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## AgFood Platform - The next 25 years

Link farmers, life science and customers...sustainably

### THE PAST

Over the past 25 years the global population rose 35% (+2.1b to 8.0bn). Consumption per person of food intensity rose at 10% with higher living standards in developed world. This combination translated to a 49% increase in the use of food, a solid growth of 1.6%pa.

The author was in financial markets through this change, and learned from leading companies across agriculture (ELD, IPL, NUF, RIC, SHV, WES), life science (CSL, PME, RHC, RMD, SHL) and food brands (BGA, BUB, TGR).

### THE CHALLENGE

Over the next 25 years 9.7bn humans – another 23% (1.8bn) more than today. Food intensity is expected to rise at least 20%, so we need at least 48% more “useful” food, and a continuation of 1.6%pa growth.

The “easy” 25year 50% growth may be done. The next 50% appears harder with 20-30% less arable land and depleted traditional energy sources.

### SOLUTIONS FOR 50% FOOD INCREASE

**Reuse/Recycle – 10%** . We waste up to 20% of our food, and the UN aims to reduce this by half. SHV’s almonds are only 30% of the harvested product. It is part way through using the 70% of biomass for energy generation, fertiliser production [Sustainability Report](#). BGA has a [Circular Bega Valley](#) initiative, which will be rolled out across Australia.

**Consolidation/Efficiency – 10 to 20%**. The “natural” market shares in agfood supply chains are the larger two with 30-80%, specialists 20-50% and niche 20-30%. ELD (25% market share) and RIC (21% market share) may be in the sweet spot for stepping up to 30-35% market share with organic growth and bolt-on acquisitions.

**Life Science/Technology/Brand – 10 to 30%**. A combination of life science and technology with traditional food infrastructure (and good seasons) have boosted Australian agriculture productivity to 3-4%pa for five-year periods in the recent past, but overall productivity improvement 1997 to 2021 was just 0.6%pa.

Australia needs to lift productivity growth to 1-2%pa, and a closer combination of life science, technology and infrastructure appears the likely path. The Australian Bureau of Agricultural and Resource Economics and Sciences estimates that value growth will be 4%pa until 2030, as Australia produces high value food products. The technology and value-add routes mean that Australian agriculture needs to develop better branding so the value can be captured sustainably and returned to farmers, processors, and researchers.

**Commercial activation of emerging companies.** Emerging companies are an important part of the productivity improvement. We have seen many list too early and blame the agribusiness is too tough and cyclical.

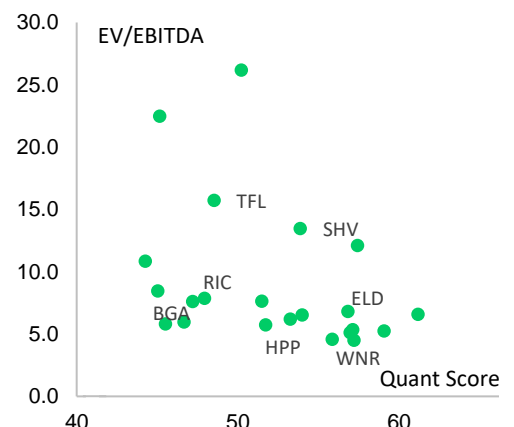
AgFood Opportunities Fund is set up as a way of investing in emerging companies with sustainable 8-10%pa growth areas across: aquaculture (Yumbah), Brands (TFL), Protein (ELD, SHV, WNR) and Technology (Digital Agricultural Services). We are an experienced team focussed on scalable niches, proactive management, and capital preservation.

See [www.agfood.com.au](http://www.agfood.com.au) for details and invest via [agfood application form](#).

### AgFood Fund Investments (%)

- **Unlisted (20%):** Yumbah Aquaculture (Aussie shellfish producer)
- **Emerging (20%):** TasFoods (TFL) Tas. dairy and poultry; Wingara (WNR) oaten hay export
- **Leaders (10%):** ELD, SHV, RIC, BGA
- **Technology (15%):** Digital Agric. Services + 3
- **Cash/Commitments (35%)**

### AgFood Financial Screen



Source: CapIQ consensus EV/EBITDA, AgFood

### HY23 Australian AgFood sector events

- 21-22 Feb: evokeAG (agtech) – Adelaide
- 7-8 Mar: ABARES' Conference - Canberra
- 30 May: PAC AgFood Conference – Sydney

### Changes to PAC and AgFood Personnel

**Paul Jensz** – After 25 years in Sell-Side agfood and life science broking, I am moving to full-time management of AgFood Opportunities Fund (and staying a director of PAC)

**Max Andrews, Stephen Scott, and Caleb Weng** will take-over PAC’s sell-side coverage of agfood and life science sectors

**Patrick Gibson** from PAC is adding back-office and business development to dealing for Fund

## Details

49% increase in food production over last 25 years...

