

Agricultural Investing Seminar

Thoughts on Private Equity and Agribusiness

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FOLLOWING
THE
CASH CROP

I HEAR
THERE'S A BIG
BUYOUT UP IN
IDAHO.

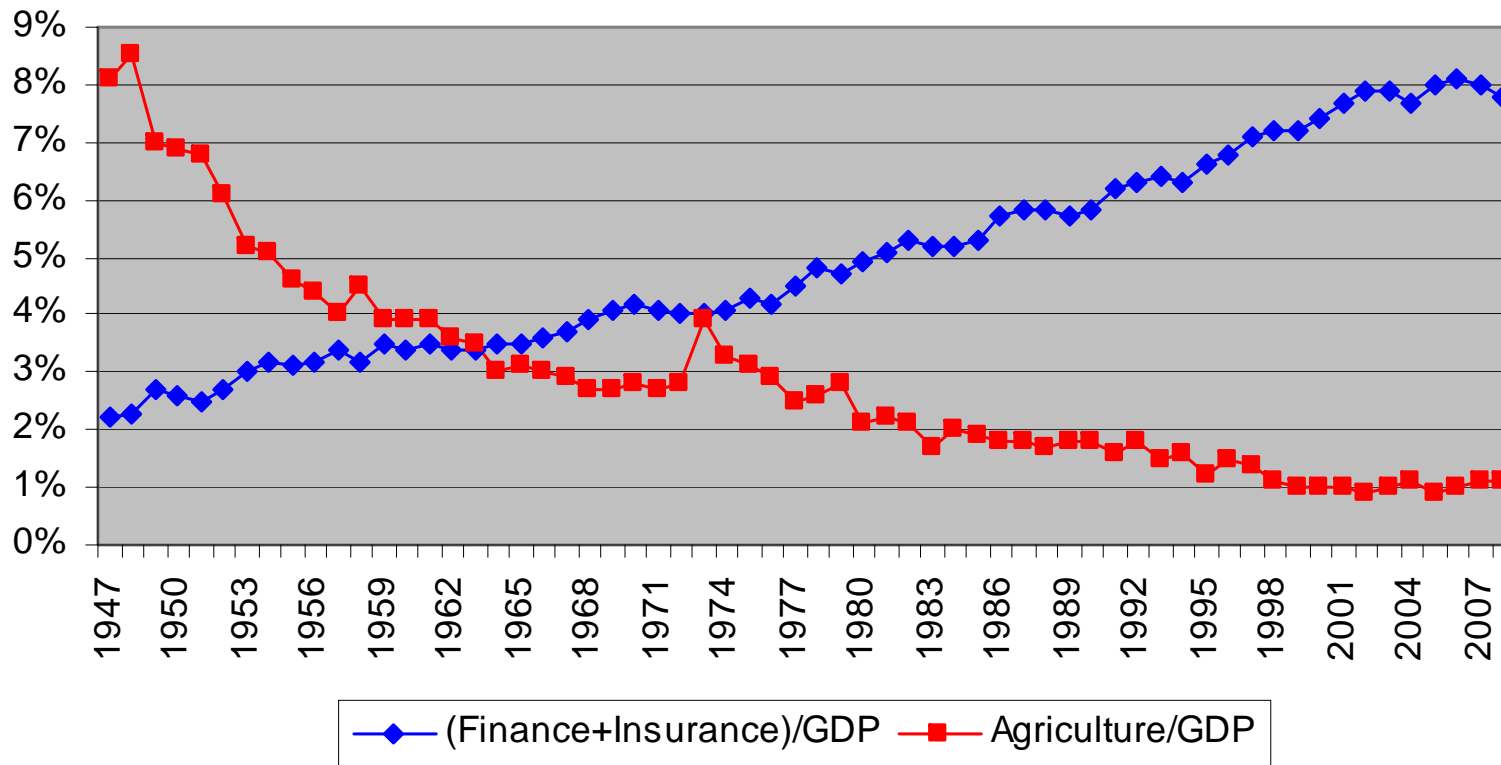
GOOD LUCK, BUDDY.
ME, I'M HEADING
FOR A SWEET
LITTLE TAKEOVER
IN TEXAS.



Innovative Sectors

Rising Finance, Falling Agriculture

Finance Plus Insurance vs. Agriculture, as share of US GDP, 1947-2008



Definition

- “Private Equity” involves a variety of investment strategies in which the equity is not freely tradable on a public stock market. Depending on their investment goals and the size of their portfolio, investors have the option to invest in individual funds or through a Fund of Funds.
- Investing in private equity typically entails a greater risk than investing in public market securities. This is because private equity lacks liquidity, and the lock-up period for invested capital is often seven years or more.

Definition (continued)

