

PRIVATE EQUITY AND EMERGING MARKETS AGRIBUSINESS: BUILDING VALUE THROUGH SUSTAINABILITY



Mark Eckstein, Director of Environmental and Social Responsibility, CDC Group
Nadiya Satyamurthy, Senior Director of Consulting Services, EMPEA
Piotr Mazurkiewicz, Senior Environmental and Social Development Specialist, IFC
Joshua Levin, Senior Program Officer in Finance & Commodities, World Wildlife Fund

July 16, 2015

PRESENTERS



Mark Eckstein is Director of Environmental and Social Responsibility at CDC Group where his responsibilities include oversight and management of E&S issues across CDC's Funds and Debt Portfolios.



Joshua Levin is a Senior Program Officer in Finance & Commodities at the World Wildlife Fund. He leads WWF's global efforts to engage financial institutions on emerging opportunities, risks, and intelligence related to investing in global food and agri-commodities.



Nadiya Satyamurthy is the Senior Director of Consulting Services at EMPEA, where she authors content on behalf of the organization and member firms by leveraging EMPEA's data program and engaging with industry stakeholders.



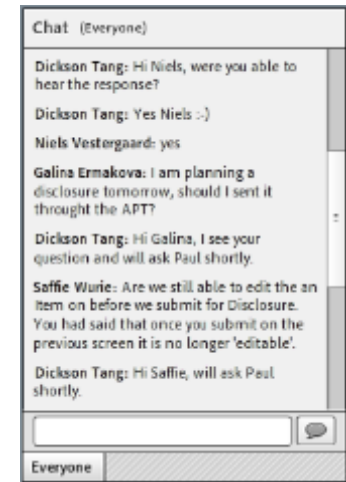
Piotr Mazurkiewicz is a Senior Environmental and Social Development Specialist at IFC, and is responsible for E&S risk management in IFC's FI projects in the Asia and Pacific region.



GROUND RULES FOR Q&A

- Please use the **chat feature** (lower right-side of screen) to type in your questions or comments
- The moderator will relay the questions to the presenter according to the order of their submission
- We will focus on questions related to this presentation only – e.g., we will not answer questions on specific IFC clients or projects
- Please submit your queries in the *form of a question* and not comments
- Please understand that not every question can likely be answered due to time limit
- Thanks to those who submitted questions ahead of time, we have tried to take them into consideration in the presentation
- As this webinar is being recorded, the moderator will repeat each question before answering

Chat Feature



AGENDA

- 1. Framing the Issues: Priority Areas (12 min)**
- 2. Q&A (5-10 min)**
- 3. State and Trends of Private Equity in Emerging Markets Agribusiness (12 min)**
- 4. Q&A (5-10 min)**
- 5. Roadmap for E&S Risk Management (12 min)**
- 6. Q&A (10 min)**

