



INFORMATION GUIDE BLUEBERRIES

2018/2019

Laysan creates unique economic value by giving potential investors access to new business opportunities, and the necessary skills to maximise them.

BLUEBERRIES

“Hipsters and health nuts the world over want more avocados for their toast and blueberries for their everything.”

- ▶ *Blueberries have become something consumers want 24/7, year-round. Worldwide, some **1.7 million tons** of blueberries were produced last year and should reach **2 million tons** in two years according to consultancy fresh4cast.com.*

*China's per capita consumption of blueberries is **3.7 grams** per year, compared to **1.5 kilograms** in the United States, which means the Chinese market is full of potential and the Chinese are willing to pay. When it comes to demand, it's really inelastic, people just have to have their blueberries” said Roland Fumasil (senior fruit and vegetables analyst at Rabobank).*

In January and February of this year, blueberries exported to a port in China were sold at an average of \$10.04 per kilogram. On the US East Coast, the average price was \$6.40 per kilogram, according to data from agricultural consultant IQconsulting.

As a 'superfood', with a number of health benefits, the berries are in high demand in both local and international markets.

▶ THE IMPACT OF BLUEBERRY FARMING



ECONOMICAL



ENVIRONMENTAL



SOCIAL

BLUEBERRY MARKET OUTLOOK

- ▼ *The South African harvest kicked off in July and started slowly. The first volumes were intended for the domestic market where the price currently stands at R60 for 350 grams. The harvest volume is expected to increase by 93%, from 6,328 tons last year to an estimated 10,659 tons this season. The peak for exports is reached in the months of September, October and November.*

Most of the exports are intended for the British market (reaching R228 million for 2016). Last year, the UK accounted for 57% of all shipments. Next in the ranking are the EU and Russia (38%), the Middle East and the Far East (together 5%). According to some exporters, the British supermarket program is already doing well this year and there is hardly enough volume to meet the growing demand. Some exporters do not yet have the volumes to ship containers to Europe. Last year, 84% of the harvest was exported; the rest was sold in the domestic market.

Market attractiveness data shows that there are a number of markets that have strong potential for development and growth, including Ireland, the Czech Republic, Spain, Germany and Belgium, while Asian markets in Singapore, Malaysia and China also hold real potential.

At the moment, the country has about 1,700 hectares devoted to blueberry cultivation, but experts point out that this acreage may grow and reach up to **6,000 hectares** in the future. That growth will take some time. The prospect is that the acreage will reach 3,200 hectares within five years' time. Some growers are still holding back and waiting for new, large markets to open for their berries. The country does not yet have access to China, but the industry is finalising the required phytosanitary packages.

The Western Cape is the largest production area. By 2023, two thirds of the acreage will be found here. The acreage is also expanding in other provinces. Mpumalanga expects an increase of 862%, starting from a small acreage. Most plantings are carried out in the open ground under nets and not on substrate. The sector is very interested in job creation and the positive impact that blueberry cultivation can have on this.

The blueberry world market has experienced significant growth in recent years, expanding from R8.8 billion in 2011 to R33.7bn in 2016, translating into annual average growth of more than 30 percent. All indications are that the global market is still growing to meet the demand that is still much higher than supply.

Blueberries have become a staple for many. A staggering 75 percent of US consumers are likely to purchase blueberries in the next 12 months, a 10 percent increase from 2013. Among women, ages 25 to 44 – traditionally a key audience for blueberries – 65 percent have purchased blueberries in just the past 15 days.



Of the raw forms, fresh blueberries remain dominant. Ninety-one percent of consumers who purchased blueberries in the past 12 months purchased fresh. Frozen blueberries continue to rise in popularity as well, attracting more than half (52 percent) of blueberry purchasers.

Consumers continue to recognize and appreciate blueberries' dual strengths of flavour and nutrition. Almost two-thirds (65 percent) purchase because they like the taste, while 44 percent purchase based on health benefits. While purchasing fresh blueberries, consumers consider freshness first and foremost. Other priorities include price, quality, colour and firmness.

Consumer demand for blueberries has skyrocketed. According to USDA research, per capita blueberry consumption in the United States grew more than 600 percent in the past 20 years.

The top five uses for both fresh and frozen blueberries saw increases in 2017, but the single most popular way to eat them was fresh, on their own, for more than three-fourths of consumers (78 percent). Interestingly, there was a 29 percent increase in using fresh blueberries in savoury sauces and main dishes since 2013.

As consumption of frozen blueberries continues to grow, so does usage. Smoothies remain very popular, with two-thirds of consumers adding frozen blueberries to their blenders. Around one-third of consumers use frozen blueberries in their baking, including cakes

Alan Winde (WC Economic Opportunities MEC) said this is a growing market and coupled with the fact that blueberries were a labour-intensive crop, the ability to create 2.96 jobs per hectare meant that there was real potential to grow blueberry exports, expand the economy and create new jobs in the agricultural sector.