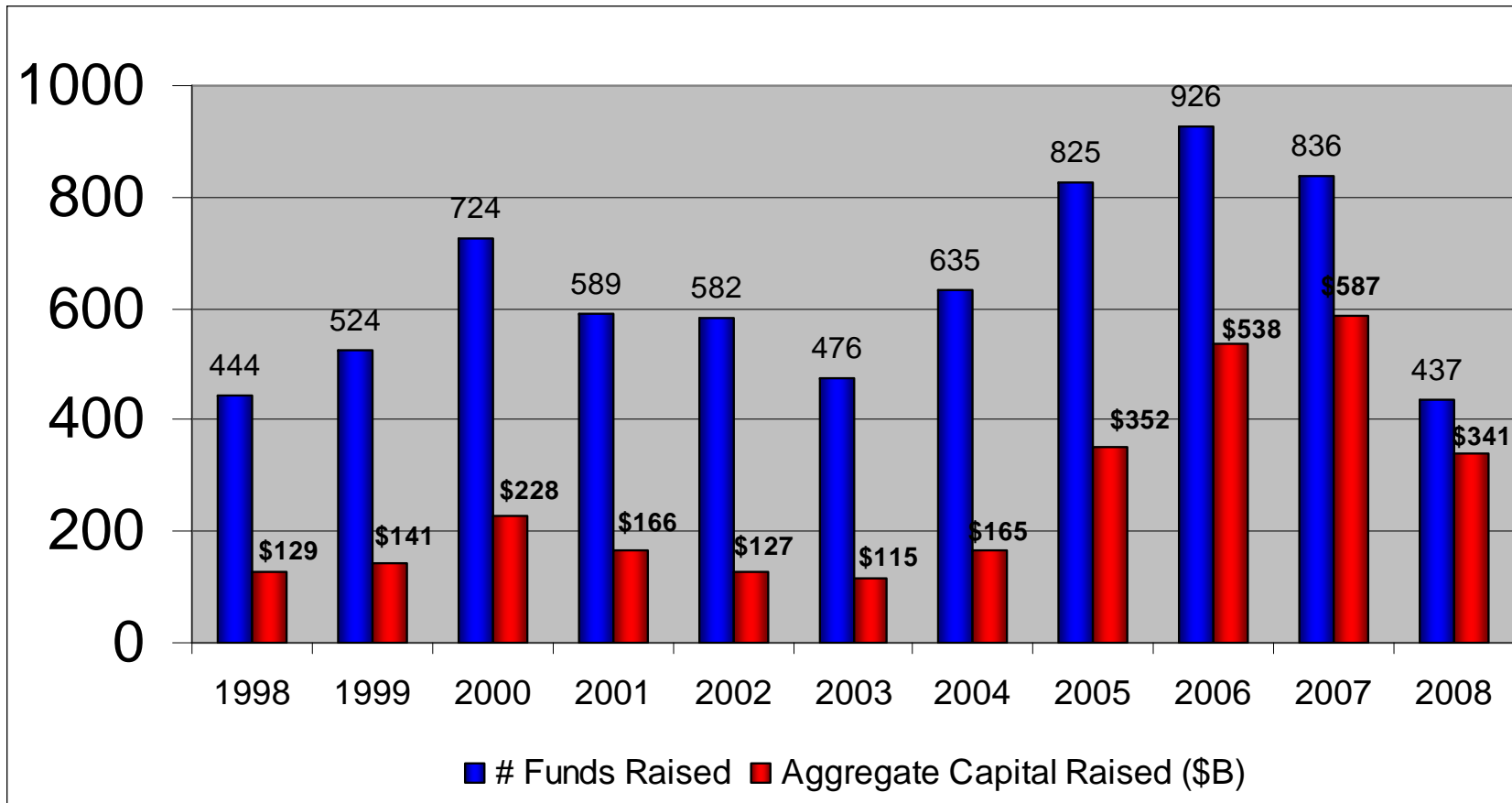
- Categories of a private equity investment include leveraged buyout, venture capital, growth capital, angel investing, mezzanine capital, and others.
- Private equity funds are generally organized as limited partnerships, which are controlled by the private equity firm that acts as the general partner.

History

- Until the late '70s the role of private equity – buying shares in private companies – had been carried out by a few wealthy families such as the Rockefellers and Whitneys. Most of it was venture capital in young companies.
- By the late '80s private equity had grown large enough to do LBO's such as RJR Nabisco.
- Today, less than one-fifth of the private equity money goes to venture capital for early stage companies.

