Feronia leading the shift in ‘palm oil power’ to the DR Congo

Feronia has the opportunity to put the DR Congo on the global palm oil map: attracting investment from those areas where palm oil farming is on the decline such as Malaysia, Indonesia – or from China itself.

Feronia Inc. (“Feronia”, TSXV: FRN) owns and runs agricultural plantations in the Democratic Republic of Congo (“DRC”). It promotes modern agricultural practices to produce oil palm plantations and arable land. The DRC offers some of Africa’s greatest agricultural development potential thanks to an ideal climate, rich soil and experienced and highly skilled labor force. In order to keep the hands-on agricultural character of the company, Feronia management includes experienced farmers, who have direct experience in the management of plantations as well as how to run mechanized farms in emerging markets. There are special risks for any Companies working in emerging markets. Feronia has hedged those risks by emphasizing environmental protection, community support and sustainable agriculture.

In a more immediate concern, in view of the Ebola crisis that has affected a few countries in West Africa, it should be stressed that the DRC formally announce that it is **Ebola free** last November 15. There had been one or two cases in September in the Lokolia Watsikengo township but given the absence of any additional spread in 42 days, any quarantine requirements have been lifted. Meanwhile, as a testament to the crucial importance of its community relations, last November, Feronia announced the signing of a new agreement with the six unions representing 3,600 company employees. Formal negotiations began in October and represented the culmination of months of discussions between the Company, representatives of the six unions and their members over compensation, benefits and general working conditions both for the immediate and for the long term. The previous agreement was concluded prior to Feronia's 2009 acquisition of Plantations et Huileries du Congo SA (PHC) from Unilever. The agreement suggests that Feronia is interested to building a sustainable and commercially viable business that will thrive in the long term. The agreed benefits include higher wages and improved social infrastructure, which Feronia can afford to offer because of improving operational performance.

Over the five years of its ownership, Feronia has concentrated on repairing infrastructure and reclaiming the plantations after years of under-investment and disruption caused by the war. Feronia had then committed to the existing contracts of staff to pay all pension benefits, not to make any redundancies and achieve long-term investments needed to ensure a return to profitability. In return, our employees and the six unions that represent them have shown great loyalty and together we have made considerable progress in developing a commercially viable enterprise, which generates actual benefits for the communities, helping to increase food security in the DRC. Feronia has kept Raymond Batanga, who has a deep understanding of the company and palm oil, given his experience starting as an engineer at the Company when it was opened by Unilever (since 1977). Batanga is the COO and one of the keys of Feronia's ambitious plans for its Congolese operations; he is charged with no less than to restore the century old planation to their former glory. Feronia's goal is to make the DRC into an 'African Brazil', in other words an agricultural powerhouse. To do so, Feronia's research department has developed palm breeds that are twice as productive.

Improved productivity is important because the DRC (Africa's second largest country by area and fourth largest by population) plans to boost food crops such as rice, beans, sorghum or millet, which requires the development of many farms that were abandoned in the 1990's due to civil and regional wars. The African Agriculture Fund has pledged to support Feronia in rehabilitating farms, offering EUR 8 million in December 2012.As for the bad quality of the proverbial Congolese infrastructure, this is not a problem for Feronia because palm oil processing plants are self-sufficient in energy, and transport is by barge over river routes.

Recent developments in the global market for palm oil have launched new prospects for Feronia and are key to its growth. The palm oil market has grown considerably in the last two decades; China and India have generated considerable demand, which has led to a significant increase in prices. Palm oil is likely to face competition from other products oilseeds such as soybean oil but, for the foreseeable future, it is the only fat that can be obtained in large quantities in the equatorial regions. As living standards rise in Africa and other developing regions, and the rise of the middle classes in the two traditional palm oil powers, Malaysia and Indonesia, there will be a shift in 'palm oil power' away from the former two countries to the DR Congo.

Feronia has the opportunity to put the DRC, indeed Africa, on the global palm oil map, attracting investment from those areas where palm oil farming is on the decline such as the aforementioned Malaysia or Indonesia or from China itself. Large investors from the Persian Gulf 'Petro-monarchies' have also been buying agricultural land in Africa to hedge against their poor agricultural potential. Palm oil is used for food but it is also an excellent ingredient for bio-fuel, also fitting into a wider policy of renewable energy. Thus the Feronia Group will build a new facility to exploit the vast productivity potential of the Yaligimba plantation in the equatorial region as well as boosting t production to Basongo-Mapungu (formerly Brabanta) in the Western Kasai. As part of its third quarterly financial report, Feronia announced significant performance and productivity improvements at Yaligimba and increased consumption of palm oil in the DRC as demand improves and prices start to rise; a trend that is expected to continue and grow.