



UNDERSTANDING LAND INVESTMENT DEALS IN AFRICA

DECIPHERING EMERGENT'S INVESTMENTS IN AFRICA

LAND DEAL BRIEF | JUNE 2011

Overview

Emergent Asset Management (Emergent), a private limited liability company based in the UK and minority owned by Toronto Dominion Bank, claims to be managing the largest agricultural fund in Africa.¹ Using private equity to invest in industrial agriculture in sub-Saharan Africa, Emergent is however, a prime example of the troublesome rise in speculative funds that are investing in African agricultural land.

This brief illustrates how Emergent, driven by its two seasoned investors (who cut their teeth at JP Morgan and Goldman Sachs) is taking control of large tracts of land in Africa. It also highlights how this contributes to a system where the production, distribution, and the price of food, is increasingly dictated by speculative private equity firms from the North. In Emergent's case, African agricultural funds are being "sold" to investors using a bizarre and troublesome discourse based on fears of an inevitable commodity crises and armed conflict between the West and China.

The story of Emergent is one of former currency traders turning their gaze to Africa as the "final frontier" where land is cheap and returns are high in a scenario where the same actors who have a hand in inflating food prices are now consolidating control of global food production.

The founders: from traders at JP Morgan and Goldman Sachs to African "land grabbers"

Susan Payne and David Murrin, two high-level traders, who previously worked for JP Morgan and Goldman Sachs, founded Emergent Asset Management in 1997. Payne joined JP Morgan in 1986 and moved to Goldman Sachs International in 1993 as an Executive Director and Head of Sales and Trading responsible for developing an emerging markets debt business in Europe. Murrin, a former oil company geologist,

followed a similar path at JP Morgan where he founded the European Market Analysis Group.

Following their stints at Goldman Sachs and JP Morgan, well known as the architects of food derivative speculation,² a practice that has led to inflated global food prices, it is no surprise that Murrin and Payne have gone on to create an agricultural fund that exploits and perpetuates this phenomenon. Emergent's African AgriLand Fund is structured in a way that, through joint ventures, it acquires and in turn controls, vast amounts of land to operate industrial agriculture projects across Africa. If you combine Emergent's agricultural operations with its private equity fund, a new type of vertical integration emerges that allows control of land, means of production, and resources along with the ability to inflate global food prices through the speculative nature of the fund. Hence CEO Payne's claim to investors, "We could be moronic and not grow anything and we think we will make money over the next decade."³

How Emergent Works

With offices in London (UK) and Pretoria, South Africa, Emergent has incorporated various companies and funds in Luxembourg, Bermuda, Mauritius, Mozambique, Zambia, and South Africa and actively seeks tax havens where it can ensure the greatest return on investment.

Emergent's agricultural fund, known as the African AgriLand Fund, is managed by the Emergent Pro Alia Fund based in Luxembourg. Through a South African joint venture called EmVest, the fund buys agricultural land in Africa and then develops industrial agricultural projects that produce grain crops, biofuels, fruits, vegetables, livestock, aquaculture, tea, timber, and nuts, primarily for export. EmVest uses both South African and Mauritian banking structures and operates in Mozambique, South Africa, Swaziland, Zambia and Zimbabwe.



Emergent's clients – which include a large American fund and several university endowments⁴ among others – will see a return on their investment when EmVest's operations begin to make a profit and the value of the purchased land increases.⁵ The firm is targeting an average of 25% returns.⁶ Emergent Asset Management itself generates revenue by charging administration and subscription fees to its customers based on a percentage of the total invested by individual clients.

Emergent will not discuss its exact size so the amount invested in African land acquisitions is not clear. According to some sources, however, the figure is close to \$540 million. Definitive financial data on Emergent is however difficult to acquire since, as a private firm, it is not required to disclose this information. In today's financial landscape, firms can increasingly create layers of companies and subsidiaries in order to avert the gaze of regulatory authorities. That Emergent has corporate entities in numerous countries known as tax havens should come as no surprise given David Murrin's comments to CNBC in March 2011 when he said: "we don't have free markets anymore. Our markets are managed by our governments...to actually hold the whole process up. So when you look at your resource stocks, buy resource stocks outside of the control of the West. Go to the emerging market countries and you will be outside that dynamic."⁷

CONTROLLING RESOURCES AND MEANS OF PRODUCTION

Through EmVest, Emergent now controls over 100,000 hectares of arable land in over a dozen Sub-Saharan countries.⁸ Once in possession of the land, Emergent also gains complete water rights for the unlimited irrigation needed for its industrial farming projects.⁹ In addition to controlling natural resources, the means of production needed to exploit it, including tools and labor, are dictated by the firm as well.