...and another 48% is required for the next 25 years

Reuse and recycle may be 10% of this...

...and our familiar theme of consolidation and efficiencies

Overall productivity needs to lift...

...and life science and technology need to deliver...

...with important capture of value by brands and return to farmers, processors and researchers

ELD has established itself as the only long term 20% return on investment AgFood company...

... while SHV is transitioning to a sustainable lowest quartile cost base

RIC delivers 15% ROI after a three-year turnaround

BGA's authentic healthy food brands are enhanced with sustainable improvements across the supply chain

### THE PAST

Over the past 25 years the global population rose 35% (+2.1b to 8.0bn<sup>i)</sup>). We estimate consumption per person of food and energy intensity rose at 10% using Engel's Law<sup>ii)</sup> with higher living standards in developed world. The combination translates to a 49% increase in food use.

The author was in financial markets through this change, and learned from leading companies across agriculture (ELD, IPL, NUF, RIC, SHV, WES), life science (CSL, PME, RHC, RMD, SHL) and food brands (BGA, BUB, TGR).

### THE CHALLENGE

Over the next 25 years the global population climbs to 9.7bn humans – another 23% (1.8bn<sup>iii)</sup>) more than today. We expect food intensity to rise at least 20%<sup>ii)</sup>, so we need at least 48% more "useful" food.

The "easy" 25year 50% growth may already be done, and the next 50% appears harder with 20-30% less arable land<sup>iii)</sup> and depleted traditional energy sources. We note that the Australian Bureau of Agricultural and Resource Economics and Sciences is bullish for Australian and estimates agriculture value growth will be 4%/annum until 2030, with a push to premium products.

### SOLUTIONS FOR 50% FOOD INCREASE

**Reuse/Recycle – 10%.** We waste up to 20% of our food, and UN<sup>iii)</sup> aims to reduce this by half.

**Consolidation/Efficiency – 10 to 20%.** We estimate that the "natural" Australian market shares in agfood supply chains are the larger two with 30-80%, specialists 20-50% and niche 20-30%.

**Life Science/Technology/Brand – 10 to 30%.** Australian agriculture productivity improvement has reached 3-4%pa<sup>iv)</sup> for five-year periods, but overall productivity improvement 1997 to 2021 was just 0.6%pa<sup>vi)</sup>.

This contrasts with the rapid confluence of communications, information technology and infrastructure gave incredible expansion of computing capacity between 1986 and 2007, with general-purpose capacity up 58%p/annum<sup>iv)</sup>.

Agriculture can learn and be assisted with the combination of life science and technology with traditional food infrastructure and deliver in good, average and bad seasons.

Reuse and Consolidation steps are underway, but Australia needs to accelerate productivity growth to 1-2%pa (2x to 3x previous 25 years), and ramp up use of aquaculture. A missing link in the rush for improvement is the development of sustainable brand value. This enables farmers and processors to be paid for value add, and sustainable use of resources.

### SOLUTIONS - BY COMPANY

#### Leaders – 10% of AgFood Opportunities Fund

**Elders** – We estimate that ELD has 25% market share on average across farm inputs, rural services and ag product trading and real estate, and less than 10% financial services. ELD may be in the sweet spot for stepping up to 30-35% market share with organic growth and bolt-on acquisitions. Its search for a new MD gives it an opportunity to investigate partnerships and joint ventures. The Dec'22 purchase of 10% of NZ's PGG Wrightson appears to be a defensive move, with many options to explore after the next stage of lower risk growth in Australia.