Industry Size

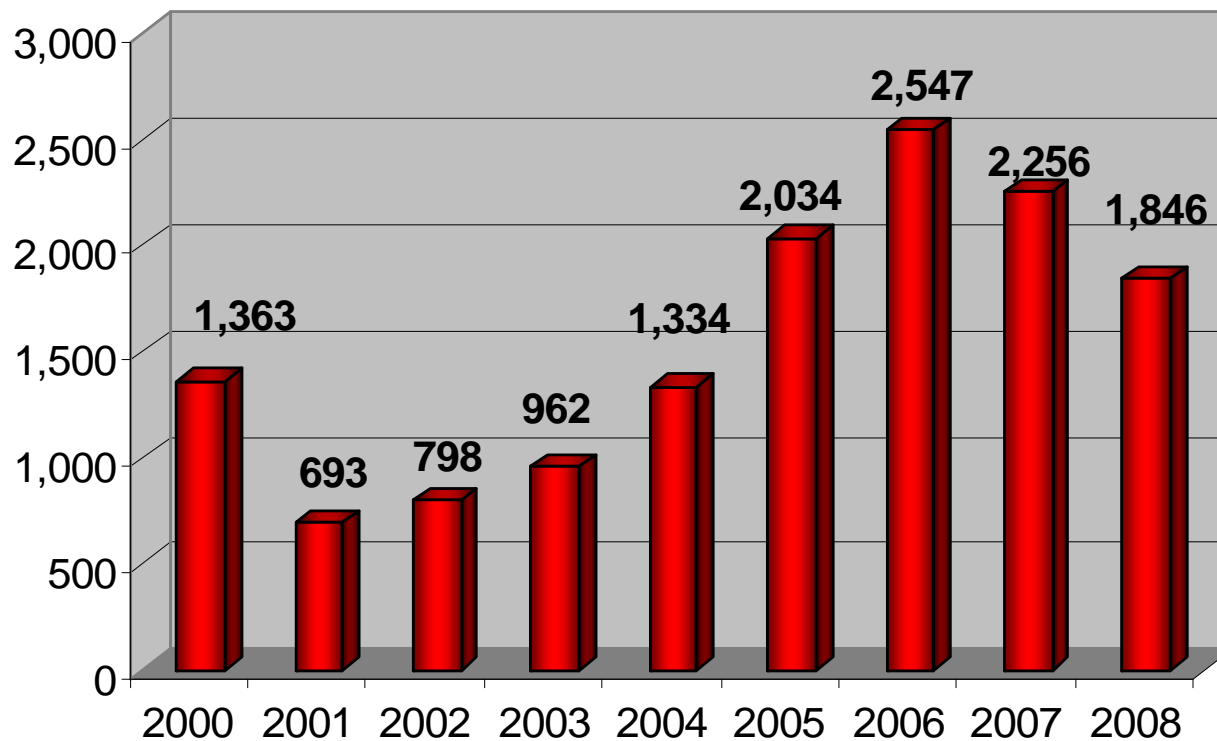
Private Equity Fund Raising



Source: Private Equity Council

Industry Size

Number of Private Equity Transactions: 2000-2008



Industry Size

- Approximately \$234 billion of private equity was invested globally in 2007
- In 2007, North America accounted for 71% of global private equity investments (up from 66% in 2000).
- 2,150 PE firms worldwide, 1,040 of them are in the US.
- Private equity funds under management totaled \$2.5 trillion at the end of 2008. The 15% increase during the year was due to strong fund raising activity in the first half of 2008
- Cumulative net profits returned to investors through 2008: 1.2 Trillion.

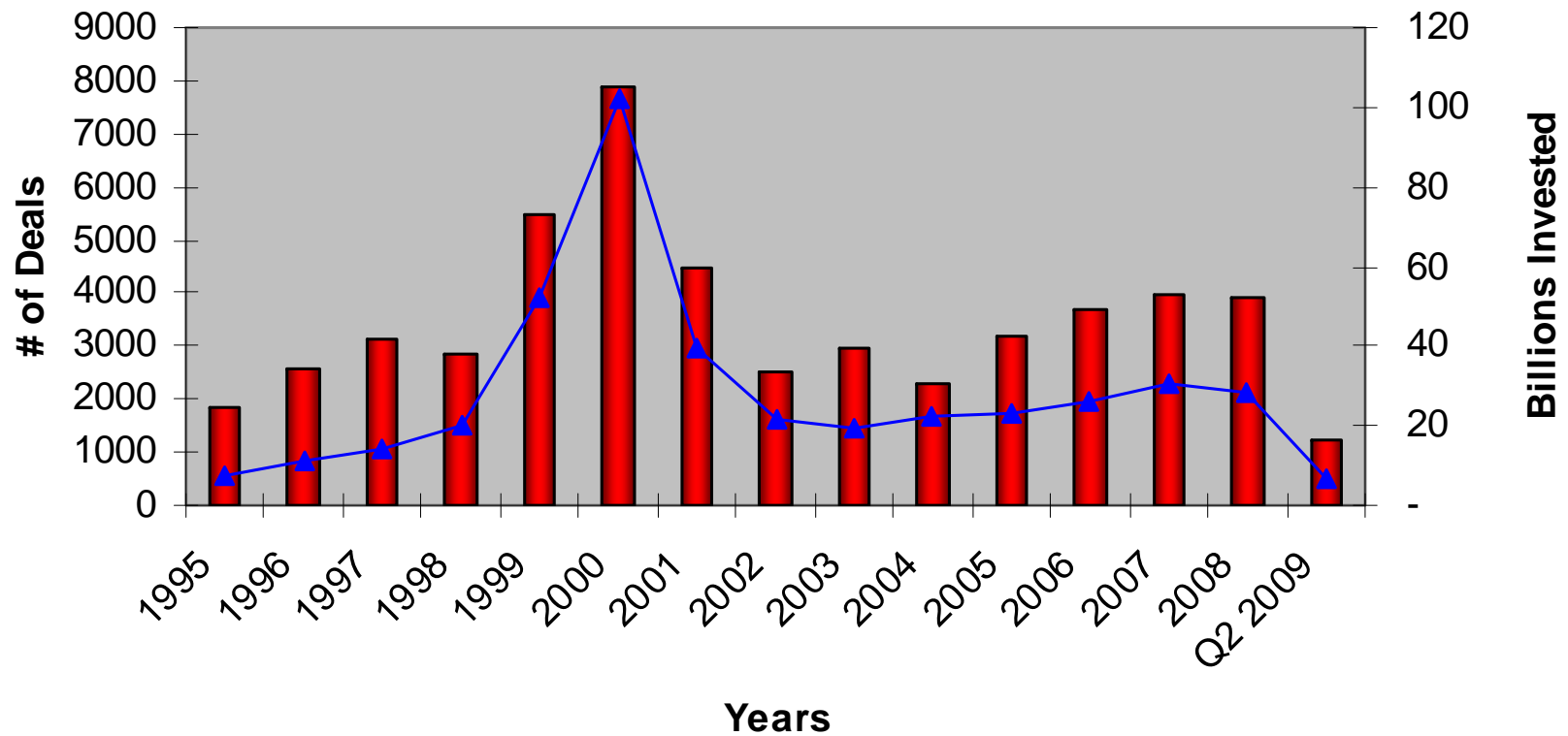
Top 10 Private Equity Firms

- TPG
- Goldman Sachs Principal Investment Area
- The Carlyle Group
- Kohlberg Kravis Roberts
- Apollo Global Management
- Bain Capital
- CVC Capital Partners
- The Blackstone Group
- Warburg Pincus
- Apax Partners

