sub-Saharan African countries) having international development oriented financial institutions among its supporters, invested USD\$ 5 million on January 5, amounting to 19.9% of the capital. In a second operation, to be completed after a Feronia shareholders meeting in late February 2013, AAF is expected to purchase up to 46,009,000 shares for a maximum of USD\$ 5.5 million. This is Phatisa's second strategic investment in Central Africa and it has great potential in view of the importance that the agricultural sector will have in Africa in general in the next decade. Investment in African agriculture recognizes Africa's tremendous economic growth potential with long-term benefits that should vastly exceed the initial investment value in the long term. International investors, especially large funds, have looked to Africa as the continent to help address increasing food supply demands. Palm oil is an inexpensive and popular vegetable oil used in many packaged foods and in such products as lipsticks and other cosmetics. Not surprisingly, just as demand for mineral fertilizer has increased over the

past decade, so has demand for palm oil, which can now command up to USD\$ 930/ton.

Feronia and AAF will also provide ease technical assistance. In September 2009, Feronia had acquired plantations founded in the early 20th century from Unilever Plantations and Huileries Congo and it now controls a concession of 107,892 hectares, including 15,000 in operation and 45,000 available for planting. The company says it is not involved in any deforestation developing only land developed in the past. Operations are focused on three sites, all near the river Congo and Yaligimba Boteka in the Equateur province, and Lokutu (the Oriental). Feronia is also developing arable crops in the province of Bas-Congo. Ultimately, Feronia plans to produce 280,000 tons of crude palm oil and planted 100,000 hectares of arable crops. It also plans to develop a fertilizer industry from potash, phosphate and limestone of Congo. Indeed, the oil palm needs potash and other mineral nutrients to grow successfully.

Mineral salts such as potash help the palm form its leaves and fruit clusters according to the FAO. A young palm needs nitrogen; however as the palm begins to produce its fruit (which is the case for many palm oil plantations in Africa) a lot of potash is required. The potash provides the essential nutrients to allow the palm to increase the size and number of fruit clusters. In other words, potash is crucial to agricultural productivity. Palm oil is a popular ingredient in tropical Africa, Malaysia, Indonesia (and other areas of Southeast Asia) and much of Brazil; it is also used for the production of biofuels such as bio-diesel, the production of which has been strongly encouraged in Malaysia. Indeed, the government intends to use biodiesel as a fuel in power generation. Some African governments could also follow suit. The requirements and growing demand for palm oil is one of the reasons accounting for the continued high demand prospects for potash in Brazil (where potash is needed to boost the

production of corn, another potash intensive crop) and especially in Indonesia and Malaysia, which are about to begin in one of the most intense potash importing periods of the year in view of the palm production cycle.

This year the potash import season may be more intense given that a shortage of labor at palm oil plantations last September forced companies to postpone potash deliveries. Moreover, given that the Malaysian and Indonesian availability for new palm oil land has decreased sharply; Africa is being targeted as one of the most attractive areas for palm oil investment attracting worldwide and African interest thanks also to growing African consumer demand. A rising interest in palm oil production in Africa will help boost the continent's own emerging potash producers such as Allana Potash (TSX.AAA) which expects to be ready to produce by late 2014 and others operating in the Republic of Congo. Africa also has access to other mineral fertilizers and phosphate in particular, further boosting agricultural potential.