**Select Harvests** SHV produces 15% of the global almonds outside of California. Only 23% of the harvested product is the almond (or inshell sold almond) [Sustainability Report](#). SHV produces 130,000t of biomass from its 9,300 hectares, and is the most efficient converter of water to 10000t of inshell almond sales, 20000t of almond kernel, 60000 stockfeed, 10000 biomass feed to on-site energy and 30000t compost to orchards. There is a substantial opportunity to improve by-product sale value, which will lower cost base and push SHV down the cost curve.

**Ridley** – We estimate that RIC has 21% market share of processed animal feed and has opportunities to step up to 30% market share with organic growth and bolt-on acquisitions. RIC has a tangible FY23-25 growth plan to row EBIT at 5-10% per annum across packaged, ingredient segments and bulk. RIC's Novacq prawn fee is an example of investing in late-stage R&D and it should make a commercial return this year, and allow RIC to explore in-house and partnership growth options

**Bega Cheese** BGA has the leading dairy, spreads, yogurt and juice brands under its "Great Australian Food Company" banner and will make 80% of EBITDA from highly differentiated products and brands from FY'23F. BGA has a [Circular Economy](#) initiative, which will be rolled out across Australia. This improves BGA's licence to operate in regional Australia, and improves engagement with dairy suppliers and brand value with customers. The improved financial returns from combining circular economy and systems changes across BGA's cold and ambient supply chains should see a significant improvement for all participants and a lower cost base.

i) [worldometers](#) ii) [engels-law](#) iii) [UN sustainabledevelopment](#) iv) [science.org](#) v) [NSW DPI](#) vi) [ABARES](#)

## EMERGING COMPANIES

### Yumbah Aquaculture (unlisted)

Yumbah has led consolidation of Australian aquaculture abalone...

Yumbah Aquaculture is vertically integrated from its feed and nursery to processing, distribution and brand with abalone, oysters and mussels. Yumbah’s operations are evenly spread across the Southern Ocean in South Australia, Victoria and Tasmania. It won the Australian Stewardship Council Best Responsible Seafood Producer Award in 2022.

...and added significant operational and brand improvements

Yumbah has led many aquaculture M&A opportunities with purchase of South Australian abalone farms on 2003/12/16 and Tasmania in 2010. Tasmanian Cameron Oysters was added in 2021 after a five-year hatchery JV in Sth Australia. Seafarms mussels was also purchased in 2021. Yumbah has many initiatives underway to re-use seawater and infrastructure and by-products (like abalone shell for tiles). Yumbah’s farming systems, automation, genetics and cold chain value is captured with “Yumbah”, “AusAb”, “Cameron” and other brands.

### TasFoods (TFL)

TFL has a suite of premium Tasmanian brands...

TFL has three premium Tassie brands in dairy and poultry with “Pyengana”, “Meander Valley”, “Nichols”, and a consistent annual group revenue of \$70m with control over its Tasmanian cold supply chain and distribution relationships into the mainland.

...is improving systems for a broader Australian artisan food and beverage platform

A new executive team under Scott Handley established its points of difference in 2022, and increased prices to protect brand value. TFL is improving its systems/distribution to lower its cost base and improve service to retailers. The success with its own brands and proven supply chain should enable TFL to assist other artisan producers in Tasmania and around Australia.

### Wingara (WNR)

WNR has 10% market share in Australian oaten hay exports...

Wingara used the 2021 challenges to improve safety and operational efficiency in its Victorian hay export business under the guidance of James Whiteside (ex Incitec Pivot Fertiliser GM). James also ensured the sale of non-core Austco Polar (beef cold storage) in December 2022

... with one of only three export licences to China

WNR’s service levels enabled the retention of one of only three oaten hay export licences to China for a 40% boost to volumes, and develop relationships with the key 25 suppliers and 25 end customers. James handed on the CEO role to previous Wingara CFO Marcello Diamante in November 2022. Marcello is very familiar with the base hay export business and has the relationships to explore M&A and expansion opportunities from WNR’s 10% market share.

## AGFOOD OPPORTUNITIES FUND

Invests in emerging aquaculture, protein and technology companies...

The Fund is set up as a way of investing in sustainable 8-10%\*pa growth areas across emerging unlisted and listed companies in: aquaculture (Yumbah), Brands (TFL), Protein (ELD, SHV, WNR) and Technology (Digital Agricultural Services). *\*This return is not guaranteed.*

...which leverage the agricultural product growth...

We show our AgFood process and a quant screen across the Australian listed agfood companies on the few pages.