Source: Private Equity International

Venture Capital

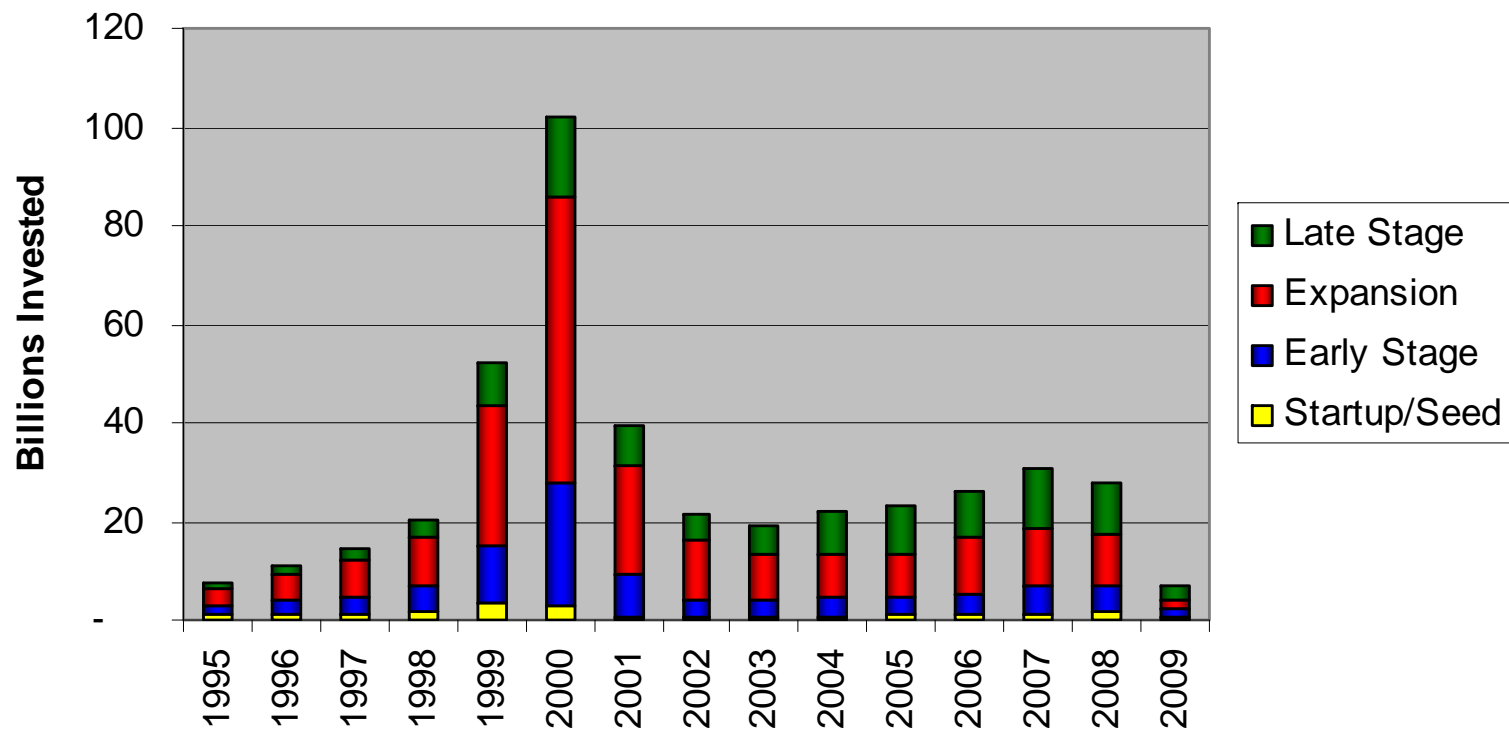
Venture capital related investments for 1995 through first half of 2009



