

# Speakers offer differing views on direction of ag investment

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Chicago -Where are ag tech investors ready to scale up their investments? This was the panel topic here among three speakers whose companies are immersed in investing in agriculture and food technology.

Derek Norman, VP Bayer Growth Ventures, Sanjeev Krishnan, Partner Germin8 Ventures and Michael Lavin, CEO S2G Ventures, shared where their companies are focused for the future.

Norman noted that "we (Bayer) brought the best of Monsanto and Bayer together." "As a result there are 13 different companies "looking for new investment," he said.

While they might be a huge company investing in ag tech, whose growth really began at a high level back in 2012/13, "now there are a lot more smaller players," said Norman.

A lot of these companies are focused on the rapidly expanding field of plant breeding, he said.

In the area of chemical crop protection, in which Bayer specializes, "the sustainability goals have to be very specific," said Norman. "We're looking outside our supply chain" and using the criteria of "stimulating more consumption through consumers," he said.

Therefore, through that prism, they have to identify "which technologies are ready to scale," said Norman.

However there are challenges with agriculture technology moving forward, said Norman. "The volume and geographic spread of agriculture is problematic."

"Agriculture takes a long time" to give a sizeable return on investment, he said, adding that "not many left" of the serious companies which began in ag tech investing five to six years ago are still in the game since agriculture returns are long term.

"You are successful as farmers if you are precise with your capital, investors are the same," he said. "You need money for a rainy day."

On an overall basis the adoption of ag tech "hasn't worked as quickly as people thought," said Norman.

With the macro economics of the industry it made sense that farmers would quickly go all in, but it takes time to show a longterm value per acre, plus there is a lack of trust from within the industry players, cautioned Norman. KRISHMAN HAS invested in 40 food companies since 2014, plus provides "full value" investment in areas such as plant genetics and marketing.

"A lack of funding is responsible for a lot of technology not getting to market," he said. "The lending model in the U.S. is a challenge."

When it comes to feel good themes for investing, "we're pretty agnostic," but sustainability and health are areas in which there is consumer movement.

When it comes to farmers, "the role of generating trust takes forever, but that's not going to change," said Krishman. "The lack of trust will hold back scaling."

When it comes to technology adoption, "China is a place to watch in the digital food system; the U.S. farmer will be slower," he predicted. He noted that eight per cent of American groceries are now digitally purchased.

"We're in a commodity environment with a lot of noise," said Krishman. Row agriculture is faster.

With too many tech companies wanting capital chasing the same technology, "this is going to end badly," for a number of them, predicted Krishman.

For crop protection and genetics "there are only a handful" that will emerge as competitive players in that marketplace, he predicted.

"Tier two companies are overpaying for things."

"The story is not written yet," said Krishman. "Which company can last the longest, not necessarily with the best product, will win." LAVIN HAS invested in a combination of early stage food and ag technologies.

His family are large integrated meat processors and while, "under the radar," they have always provided the meat products to McDonalds and Subway, he said.

Starting this investor company, "as an offshoot to this meat company, we invest globally, bringing more technology to the big manufacturers," said Lavin. Noting that mainly involves four big companies.

At the moment ag tech "is saturated with digital ag. Consolidation is needed to accomplish scale," said Lavin.

“Farmers need to feel the benefit from day one,” he said. “Don't try to be too much, everything to everyone.”