...and lock in value sustainably with brands

Our AgFood quarterly updates and annual conference allow you to see its portfolio companies at work and consider being part of the next phase of investment with the Fund.

We have been fortunate to build up a deep industry network across agfood, life science, sustainability and technology over the last 25 years.

We will use this next stage of the AgFood Fund as a springboard to revisit this group and widen/deepen through due diligence, investments and a wider conference circuit – see second back page.

AgFood and PAC’s own conference will continue annually. This year marks the 21<sup>st</sup> conference and we return to Sydney and welcome back our co-sponsor CBA.

See [www.agfood.com.au](http://www.agfood.com.au) for details and invest via [agfood application form](#).

## AGFOOD TECHNOLOGY

The AgFood Opportunities Fund has more than 50 agtech opportunities on its watch list....

Name	Sector	Driver	Milestones
<a href="#">Digital Agriculture Services (Invest up to A\$2.5m)</a>	Digital model of Australian rural land/facilities with data analytics	Provide data to enterprises and free services to farmers	Commercial scale in Australia with US beachhead during 2023
<a href="#">Lyro Robotics (Small Investment)</a>	Robots pick and pack of vegies	Automation of vegie handling	SE Qld hub with 20 robots
<a href="#">WithWine (Small Investment)</a>	Australian/USA engagement between wineries & customers	Facilitates boutique wineries attaining higher margins	Expand from 4 USA customers in Sep’22.

...and DAS is an example of a major investment

Source: AgFood Fund

## HOW AGFOOD FUND INVESTS

### Beliefs

- Australasian AgFood sales will grow at least 4%pa through the cycle (ref: Australian Bureau of Agricultural Resource Economics & Science)
- Aquaculture, plant protein & grain, and brands grow above 10%pa through differentiation and technology
- Cash flow generators have sustainable scalable niches; proactive management; and, preserve capital
- Our two to three year time horizon for returns enables companies to take a step change in value, which many short term investors cannot access

AgFood Fund has built three pillars for sustainable high growth...

...around aquaculture, brand and plant protein...

... with people, sustainability and technology at the centre of improvement

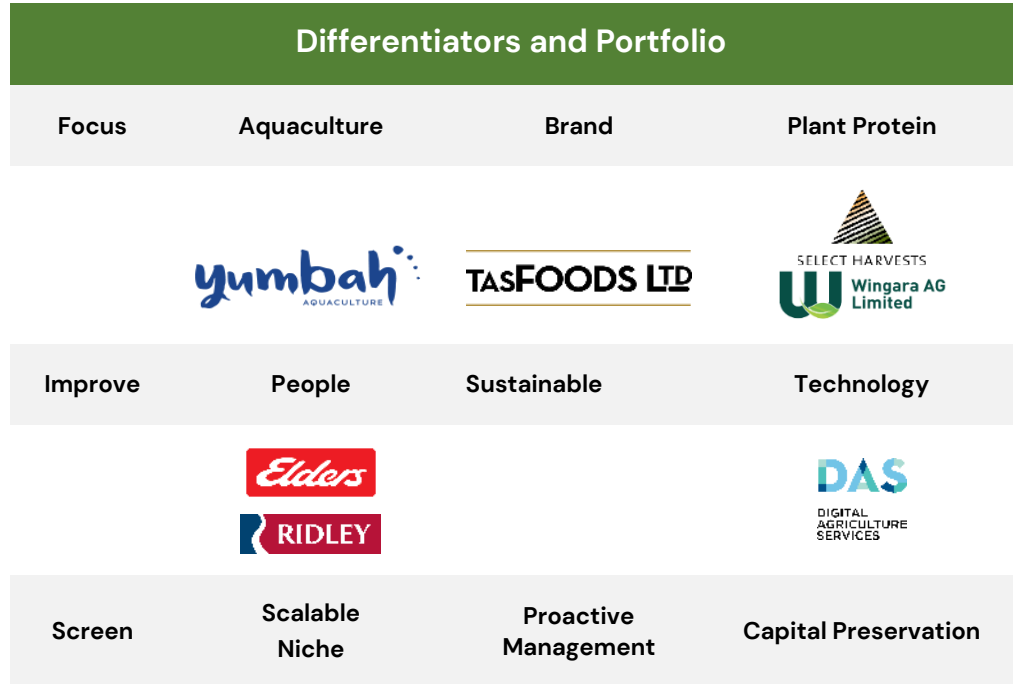
Our day-to-day operations is focused on screening listed/unlisted and domestic/global companies...