Source: Reuters

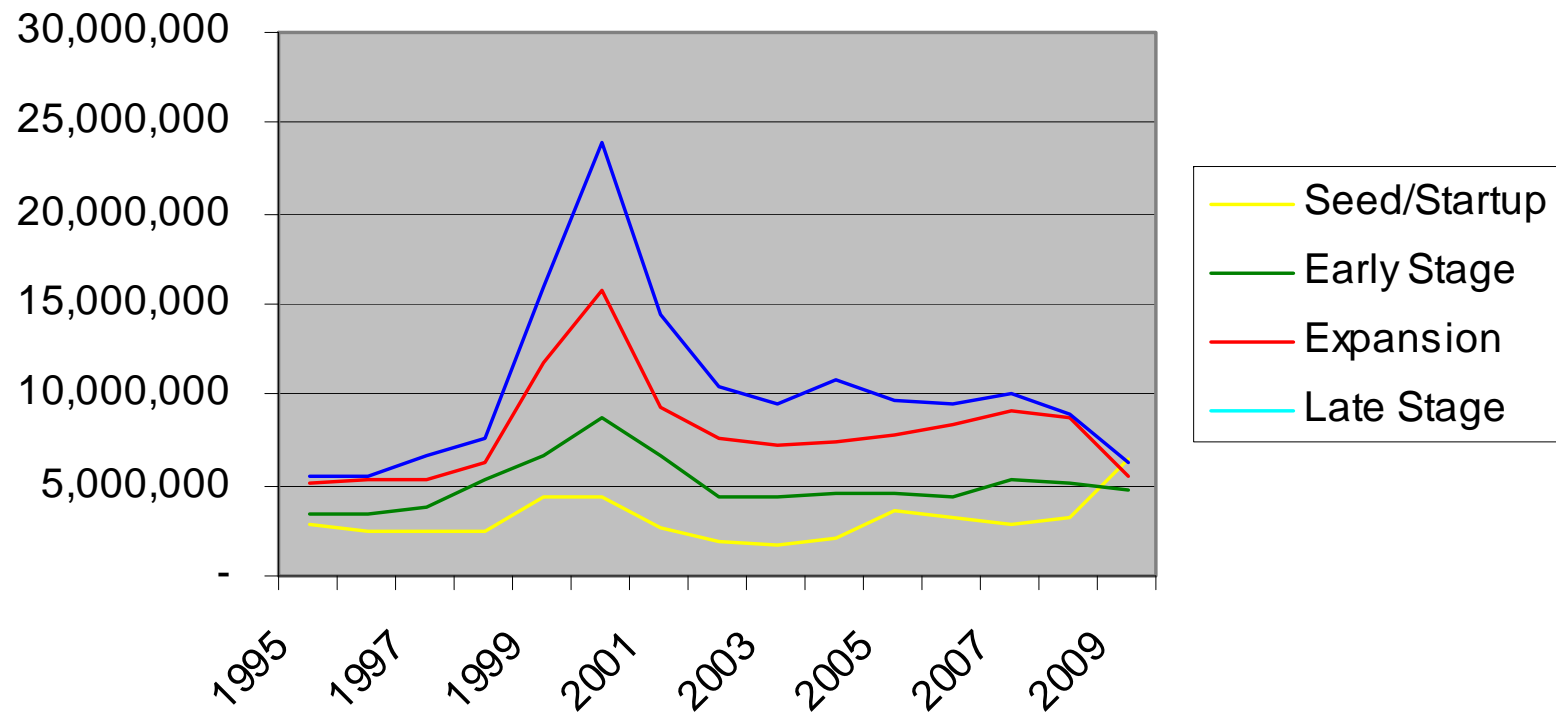
Venture Capital

Venture capital by stage for 1995 through first half of 2009

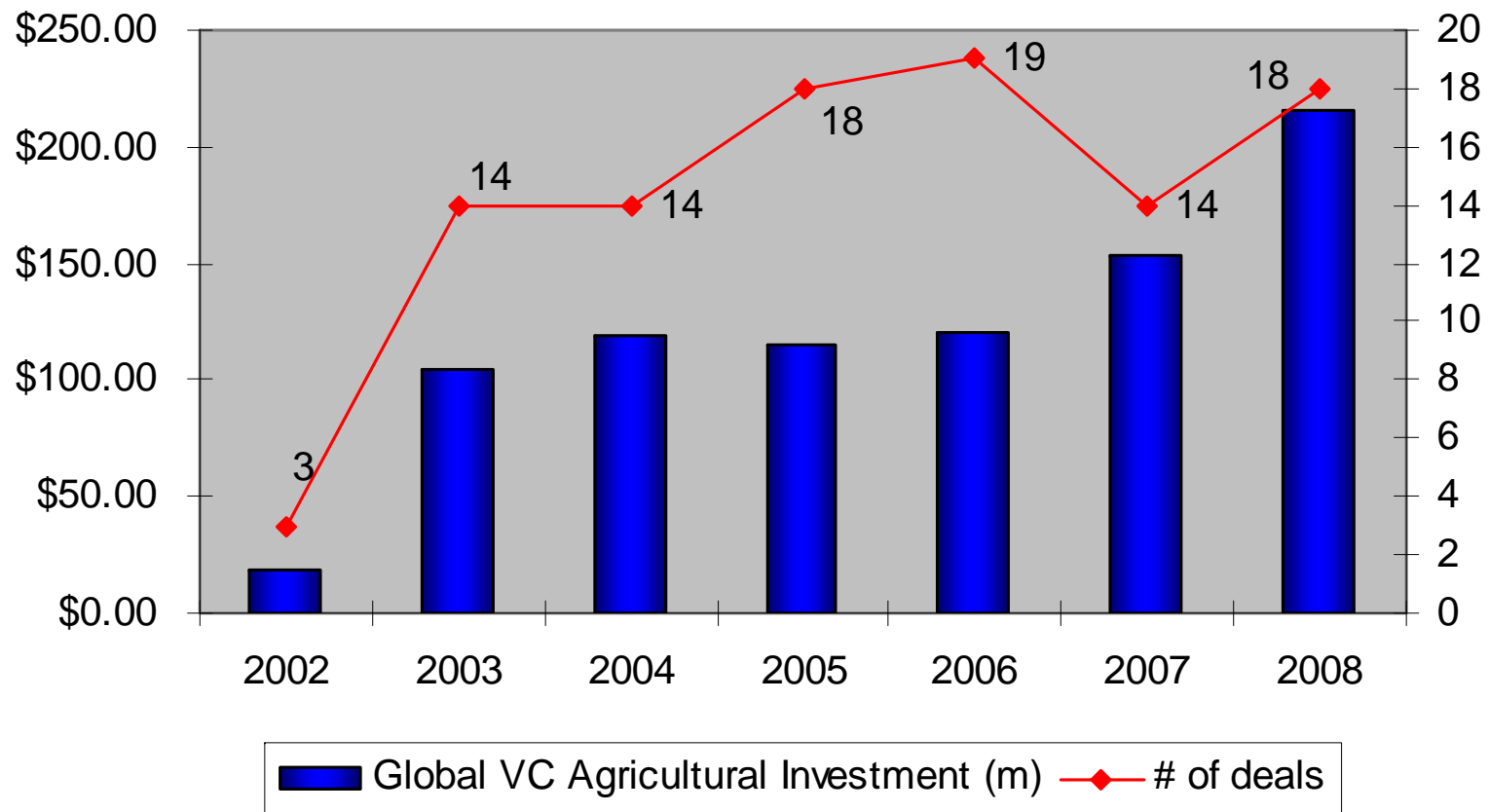


Venture Capital

Venture capital average investment size by stage for 1995 through first half of 2009



Global VC Investment in Agricultural Technologies



Source: CleantechGroup, 2009

Private Equity to the Rescue?

- Following the past five periods of negative economic growth in the U.S. (1974, 1975, 1980, 1982 and 1991), real private equity investment increased by an average of 94 percent during the initial year of recovery – substantially stronger than either overall business investment or private investment in manufacturing.
- The number of private equity acquisitions grew by an average of 55.1 percent in each of the five years following an annual decline in GDP. The increased number of private equity acquisitions suggests that private equity retains access to capital during economic downturns and initial recoveries, and that more companies actively seek private equity funding during tough times.

