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Navigating Agri-Food Sector Investing Amid a Looming Food Crisis

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Li-Vern is responsible for overseeing Sevia's investment strategy, along with all fund and direct co-investments activities.

Prior to Sevia, Li-Vern spent 11 years at Temasek, most recently as a Director, Portfolio Strategy and Risk. In this role she focused on portfolio construction and tactical investment activities across single stocks, equity indices, fixed income and commodities.

From 2010 – 2016, she was part of Temasek's Investment Group, executing and managing investments in the transport and logistics sector.

Prior to Temasek, Li-Vern spent 6 years with GE Capital and CIMB Investment Bank, focusing on growth equity / minority investments across Southeast Asia.

Li-Vern holds a Bachelor of Commerce (Hons) from the University of Western Australia and is also a CFA Charterholder.



Asia: Numbers just don't add up

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- At present, the UN Food and Agriculture Organisation (FAO) and the World Bank estimate that agriculture utilises around 46% of the world's habitable land and 70% of the planet's fresh water, but in Asia resources are more stretched. Home to 60% of the world's population, it is estimated that Asia only occupies about 35% of the world's arable land, prompting calls for communities to adapt and innovate across the agri-food system to improve productivity and efficiencies.
- When you add recent disruptions to the global food supply chain to the mix, sparked by unrest in Ukraine and the Covid-19 pandemic, it is clear that the importance of food security should be prioritized as the global population marches towards 10 billion. Data from FAO indicates that agricultural yields in Asia have been lagging those in North America and Europe, resulting in Asia being a net importer of food, further highlighting the challenge for the agri-food sector in Asia to produce more with less.



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Innovation is king

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- These concerns have resulted in a pressing need for the agri-food sector to innovate. However, traditional agri-food corporates have not been investing heavily in innovation. A report co-authored by Temasek, PwC and Rabobank found that corporate agri-food R&D expenditures are behind other industries such as telecommunications, healthcare, IT, and utilities, with corporates preferring to outsource innovation through partnerships and M&A. As a result, there has been a rise in agri-food tech start-ups emerging across the world to tackle the challenges that the agri-food sector faces.
- This has led to a flurry of investment into the sector in recent years, with savvy investors recognising the untapped potential amid a rising global population and concerns about food scarcity. It is estimated that around US\$800 billion will need to be invested across Asia alone in the next 10 years, to drive efficiency and innovation, which presents a significant opportunity.
- Based on data from Pitchbook, investment into the global agri-food tech sector peaked in 2021 at around US\$47 billion but has declined in recent years due to higher interest rates and a weaker macro environment; a phenomenon that impacted the broader venture capital industry. A similar trend was observed in Asia, but there are bright spots with the emergence of several Asia agri-food tech companies reaching unicorn status in the past few years, despite the slowing funding climate.



- Food scarcity is not the only issue facing the agri-food landscape, prompting calls for further innovation. Globally food losses and wastage are also a significant bugbear for the sector. Based on data from FAO, as much as 40% of food is either lost or wasted through the supply chain globally, and this is due to a number of factors including overproduction, preharvest losses, poor handling through multiple layers of intermediaries and storage infrastructure and lack of adequate cold storage or poor packaging to name but a few. In Southeast Asia this problem is magnified, with close to 90% of food lost and wasted before it even reaches consumers, emphasising the case for technological developments and adoption to optimize the supply chain and prevent food wastage.
- Another challenge for the sector is mitigating current environmental concerns. According to a study by Nature Food, the global agri-food sector accounts for around one-third of global greenhouse gas emissions, more than China, or the global transport and logistics industries. Research suggests the sector is also responsible for 45% of global methane and 80% of nitrous oxide emissions. It is therefore vital for the agri-food system to adopt new technologies and best practices to help reduce the sector's carbon footprint.
- There are more than 450 million smallholder farmers in Asia, and according to the International Fund for Agricultural Development, they contribute to 80% of food produced in the region. However, many currently operate with outdated farming practices and would benefit from technological innovation that will help them make better data-driven decisions, provide access to financing and markets, improving farmer livelihoods and ultimately making the industry more efficient.



Key investment themes

Three agri-food key investment themes

- Investment into agri-food tech across Asia broadly encompasses three focus themes. Firstly, targeting **climate resilient and sustainable food production**, secondly, the **digitalization of the agri-food value chain** and finally, propositions that deliver **healthier, fresher, and better food options**. The technologies deployed reflect the diversity of the farming environments and populations they serve. Some high-tech and high-cost, others involving better practices and new business models to provide home-grown solutions.
- Investment opportunities in each focus theme vary from region to region. In India and developing Southeast Asia, opportunities in market linkage through digitalization are significant due to the high level of market fragmentation, supply chain inefficiencies and quality issues. In Australia and New Zealand, climate change, weather volatility and rising labour costs strain agricultural productivity and efficiency. Opportunities in sustainable production such as methane reduction in ruminant livestock, and digitalization such as precision agriculture and robotics aim to address these issues. In North Asia, an ageing and shrinking farmer population, as well as a rising consumer interest in health and wellness are driving opportunities in sustainable production such as controlled environment agriculture, as well as healthier, fresh, and better food delivered through direct-to-consumer platforms as consumers demand for more transparency and quality in food sourcing.
- With an estimated \$800 billion investment pipeline over the next decade, the agri-food sector is serving up ample opportunities, ripe for the picking for investors.





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