...for scalable niches, proactive management, and capital preservation

We use the 25 years of experience and networks...

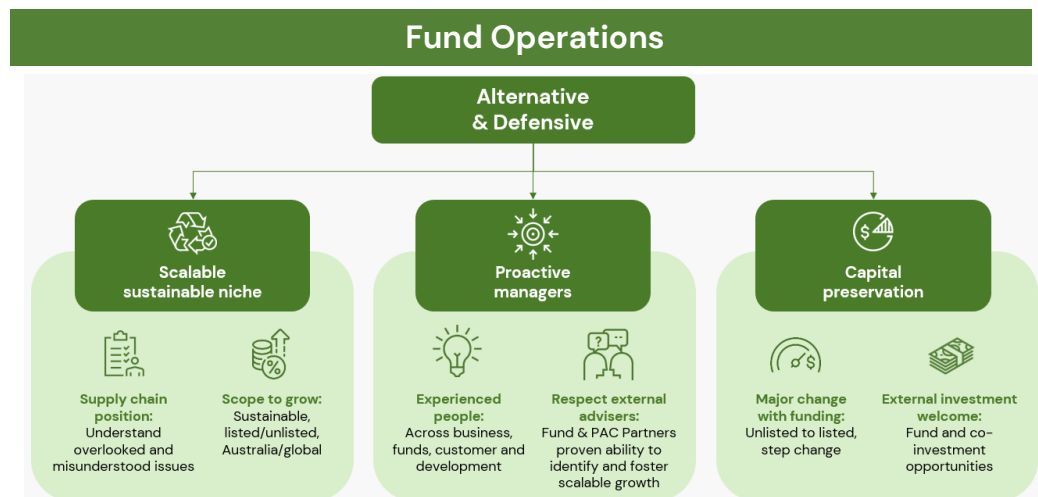
...and access to PAC Partners Securities...