Source: Shapiro, Robert, "The Role of the Private Equity Sector Promoting Economic Recovery," The Private Equity Council, March 2009

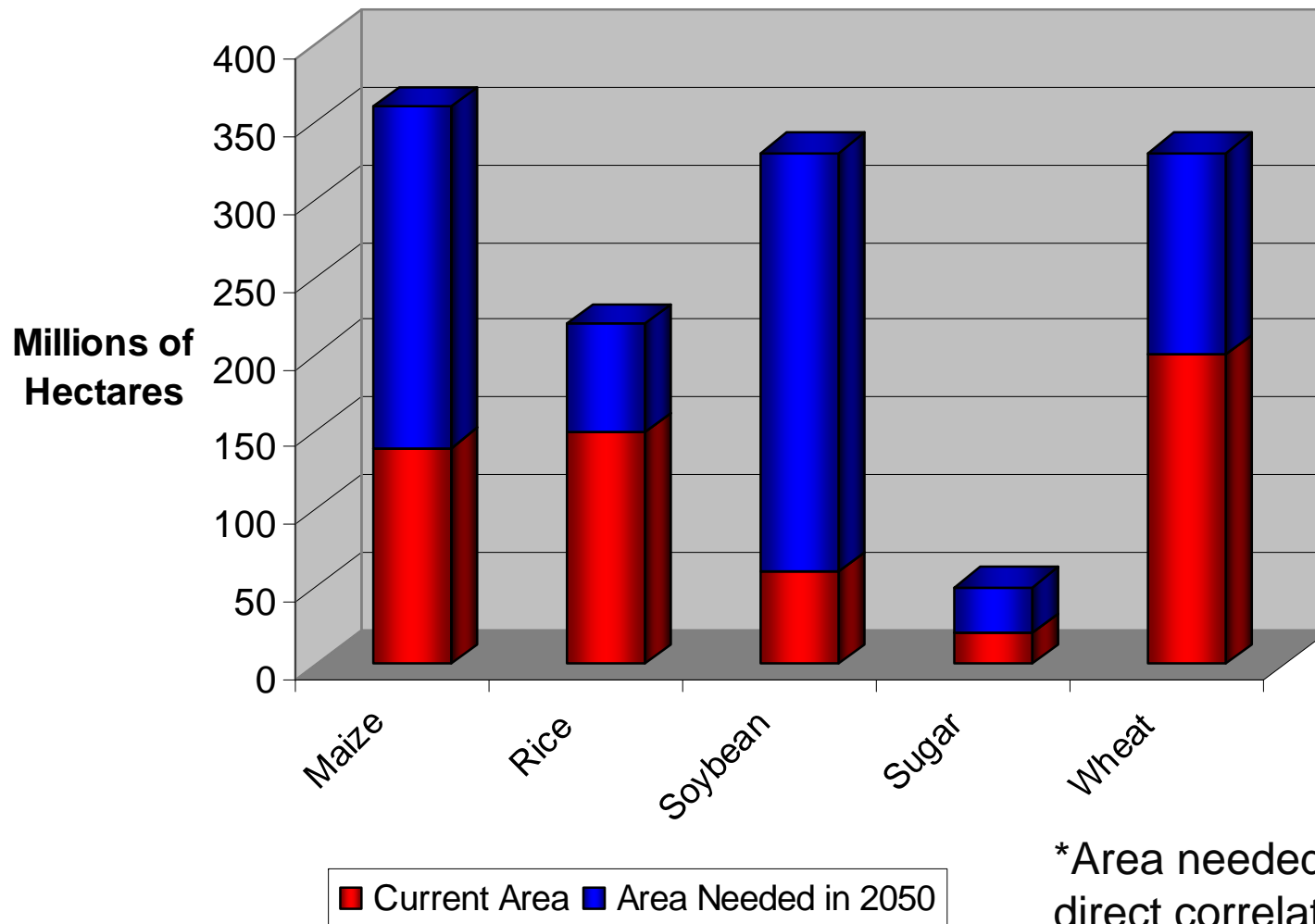
Agriculture: New Frontier for Private Equity Funds

- Despite the hesitation in many areas, many private equity funds remain optimistic that the farm sector offers investment opportunities:
 - Emerging Markets in the East
 - Sustainable Agriculture in the West

Drivers of interest?

- The surge in the international price of agriculture commodities over the last three years.
- Speculation that food prices will stay high over the next decade due to more demand from countries such as China and India.
- Sustained demand for biofuels backed by generous subsidies in developed countries (US, EU)
- Need at least 50% more calories in the next 40 years for a population of 9 billion by 2050.

Area needed to meet demand for major commodities in 2050 at current yields



*Area needed has a direct correlation with future yield.

Source: FAO, SAGE 2009

Food and Biofuel Consumption

	Global Food Consumption (Quadrillion KCAL)	Global Biofuel Consumption (Quadrillion KCAL)	Biofuels' % of total kcal consumption (%)
2000	6.21	0.74	10.6
2015 (est)	7.78	1.2	13.4
2050 (est)	9.93	2.27	18.6

Over the next few decades, Global food and biofuel consumption will strongly increase.

Source: DBCCA analysis, 2009

Areas of Investment Opportunity

- Agricultural Machinery
- Agricultural Risk Management and Insurance
- Crop Improvement and Biotechnology
- Fertilizer and other Crop Nutrients
- Infrastructure
- Irrigation and Water-Use efficiency
- Land

Agricultural Machinery

- Significant emerging demand from developing markets such as BRIC countries, increased bio-fuel production, and the rise of mega-farming operations.
- Advancements such as high-performance spraying, harvesting, and the use of GPS.
- Ag machinery that can increase output, use less fuel, and cause less soil compaction is also needed.

Agricultural Risk Management and Insurance

- Crop and yield insurance can help farmers manage the volatility of prices, yields, government policies, and foreign markets.
- This area is ripe for investment and development, especially in areas with harsh climates.

Crop Improvement and Biotechnology

- Biotech crops have the potential to contribute to the closing of the production gap.
- Some developed traits can be used to enhance a plants' nutritional value, while others are used to strengthen crops and boost yields by improving plants' resistance to disease, pests or harsh climates.
- Advances in crop genetics and farming technologies have helped to keep pace with growing agricultural demand.
- Further investment is needed to continue increasing yields, reducing costs (water and fertilizer inputs), increasing productivity, reducing pollution.