CAPITALIZING ON FEAR

The important part of Emergent's story, and what distinguishes it from other agricultural land funds, is how it has gained a relatively high public profile through David Murrin's doomsday theories of commodity crises and a coming armed conflict between the West and China.¹⁰ Emergent uses three theories to drive investors to its African AgriLand fund:

1. Fear Mongering: In media interviews and articles, Murrin spreads his message of fear that war with the East is inevi-

table, in particular with China, which Murrin says is quickly developing the military capacity to confront the dominant Western military powers. Murrin fears China's military growth and believes that Western defense policy will ultimately fail in the face of this rise.¹¹ Murrin's philosophy on the inevitability of conflict between China and the West is rooted in his belief that China is headed towards the peak of a commodity cycle that will increase demands on dwindling commodities. This will, in turn, drive up prices and ultimately lead to armed conflict over control of increasingly scant commodity supplies.

2. Benevolent Protector: According to Murrin's theory, a commodity crisis will lead the Chinese to Africa to seek control of land and food production resources. Emergent's role thus puts the investment firm in a pivotal position to be a benevolent protector by competing with the Chinese to control land in Africa.
3. Chinese Market: China is repeatedly mentioned in Emergent's presentations to investors as a key driver for its agricultural fund. Phenomena such as a growing middle class, increased consumption of meat, and the fact that China has become a net importer of corn are presented to investors as positive indications that suggest China will be a market for agricultural products from Africa.¹²

This three-pronged philosophy successfully positions China as the enemy to be feared while simultaneously pumping up Emergent as a hope to save Western food commodity supplies from the growing Eastern power.¹³ After investors buy into the first two philosophies and provide Emergent with the capital required, one would conclude that Emergent is able to capitalize on China's own commodity crisis.

Conclusion

Emergent Asset Management uses the fear of China to help facilitate the control of all aspects of food production and distribution for global markets. Instead of fearing David Murrin's oft-mentioned commodity crises and the rise of China, we have real cause for alarm with Emergent Asset Management and their quest for control of global food markets. The cold reality is that Murrin and Payne – while at JP Morgan, Goldman Sachs, and now with Emergent – have played leading roles in creating the commodity crises they are presently exploiting through funds such as the African AgriLand Fund.

This brief was prepared in collaboration with the Polaris Institute. The views and conclusions expressed in this publication are opinions of the Oakland Institute alone.

ENDNOTES

- 1 Peter Apps, "Invest in food - and the horsemen of the Apocalypse," *Reuters*, 7 January 2011.
- 2 Tim Jones, "The great hunger lottery: How banking speculation causes food crises," World Development Movement, July 2010, http://www.wdm.org.uk/sites/default/files/hunger%20lottery%20report_6.10.pdf
- 3 Video of Susan Payne speaking at second Agripods Forum, <https://www.emergentasset.com/?func=PageVideos>.
- 4 According to communication with the Oakland Institute, these include the Harvard University, Spelman College, and Vanderbilt University. January-April, 2011.
- 5 Kate Walsh, "Fund targets African Agriculture," *The Sunday Times*, 31 August 2008.
- 6 Rhonda Schaffler, Ruben Ramirez, Sarah McFarlane and Ed Cropley, "In global land rush, a search for fair returns," *Reuters*, 30, January 2011.
- 7 David Murrin on CNBC Europe, March, 2011, <http://www.youtube.com/watch?v=lvwk68L2egw>
- 8 Rhonda Schaffler, Ruben Ramirez, Sarah McFarlane and Ed Cropley, "In global land rush, a search for fair returns," *Reuters*, January 30, 2011.
- 9 See Oakland Institute Brief, "EmVest Asset Management in Matuba, Mozambique," 2011.
- 10 Peter Apps, "Invest in food - and the horsemen of the Apocalypse," *Reuters*, 7 January 2011.
- 11 David Murrin, "Breaking the Code of History," Emergent Asset Management Blog, February 2001, <https://www.emergentasset.com/?func=PageBlogList>
- 12 Video of Susan Payne speaking at second Agripods Forum, <https://www.emergentasset.com/?func=PageVideos>.
- 13 Regardless of its relatively average size as an African investment fund, Emergent has created a high enough profile for itself to be invited to present at The World Bank and U.S. Agency for International Development Agency conferences on food and poverty.