

Investment in biological technology is soaring; These products will compete with synthetics in the future, speaker predicts

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Chicago -In 2013 American investors had \$7.9 million sunk into agriculture biological technology. In 2018 they invested \$409 million in 55 deals. All dollars are in U.S. funds.

"Biologicals will compete with synthetics," John Campbell told the crowd here at the Ag Tech Nexus Conference, in his blunt speech which provided an overall ag tech investment review.

Working for the investment firm Ocean Park, Campbell's diversified portfolio also involves cowcalf operations in Wyoming, Montana, Idaho and New York. He's also a former Undersecretary of Agriculture in the Bush administration and the past author of the Republican agriculture platform during previous elections.

While agricultural land and timber investment is big business in countries with productive yet far cheaper land than the U.S., the margins are tighter in America and investors "don't want commodity risk" with these smaller profits, said Campbell.

"But investors here feel more comfortable with technology risk."

While the headlines in the urban press of the billions invested in agriculture land and technology "are true," Campbell restricted the data he presented to U.S.-based companies, while also excluding both partial ag investors and mega mergers, since both skew the numbers, he said.

He did not tabulate the American company Indigo Ag, investing \$553 million in biological research in 2018, which was more than the other American companies combined, said Campbell.

The four areas of investment he covered under this restrictive criteria were plant health and nutrition, animal health and rations, food technology, plus equipment and data.

The five-year average has been \$11 million per investment in these four sectors, compared to \$12 million per investment in 2017, said Campbell.

Since 2013 investment in plant health and nutrition has involved 92 companies with 543 deals. However this sector is growing from 33 per cent of ag investments in 2013 to 58 per cent in 2018.

75 per cent of these investments are less than \$10 million so "this isn't headline grabbing, but this is where the action is," said Campbell.

The top 10 agriculture investors are "making bets in multiple sectors or multiple bets in a single sector," he said.

"Ag Tech continues to create interest for institutional investors," said Campbell. "The amount of capital is getting significant, capitalization is getting impressive with more sophisticated investors with bigger deals."

Some of these investments, such as the ones put into the seed sector five and six years ago "are maturing and changing," he said.

In 2018, in the seed sector, there were 34 capital raises, totalling \$787 million for 183 deals, said Campbell. Three deals totalled \$570 million and the other deals averaged \$9.5 million each, he said.

Research and development budgets "are getting to a critical stage" for a lot of these technologies, said Campbell. "They need a robust budget to attract talent to make progress."

"The larger strategy has been merging with each other," he said. However, "the mega mergers have taken the oxygen out of the air," said Campbell. "There are only so many players to sell to."

But while science and technology can go full steam ahead, "we have a consumer more and more concerned about agriculture practices," warned Campbell.

But rather than being an insurmountable problem, the takeaway can be seeing this as "potentially a great thing for farmers," if they sell what they are doing as a great positive for consumers, he said.

Huge agriculture investors like Bill Gates "want to make a difference and solve potential problems," said Campbell.