Fertilizers and Crop Nutrients

- In areas of low soil fertility, fertilizers are used to supplement plant nutrition.
- In 2006, 170 million tons of fertilizer were placed on agricultural fields.
- Once nitrogen leaves the field, it can be extremely harmful to people and the environment.
- Investment is needed to decrease the negative externalities of fertilizer use, while increasing the availability of low-impact, high efficient fertilizers in low productivity areas.

Infrastructure

- In order to raise productivity across agricultural regions, significant investment must be made into the infrastructure of agriculturally productive regions.
- While infrastructure development takes time, leading companies in supply chain management in developing countries, and emerging economies, have capitalized on the fragmentation of inefficient agricultural systems.

Irrigation and Water-Use efficiency

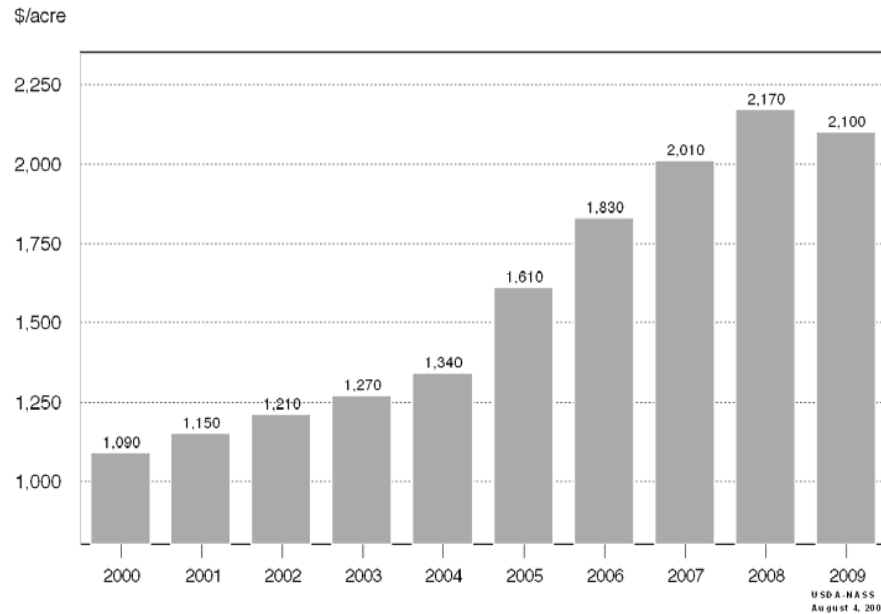
- Irrigation is one way to ensure that crop water requirements are met
- While only 18% of croplands are irrigated, 40% of crop production comes from those lands.
- The extent of irrigation has grown markedly.
- In a hotter world, the ability to provide sufficient water for crop production will be a major challenge.
- Investment is needed to:
 - Increase crop production from same amount of water
 - Maintain the same production from less water

Land

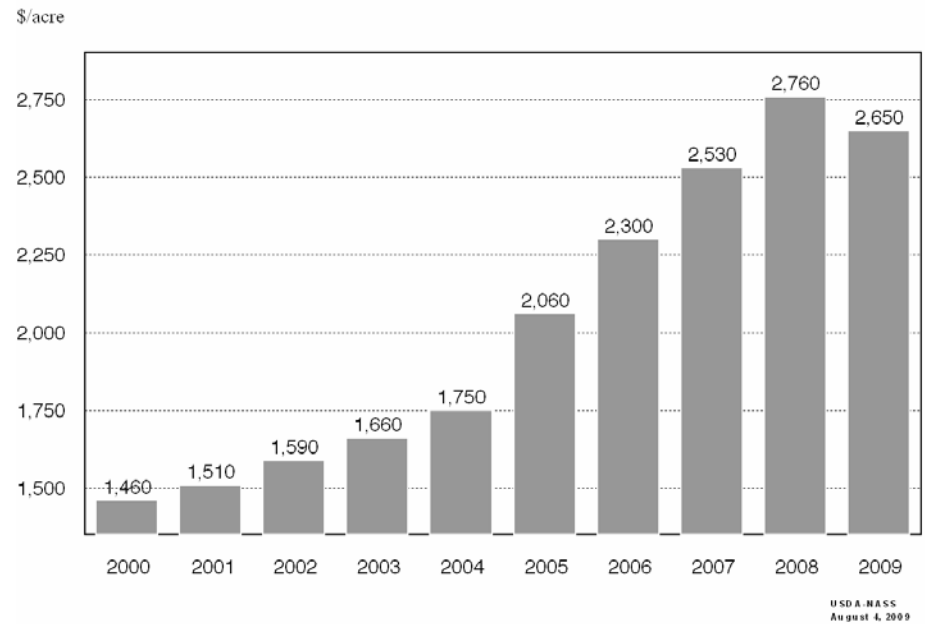
- As the world's population grows, the supply of agricultural land around the globe diminishes. In the U.S. alone, while half of the 2 billion acres of the country's land is working agricultural land, every minute of every day, two acres of farmland are being taken out of production and turned to other uses; in particular, development.
- Each year, globally, some 12.3 million to 19.7 million acres of farmland, out of a worldwide total of 3.7 billion acres, falls fallow because of "deteriorating quality."
- Available, quality, agricultural land is increasingly hard to find, and will be required to be more productive.
- By the end of August 2008, the average price of cropland in the U.S. over the prior year had increased some 13%, doubling in the decade from \$1,340 an acre in 1998 to \$2,700 in 2008.

