

Global Supertrends Forum 2020

The Future of Food – Capitalism with a Conscience

Emma Weston, CEO and Co-Founder, AgriDigital
Dr. James Gifford, Head of Impact Advisory, Credit Suisse

Food security is one of the biggest challenges facing the planet.

Not only does humanity need to solve the problem of producing enough food for a population that will hit 11 billion by the end of the century, but we also need to do it sustainably.

Increased food production cannot come at the expense of the environment or water resources – and maintaining the very integrity and security of the food chain itself is critical.

So how is the agricultural industry rising to this challenge?

Emma Weston, CEO and co-founder of ag tech business AgriDigital, said the key to solving the problem of food security could be found in the rollout of technology that would lift productivity among the world's farmers.

Despite being the largest employer on the planet, the agricultural industry was among the least digitised, said Ms Weston.

"The lack of digitization across agriculture and the supply chain is actually impacting the ability of farmers to participate fully and competitively as part of a profitable agricultural business and supply chain," said Ms Weston.

"It is extraordinary in this day and age, but a billion farmers still use a hoe as their primary tool."

James Gifford, Head of Impact Advisory, Credit Suisse, said the slow rollout of technology in agriculture meant that food production for some 2 billion people was still conducted using traditional manual farming equipment. "It is extraordinary in this day and age, but a billion farmers still use a hoe as their primary tool," added Dr Gifford.

Ms Weston said it had been tricky for Australian investors to get exposure to agriculture in the past. "It's really just been land, which is expensive and has high transaction costs and management, and a small

amount of Australian equities that have been available," she said.

"A lot of the ag tech movement is kept private, so being prepared as an investor to have a look at the private market rather than the public market may be something if they do want to participate."

She identified debt as another opportunity – especially supply chain finance funds.

"There's quite a few opportunities, it's pretty exciting," she said.

Dr Gifford said investing in agricultural productivity improvement was a clear opportunity for impact investors who seek to deliver returns alongside a genuine impact on society.

He said the plant-based meat substitute movement was an industry of particular interest.

"It's just been incredible. I've been really surprised," he said.

"I think nobody could have predicted the growth and excitement, not just from the investment community, but also from consumers when it comes to plant-based meat.

"We are way beyond red meat. Now we're talking fish, we're even talking vegan infant formula. It's just extraordinary innovation.

"We now have a steak tartare which actually looks like the real thing."

Vertical farming is also an area of exciting innovation.

"Vertical farming is just the extension of greenhouses, which are tremendously productive," he said.

"I think it has to be a big part of the future because we can produce tremendously more food with 90 per cent less water, with no pesticides, with no herbicides.

"This type of intensification is arguably the greenest type of agriculture we can have."

Still, there are obstacles to be overcome.

Climate change is hurting yields, especially in the tropics, and the disruption of COVID-19 this year has seen the industry retreat from decades of relentless supply chain optimisation and efficiencies.

Dr Gifford said as the threat of climate change intensified, the agricultural industry was starting to value resiliency and redundancy.

"I see the challenge of climate change really as a challenge of how we manage disruption and build resilient supply chains in agriculture."

He pointed to the agricultural subsidies in the European Union as evidence of government policies that aim to

maintain self-sufficiency should agriculture supply chains be disrupted.

“The impacts of climate change on agriculture is certainly a negative, particularly in the tropics. But I think, over decades, technology can compensate for this.”

Ms Weston said a lack of basic connectivity was a key obstacle for many of the world's poorer farmers - and some of those in wealthy countries.

“Access to the internet is one of the largest barriers,” she said. “And there's incredible inequity of access globally.”

She also noted that a lack of integration between different elements of agricultural technology was increasingly becoming a problem.

The technologies do not yet stitch together to form an ecosystem, which is slowing the adopting of new technologies.

“Ag tech actually hasn't done a very good job at that. Part of the scaling opportunity for ag techs is to solve that integration issue,” she said.

“Access to the internet is one of the largest barriers.”

A further barrier to success in the agricultural sector was a lack of capital. This is not merely a developing world problem but a global issue. Even in Australia, farmers find it difficult to access capital to finance their production with a finance industry that remains focused on traditional lending products and credit scoring. The industry needed to develop products that used agricultural commodities to secure loans – so-called commodity collateralized funding – rather than farmland and agricultural equipment.

“I do think government has a role to play in stimulating finance into the sector,” said Ms Weston.

“It does not need to take the form of a subsidy. It can be market rates and market priced and deliver a market return.”

Disclaimer

This material has been prepared by CREDIT SUISSE GROUP AG and/or its affiliates ("Credit Suisse").

It is provided for informational and illustrative purposes only, does not constitute an advertisement, appraisal, investment research, research recommendations, investment recommendations or information recommending or suggesting an investment strategy, and it does not contain financial analysis. Moreover it does not constitute an invitation or an offer to the public or on a private basis to subscribe for or purchase products or services. Benchmarks, to the extent mentioned, are used solely for purposes of comparison. The information contained in this document has been provided as a general commentary only and does not constitute any form of personal recommendation, investment advice, legal, tax, accounting or other advice or recommendation or any other financial service. It does not take into account the investment objectives, financial situation or needs, or knowledge and experience of any persons. The information provided is not intended to constitute any kind of basis on which to make an investment, divestment or retention decision. Credit Suisse recommends that any person potentially interested in the elements described in this document shall seek to obtain relevant information and advice (including but not limited to risks) prior to taking any investment decision. The information contained herein was provided as at the date of writing, and may no longer be up to date on the date on which the reader may receive or access the information. It may change at any time without notice and with no obligation to update. To the extent that this material contains statements about future performance, such statements are forward looking and subject to a number of risks and uncertainties. It should be noted that historical returns, past performance and financial market scenarios are no reliable indicator of future performance. Significant losses are always possible.

This material is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or is located in, any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation, or which would subject Credit Suisse to any registration or licensing requirement within such jurisdiction. The recipient is informed that a possible business connection may exist between a legal entity referenced in the present document and an entity part of Credit Suisse and that it may not be excluded that potential conflict of interests may result from such connection.

This document has been prepared from sources Credit Suisse believes to be reliable but does not guarantee its accuracy or completeness. Data sources, Credit Suisse unless otherwise specified.

Credit Suisse may be providing or have provided within the previous 12 months, significant advice or investment services in relation to any company or issuer mentioned, including collaboration on potential product offerings, which may result in the receipt of fees for such services. This document may provide the addresses of, or contain hyperlinks to, websites. Credit Suisse has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Credit Suisse's own website material) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this document or Credit Suisse's website shall be at your own risk. This document is intended only for the person to whom it is issued by Credit Suisse. It may not be reproduced either in whole, or in part, without Credit Suisse's prior written permission.

Copyright © 2020. CREDIT SUISSE GROUP AG and/or its affiliates. All rights reserved.