

Cape merger to create agriculture powerhouse

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A new agribusiness powerhouse is heading for listing on the JSE after proposals by Western Cape-based Overberg Agri and Acorn Agri to merge.



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Despite the drought in the Western Cape raising questions about agricultural prospects, a circular was sent to shareholders in Caledon-based Overberg Agri last week detailing plans to “amalgamate” with Somerset West-based Acorn to form a “leading national agriculture and food investment company”.

The new entity will be a hybrid agribusiness with Acorn — which has African Rainbow Capital and Sanlam as backers — largely an investment company and Overberg predominantly an operating company.

Synergy between assets and business models to drive growth

In a letter to shareholders Overberg chairman, Douw de Kock said the new business could be listed on the JSE in the near future. He said the proposed merger was crucial for the sustainability of Overberg’s agricultural business and the need to maintain competitive service levels.

De Kock also said the proposed merger would drive growth by creating synergy between the assets and business models

of both companies. “The combined business will hold an attractive blend of local and export-orientated businesses with exposure to export earnings, which hedges shareholders against rand devaluation and local economic and political challenges,” he said.

Acorn already holds a 25.5% stake in Overberg, acquired from PSG Group-aligned empowerment group Them-beka Capital in 2014. At the moment the JSE hosts only one pure agribusiness investment company, PSG-controlled Zeder Investments, with market capitalisation of about R10.5bn.

Zeder is the largest shareholder of JSE-listed agri-services counter Kaap Agri, which offers similar services to Overberg. In 2014, Zeder sold its minority shareholding in Overberg.

Some market watchers had tipped Kaap Agri as a potential suitor for Overberg.

Merger will create a sizable agribusiness entity

The proposed company merger will create a sizable agribusiness entity, with the independent expert valuing Overberg Agri at between R2.1bn and R2.3bn and Acorn at between R2.2bn and R2.35bn.

In the year to end-February 2017 Overberg revenue was R3.16bn and bottom-line profit was R151m. Acorn — via its mainstay investments — had revenue of R844m and bottom-line profit of R110m in the year to end-June.

Overberg Agri offers grain-storage services, a retail facility, mechanisation equipment, financial services and packaging solutions as well as holding investments in Boltfast (steel fasteners), Bontebok Limeworks, the Bredasdorp Abattoir and Moov (fuel distribution). It also owns a 2.1% stake in JSE-listed consumer brands giant Pioneer Foods worth R600m.

Acorn has investments in fruit marketing companies ACG Fruit (73%), Grassroots Group (59.5%) and Montagu Dried Fruit and Nuts as well as a 25% stake in Lesotho Milling. It also has a holding of 11.1% in Port Elizabeth-based agribusiness BKB.

De Kock said the Acorn team was well known to Overberg. In 2004 Pierre Malan, the co-founder of Acorn Private Equity, assisted BNK Landbou Groep and CRK Landbou to merge and create Overberg Agri. De Kock said Acorn had also provided corporate finance and advisory services to Overberg Agri.

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