



Key Trends in Global Agri-Food Investment



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**Quick read**

- The agri-food value chain has seen enormous investment over the last decade and a half, with funds managing over \$70 billion
- Prior to 2010 62% of assets were managed by public sector strategies. This has fallen to 11%
- Agriculture faces a challenge in feeding growing populations despite depleting resources
- Farmland and innovation-driven investment are growing in prominence
- There is a growing prevalence of private equity funds, as well as niche investments such as venture capital in ag-tech and even private debt.
- Considering the challenges facing agriculture going forward, strategic investors have also been looking to capture value in agriculture through technology and innovations
- Middle East countries are addressing the increased drive for self-sufficiency as well as challenges such as limited water resources, while also positioning themselves as global innovation leaders.
- Food and agribusiness-related M&A deals in South America surpassed \$8 billion last year, up 15% from the previous year.

Introduction

The Agri-food value chain offers a growing number of attractive investment opportunities, driven by some compelling global trends. Since 2005 the number of funds operating in the sector has exploded by over 1000%, managing over \$70 Billion in aggregate

Key Trends

Over the last decade, the share of private sector investment in food and agribusiness has grown relative to public sector investment. In 2010, 62% of assets under management (AuM) were represented by public strategies, while in 2017 this has fallen to only 11%.

Agriculture has a huge responsibility to feed the growing global population, however the task is challenging due to depleting resources and limited area of productive or arable land. In line with the challenges faced by investors, some key trends are emerging, including:

- Continued growth across farmland investments and private equity;
- Increasing prominence of venture capital and private debt investment;
- A surge in innovation driven investment decisions; and
- More focus on value-add endeavours.

Major aspects driving these trends include:

- Growth in demand for food; and
- Increasingly urgent need to produce more efficiently and sustainably.

Historically, public investment funds prevailed due to the risky nature of agri-food investment, however a shift from public strategies to private strategies is apparent.

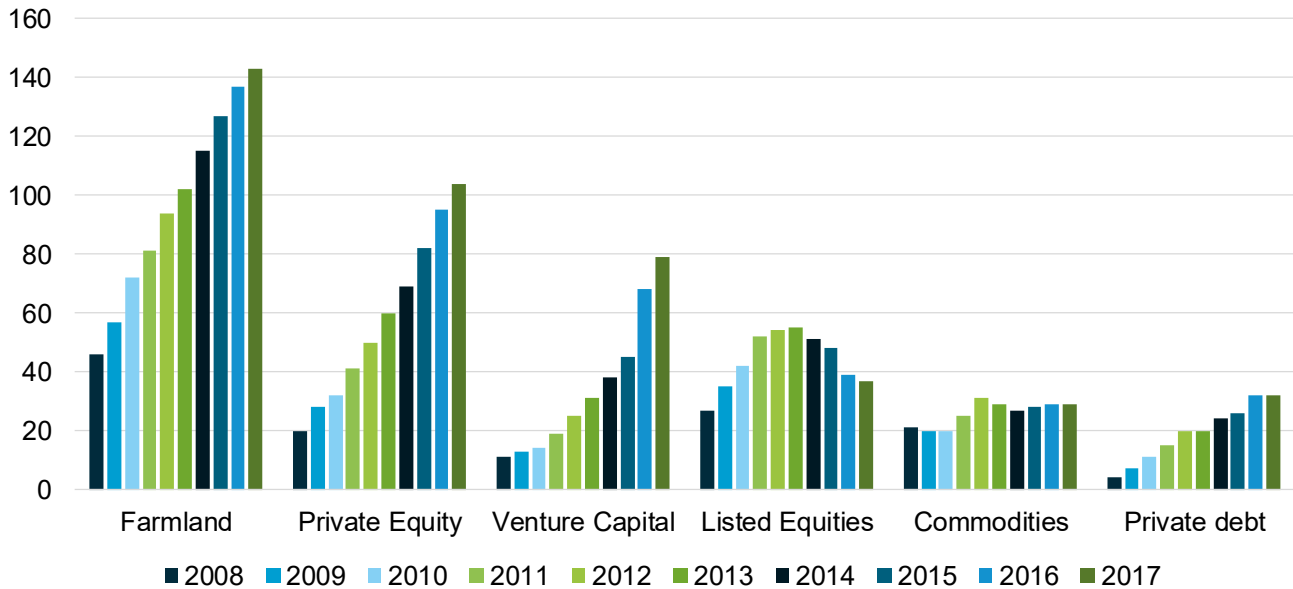
There is a growing prevalence of private equity funds, as well as niche investments such as venture capital in ag-tech and even private debt. These trends signal an evolving shift towards more innovative and value-add investment strategies.

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Figure : Evolution of Agri-Food Investment Funds (2008-2017)



Source: Valoral Advisors, Farrelly & Mitchell

Geography & Supply Chain

The UN's Sustainable Development Goals along with the growing challenge of increasing population and climate change are key drivers of investment trends and themes toward more innovative and efficient production techniques.

These investment trends can be observed globally with capital expenditure taking place in both developed and emerging economies, such as areas in the Middle East, China and South America. In terms of supply chain investment, investors are taking a more contemporary approach to primary production methods, as well as looking towards creating value along the supply chain.

Considering the challenges facing agriculture going forward, strategic investors have also been looking to capture value in agriculture through technology and innovations.

Middle East:

Investment trends in these affluent economies are addressing the increased drive for self-sufficiency as well as challenges such as limited water resources, while also positioning themselves as global innovation leaders. The recent announcement of a

joint investment of approximately USD 40 million by Emirates Flight Catering and Crop One to construct the world's largest vertical farming facility near Al Maktoum International Airport in Dubai demonstrates this trend. The facility is planned to have a daily capacity of almost 3,000kg of herbicide and pesticide-free leafy greens, and it is claimed that it will use up to 99% less water than outdoor fields.

China:

The need for innovation is particularly strong in highly urbanised, population dense markets such as China. With consumer tastes in the country becoming more and more westernised - dairy consumption alone, in urban areas quadrupled between 1995 and 2010 - the country needs to think laterally to ensure food security going forward. Investors are certainly doing that, with an announcement last month that China is launching a 7-year autonomous agriculture (robot farming) pilot program in Jiangsu Province.

South America:

While consumer demand for both primary and value add food is growing in emerging economies, demand in developed markets is tending towards more niche 'good-for-you' products. This demand is being achieved through cross border M&A activities and is



spreading into emerging markets through private equity strategies. The outlook for food production in Latin America is robust, with highly fertile and arable land and highly attractive production conditions. Food and agribusiness related M&A deals in South America surpassed \$8 billion last year, up 15% from the previous year. Some of the main investment opportunities lie in organic agriculture and speciality crops such as soy protein derivatives and non-GMO cereals.



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Conclusion

Overall, optimism prevails in terms of agri-food investment demand and is bolstered by continued growth and diversity in consumer demand. However, amid this optimism lies some significant challenges threatening to disrupt trends along the agri-food value chain, broadly summarised within the UN's Sustainable Development Goals. Concern surrounding a growing population and depleting agricultural resources is forcing investors to look to more innovative and agtech driven technologies.

The present-day food and agribusiness sector is well positioned to face current challenges through a rising flow of capital and diversifying investment funds.



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