

Connectors Conference: Focus on Food, Beverage and Agribusiness

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Conference Recap By: Maxwell J. Bremer, Kermit J. Nash and David Y. Sartorio

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On May 1, 2024, Saul Ewing LLP hosted its second annual Connectors Conference: *Focus on Food, Beverage and Agribusiness* at the Minneapolis Club in downtown Minneapolis. The conference featured leaders, investors, dealmakers, and technology innovators who gathered to discuss the latest trends and challenges facing the food, beverage and agribusiness industries. The conference began with a stimulating keynote presentation by Jacob Shapiro, Partner and Director of Geopolitical Analysis at Cognitive Investments, followed by three engaging panels discussing issues and opportunities in carbon and sustainability, developments and trends in technology, and the current investment climate – in each case in the food, beverage and agribusiness industries.

In his keynote, Mr. Shapiro provided a summary of relevant historical developments in agribusiness, an overview of the present state of the geopolitical environment and its impact on the industry, and predictions for where the world is heading. While identifying several areas of concern for the world generally and the food, beverage and agribusiness industries specifically, he cited reasons for being optimistic about the future and our collective ability to overcome crisis. Key takeaways from his presentation include:

- One of the greatest innovations in world history was the development of fertilizer, allowing farmers to increase yield to feed a growing population beginning in the late 1800s and continuing today.
- Yet, despite having sufficient food to feed the planet, food insecurity has risen since 2014 while at the same time, as much as 30% of food globally goes to waste. Solving the food waste problem presents an opportunity to alleviate global and local food insecurity.
- There is a shift towards a multi-polar geopolitical dynamic, resulting, in part, in a decline in trade globalization that started in 2010.
- The energy markets are diverging on a regional basis, with Europe pivoting to a high reliance on energy including hydrogen, Asia investing in alternative energy (yet some parts of Asia continue to develop fossil fuels), the US continuing with natural gas, and some countries, such as Brazil and Indonesia, increasing reliance on biofuel production.
- Large portions of the world are not currently food self-sufficient, but many countries are beginning to implement policies to become more self-sufficient.
- In the United States, the agriculture industry is not producing enough proteins, fruits, and vegetables to meet the future needs of the population.

Following Mr. Shapiro's presentation, the conference continued with a panel discussion regarding carbon and sustainability. The panel was moderated by Kermit Nash, partner and co-chair of the Food, Beverage & Agribusiness Industry Group at Saul Ewing, LLP, and featured Tyler Bruch (Cyclone Farms; Boa Safra Ag), Mark Estrada (EcoBalance Global), and Sophia Weiss (Grain Millers, Inc.). Each of the panelists presented on their respective areas of expertise.

- Cyclone Farms is a sizable organic farming operation in Nebraska. Mr. Bruch is also a member of Boa Safra Ag, which helps farmers utilize the tax deduction available under IRS Section 180, which permits tax deductions for acquired farmland for excess soil fertility.
- EcoBalance Global is developing technology and utilizing the blockchain to issue, trade, and track carbon credits, allowing growers and companies to strategize the best way to use carbon credits.
- Grain Millers is working closely with farmers to develop sustainability programs, with a current focus on regenerative agriculture and leveraging modern tools to create more robust agricultural systems.

The panelists discussed ways in which the global focus on decarbonization presents opportunities for agribusiness to capitalize, through tax deductions, carbon credits, and other methods, on practices already in existence (low-till, no-till,

cover crops, rotational farming, etc.) and to develop more sustainable practices. The consensus was that the pressures around decarbonization are not going away, and that farmers and investors should be proactive in preparing to meet compliance requirements and benefit from monetization opportunities.

The second panel focused on agribusiness and food technology. The panel was moderated by David Sartorio, partner at Saul Ewing, LLP, and included Andrew Bluestein (Bluestein Ventures), Jeremy Ellingson (Ellingson Companies), and Mark Luecke (South Dakota Innovation Partners). Bluestein Ventures is a venture capital fund focused on food technology investments. Ellingson Companies is a construction company that assists farmers with water-management solutions. South Dakota Innovation Partners commercializes technologies, through its portfolio companies, in sustainable food and feed ingredients, animal health care, and ag-focused data analytics technology. Important takeaways from this panel include:

- Precision agriculture is emerging as a tool for addressing water scarcity and reducing chemical usage.
- Artificial intelligence (AI) can be used by the industry as a tool to make processes better, faster, and cheaper, such as using AI to expedite vaccine distribution, but true automation remains a challenge.
- Hot areas in the food industry include nutrition (food as medicine), sustainability, and digitization. Investments are being made to advance opportunities in these areas.
- Consumers are trending towards healthier eating habits, including a focus on better protein sources and gut health. While much remains unknown about gut health, it's an exciting area with the opportunity to make important advancements in overall human health and well-being.

The final panel of the day examined the current state of the food, beverage and agribusiness investment climate. The panelists were Chris Erickson (Parsonage Lane), Ben Axelrod (Borgman Capital), and Matthew Fitzmaurice (Hennepin Partners). Max Bremer, Partner and Minneapolis Office Managing Partner at Saul Ewing, LLP, served as the moderator. Each of the panelists is active in the industry, with Mr. Axelrod an investor in food companies, and Messrs. Erickson and Fitzmaurice advisors to sellers and investors in the agribusiness industry. Key takeaways from this panel include:

- There was a discussion about private equity's role in agribusiness and the mismatch between the expectations of traditional private equity in terms of return profile and duration of investment (which often expect large returns over a short time period), and agribusiness, which requires a longer investment horizon and often more stable (but less dynamic) returns.
- Both Messrs. Erickson and Fitzmaurice noted that while the M&A market may be down generally across the economy, they remain very active, with lots of inquiries from investors and other parties looking to deploy capital in agribusiness.
- Mr. Axelrod noted recent successes his firm has had with sales of portfolio companies and a new platform acquisition. He remains very optimistic about the food industry in particular.
- While all of the panelists noted some challenges, they were all optimistic about the future of the industry, citing current inefficiencies, the size of the industry, and tailwinds as factors that make investments in food, beverage and agribusiness attractive.

About the event organizer: Saul Ewing LLP attorneys aid food, beverage and agribusiness companies and investors in rising to today's global and environmental challenges by bringing innovative and practical advice to the industry. With deep food, beverage and agribusiness industry experience and comprehensive capabilities, our team helps clients address the complexities of modern agricultural production and devises holistic approaches and solutions. From family farms to large agribusiness conglomerates, and the companies that service them, Saul Ewing LLP represents clients across the supply chain spectrum.

A special thank you to our keynote speaker and each panelist for helping to make the conference a success.