...to enable a step-change in the company over a two-to-three-year period



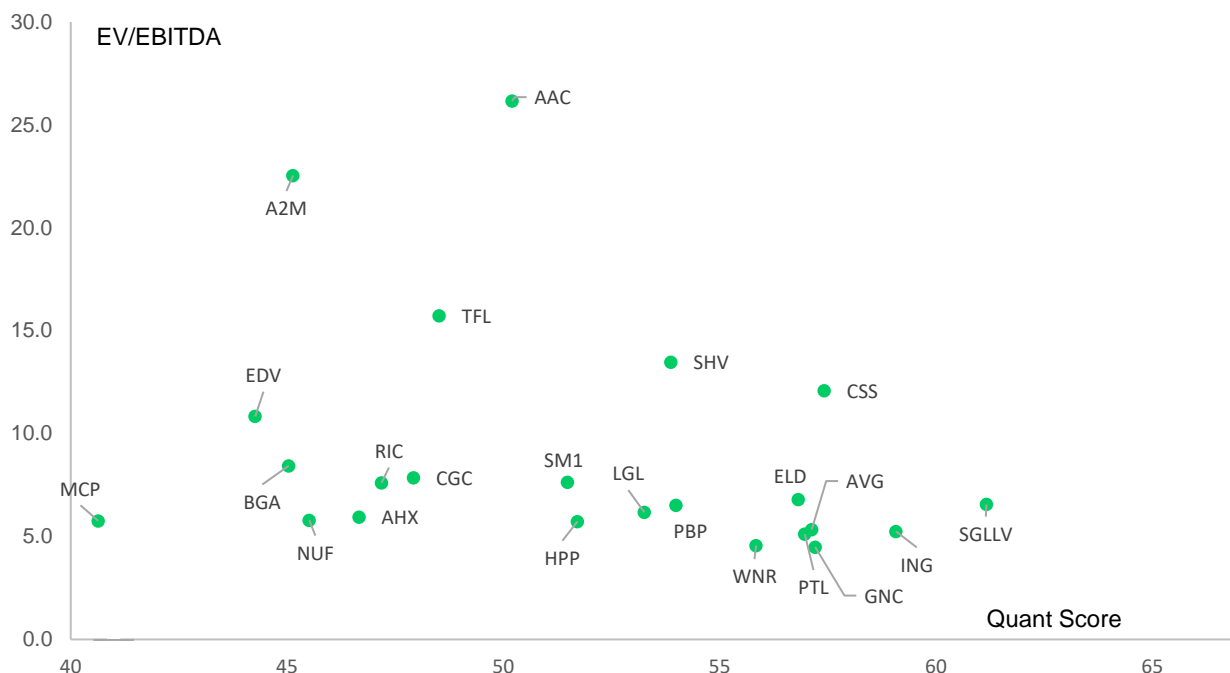
### Operations

- Aim to deliver 8-10%pa\* returns over three years with 15 to 25 AgFood investments across unlisted and listed areas. (\*This return is not guaranteed)
- Leverage meaningful positions in emerging cash flow companies: TasFoods (11%), Wingara (8%) and Yumbah (4%)
- Trade listed company for mispriced opportunity and liquidity
- Screen with: Scalable Niche; Proactive Managers and Capital Preservation
- Utilise listed agfood data: domestic (50 stocks) and global stock markets (500 stocks)
- Build on 25 years of unlisted agfood and peer information and networks
- Priority access to PAC Partners Securities team of 28 and deal flow
- Leverage PAC Partners national offices (Melbourne, Sydney and Perth) and systems



Source: AgFood Fund

### AGFOOD SCREEN - QUANT CHART – FY'23F EV/EBITDA VS RANKING ACROSS 11 WEIGHTED FACTORS



Source: AgFood Fund

### KEY CONFERENCES - 2023

Date	Conference	Location	Focus	Number of People	Reference
9-12 Jan	“JP Morgan” Healthcare Conf	San Francisco, CA	Biotech	10,000+	<a href="https://life-sciences-usa.com/product/morgan">life-sciences-usa.com/product/morgan</a>
31 Jan to 2 Feb	Fermentation-Enabled Alternative Protein	San Francisco, CA	Alt Proteins		<a href="https://fermentation-enabled-proteins.com">fermentation-enabled-proteins.com</a>
21-22 Feb	evokeAG	Adelaide, Australia	Applying agtech in Aust.	2000	<a href="https://evokeag.com">evokeag.com</a>
26-28 Feb	National Grocers Association	Las Vegas, NV	Ind Grocers	3500	<a href="https://thengashow.com">thengashow.com</a>
7-8 March	ABARE Conference	Canberra, Australia	10 year plan	500+	<a href="https://agriculture.gov.au/abares">agriculture.gov.au/abares</a>
8-10 March	Commodity Classic	Orlando, FL	Farmer led	2000+	<a href="https://commodityclassic.com">commodityclassic.com</a>
14-15 March	World Agri Tech	San Francisco, CA	AgTech	2000	<a href="https://htworldagritechusa.com">htworldagritechusa.com</a>
Mid May	“BMO” Farm to Fork	New York	Listed agfood		<a href="https://capitalmarkets.bmo.com">capitalmarkets.bmo.com</a>
30 May	PAC/CBA AgFood	Sydney	ASX & Australian Unlisted	400	<a href="https://aqfood.com.au">aqfood.com.au</a>
21-22 June	Future Food-Tech	New York	AgTech – similar to 14-15 March	1,000	<a href="https://futurefoodtechprotein.com">futurefoodtechprotein.com</a>

## CONTACT INFORMATION

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PAC Partners has in the previous 24 months carried out work on behalf of Companies (BGA, BUB, CAN, HPP, RIC, SHV, TFL, WNR, Yumbah) described in this report and received fees on commercial terms for its Research and Corporate services. PAC Partners indirectly benefits from securities of Companies in the Fund via its founding shareholding in AgFood Fund, and directly benefits via its ownership of Units in the Fund.

As a result, investors should be aware that AgFood Fund and PAC Partners may have a conflict of interest that could affect the objectivity of this report. The AgFood Fund maintains a Conflict of Interest register, and manages these conflicts with an independent investment decision maker. *Paul Jensz moved from Executive Director – Research to full-time Executive Chairman of AgFood Fund in January 2023.*

For more information about AgFood Opportunities Fund please visit [www.agfood.com.au](http://www.agfood.com.au)