As a 'superfood', with a number of health benefits, the berries are in high demand in both local and international markets.

▀ YOUR 12J TAX INCENTIVE

The South African Tax Act offers taxpayers a 100% tax deduction in the year of investment by way of subscription of shares in a Section 12J Venture Capital Company such as Laysan.

This extraordinary initiative has been set up by our government and the South African Revenue Service to grow investment into small and medium sized enterprises, as a way of stimulating the economy and creating jobs. Laysan is a company regulated by the Financial Service Board and registered with the South African Revenue Services as a 'Venture Capital Company' in terms of Section 12J of the Income Tax Act. This registration enables potential investors to take advantage of the generous tax incentives through investing in promising small and medium size business enterprises in the Republic of South Africa by way of subscribing for shares in Laysan.

▀ ANNUAL INCOME

An internal rate of return of 12% to 15%.

Your internal rate of return (IRR) is the rate you earn after your asset has paid for itself. This is determined by subtracting your initial purchase price from your projected returns.

OUR BUSINESS STRATEGY

▀ The Laysan investment process is governed by our Independent Investment Committee, making sure every opportunity is thoroughly vetted and evaluated, giving the potential investor the confidence to entrust his capital with us.

Our Blueberry farming investment model features a combination of strong relationships with industry experts, service providers, wholesalers and other role players. We perform extensive due diligence, with partnerships bound by contracts and SLAs.

Our partners utilises water-wise methods and grows the resilient varietal of blueberry bushes under mesh tunnels to protect bushes from hail and adverse weather conditions.

Our partners have access to existing route to markets through reputable fruit and citrus distributors and exporters.

Key benefits

-  *USD denominated exports in essence allow investors to create USD based assets while investing in Rands*
-  *100% Tax deductible*
-  *Fully managed by expert farmers*
-  *Controlled environment farming*
-  *High demand resilient off-season varieties*
-  *Expected 12% - 15% annual returns*
-  *8 - 10 year life expectancy per bush*

IDENTIFIED RISKS AND MITIGATION STRATEGIES

Drought

Due diligence done on the farms in order to assess water quantity and quality. Farmers also use drip irrigation which is very efficient in water conservation.

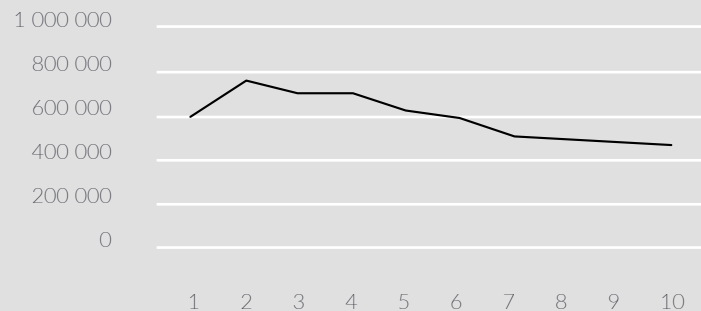
Hail

Blueberries are farmed under specially constructed hail nets.






Returns

We don't make promises that you'll get rich overnight although we expect attractive projected average returns. Verified assumptions and applied sensitivity models are used, however there is always a risk involved that can't be controlled or predicted.

PROJECTED NETT PROFIT PER HECTARE



ASSUMPTIONS

-  *Plants per hectare: 5000*
-  *Yield potential per plant: 5.5kg*
-  *Waste per plant: 15%*
-  *Price per kg Euro: € 8,00*
-  *Exchange rate: € 1 = R 16*

Proposed Varieties:

LEGACY STAR MISTY TOP FRUIT MIX

EXAMPLE 15% RETURN ON INVESTMENT

INVESTOR TYPE	INDIVIDUAL / TRUST
Gross investment	R1 000 000
Tax rebate	R450 000
Net investment	R550 000
Effective tax relief	45%
Total dividends (Year 2 - 6)	R750 000
Less: Assumed dividend withholding tax	-R150 000
Assumed Investment value (before tax) after 7 years	R1 563 061
Laysan fees (Year 1 - 7)	-R130 000
Less: Capital Gains Tax	-R101 351
ROI (net of fees and taxes)	R1 381 710
Effective investment return per annum	35.89%



NEXT STEPS

1. Complete application form.
2. E-mail application form.
3. I countersign and return form.
4. Make investment within 3 days.
5. Share certificate, Tax certificate, Contract and Welcome letter sent to investor.
6. Use tax certificate details to complete e-filing.

LET'S TALK

Make sure you invest wisely and responsibly.

Investing with Laysan enables you to a 100% Tax deduction, earn above average returns and experience the adventure of profitable and purposeful business building. Furthermore, inviting Laysan into your investment process awards you the opportunity to share in entrepreneurial efforts, experience sustainable economic returns, and leaves a lasting legacy of purpose. Allow Laysan to guide you towards maximum returns, business and beyond.

www.laysan.co.za | info@laysan.co.za | +27 (0) 71 603 8543