Agriculture Land Value 2000-2009

U.S. Average Farm Real Estate Value
Dollars per Acre, 2000 - 2009



U.S. Average Cropland Value
Dollars per Acre, 2000 - 2009



Source: USDA-NASS

Recent Agribusiness Deals

Year	Target	Buyer/Investor	Size (\$MM)	Business
2009	Converted Organics	Iroquois Capital	NA	Fertilizers
2009	Val Nantais	IDIA Capital Investissement	17	Produce/Packaging
2008	ECOPEX	SEAF	NA	Hazelnut Processing
2008	Nuziveedu Seeds Limited	The Blackstone Group	78	Seed
2008	VitAG Corporation	Denham Capital Management LP	60	Specialty fertilizers
2007	Asian Dhall Industries Ltd	SAIF Partners	8	Food Ingredients
2007	The Egyptian Fertilizer Co.	A consortium of investors, led by Abraaj Capital	1,900	Fertilizer
2005	NAU Country	Lightyear Capital	NA	Crop Insurance
2002	Provimi SA	PAI Management and CVC Capital Partners Ltd	797	Animal Feed

Source: Capital IQ

Agribusiness Areas of Interest

- Health & Wellness
 - Healthy Oils (Omega 3 vs. Omega 6)
- Natural, Organic and Sustainable
 - Non-GMO
 - Hormone Free
- Developing markets
 - Use of hybrids
 - Improved cultural practices
- Technology
 - GPS (Precision farming)
 - Irrigation
 - Soil Nutrients
- Land

Agribusiness Areas to Avoid

- Plant-made pharmaceuticals
 - Big pharma doesn't want
- Biofuels
 - Too much uncertainty around government policy.

AgriCapital Overview

- An investment bank that works exclusively in agribusiness & food
- Founded in 1983 to meet the needs of agribusiness not being met by the investment banking community
- A member of the National Association of Securities Dealers (“NASD”) and a Registered Broker Dealer

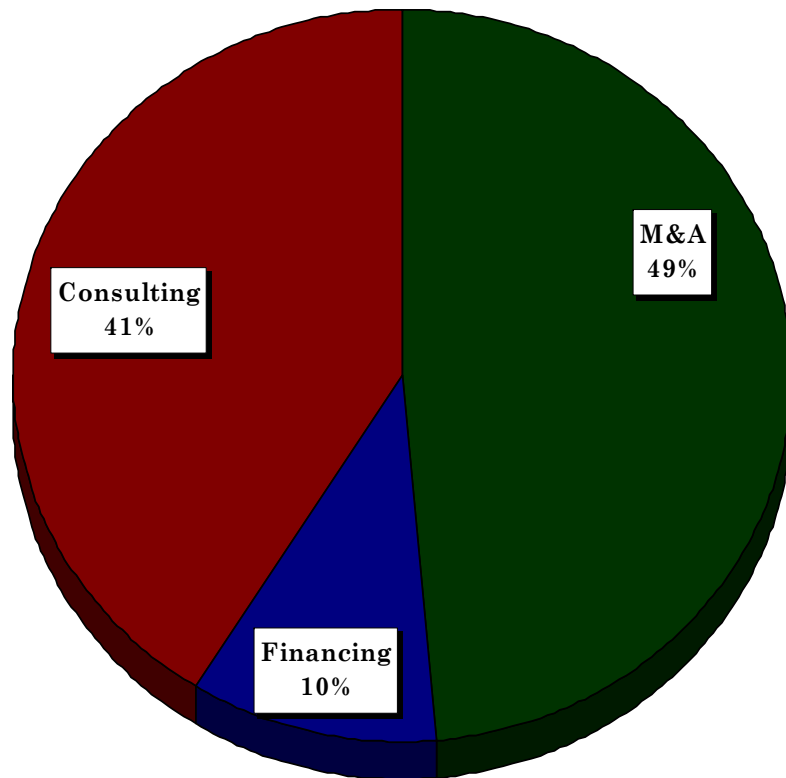
AgriCapital Services

- Negotiate mergers, acquisitions & divestitures
- Arrange equity and debt financing
- Advise on valuations, render fairness opinions and general corporate finance projects

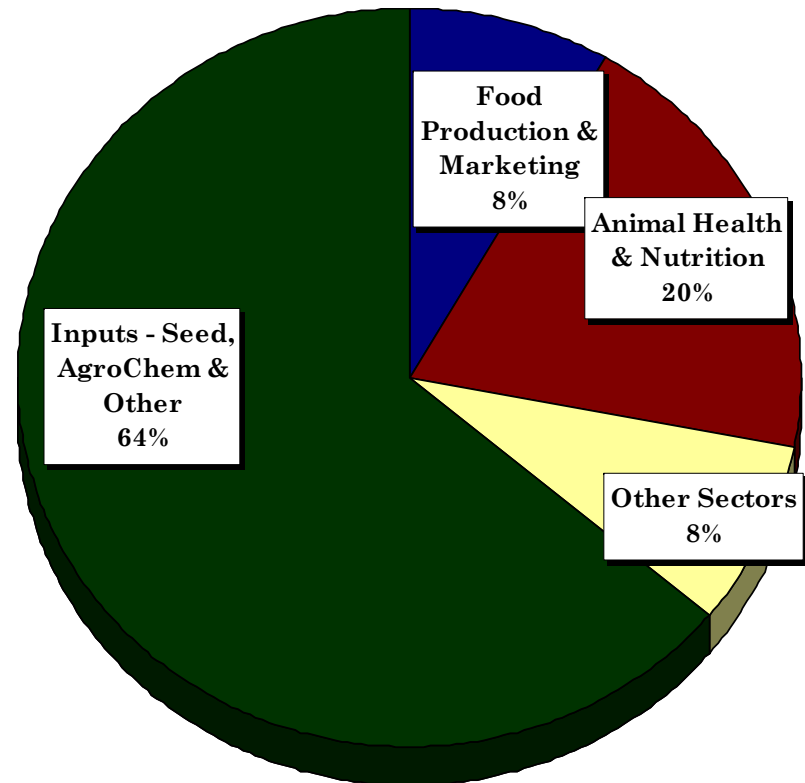
Assignments by Category

Since 1983 AgriCapital has been engaged in some 450 assignments on behalf of approximately 300 agribusinesses

Assignment Type



Assignment Sector



M&A accounts for approximately 80% of \$ volume

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