WWF GLOBAL 200 PRIORITY AREAS



DEFORESTATION: 85% AGRICULTURE & RANCHING; 10% LOGGING, PULP & PAPER



WATER: TWICE AS MUCH AS ALL OTHER USES COMBINED



shubert lazaro ciencia©



International
Finance Corporation
WORLD BANK GROUP



LARGEST SOURCE OF POLLUTION



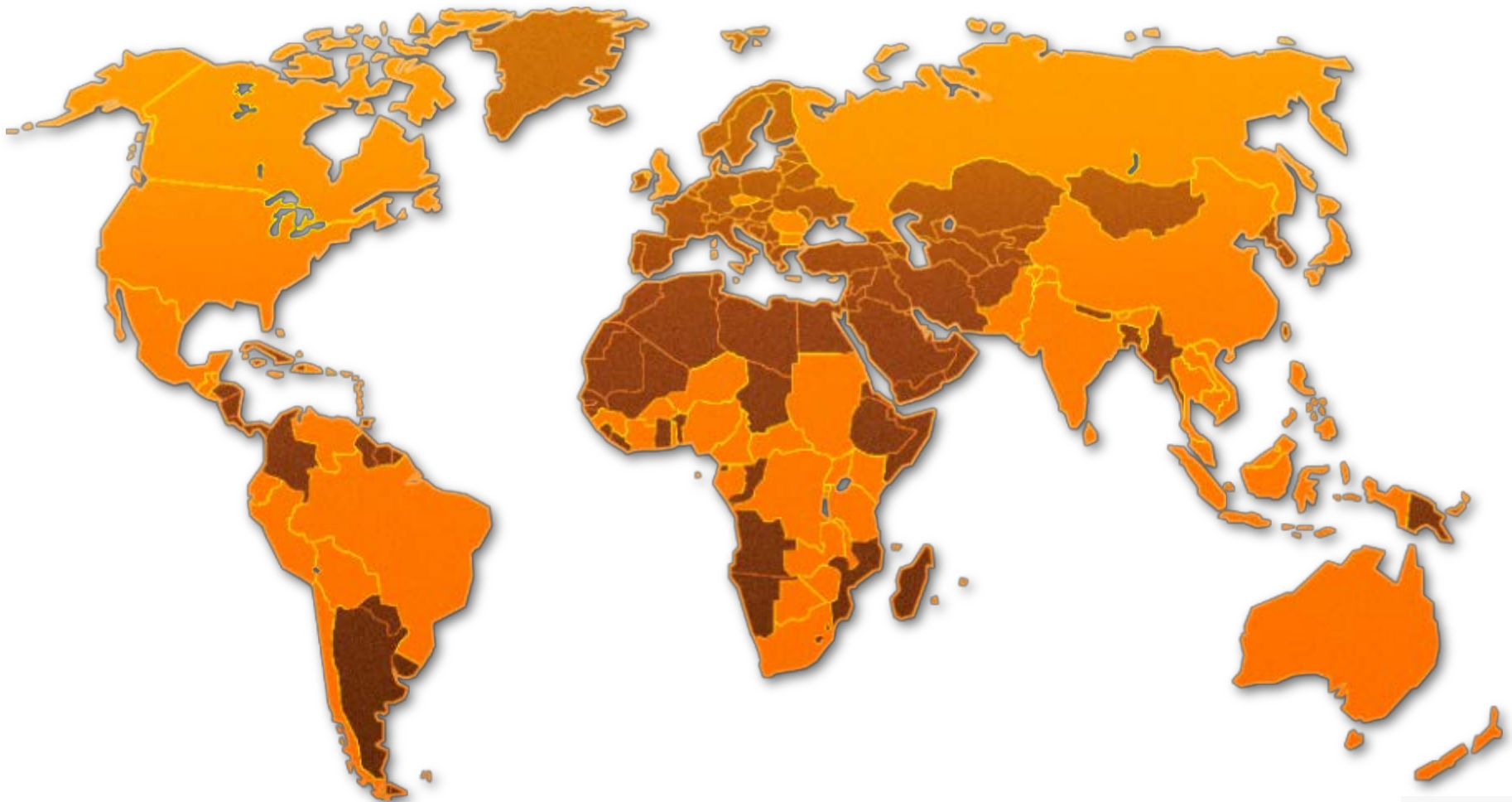
LARGEST USER OF CHEMICALS



30% OF GREENHOUSE GAS EMISSIONS



COUNTRIES WITH PROTECTED AREAS BEING DOWNGRADED, DOWNSIZED OR DE-GAZETTED



Source: WWF PADDTracker.org



International
Finance Corporation
WORLD BANK GROUP



GLOBAL TRENDS BY 2050

- Population 3 billion more
- 70% will live in cities - as many as are alive today
- Climate change catalyzing water shortages and crop failures
- Income will increase 2.9x
- Consumption will rise
- Consumption of animal protein and vegetable oils will increase even faster

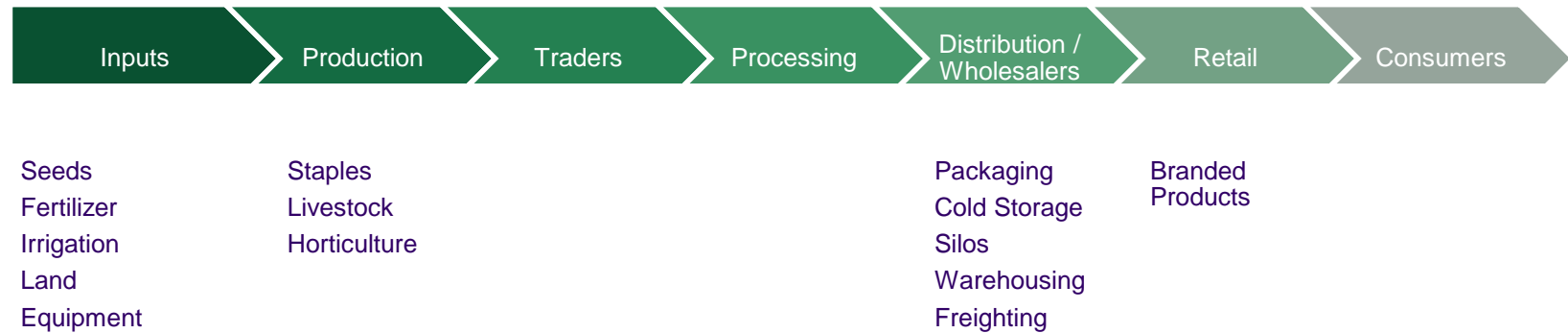


40 years =
8,000 years

WHAT IS THE AGRIBUSINESS VALUE CHAIN?

Illustration

Agribusiness Value Chain

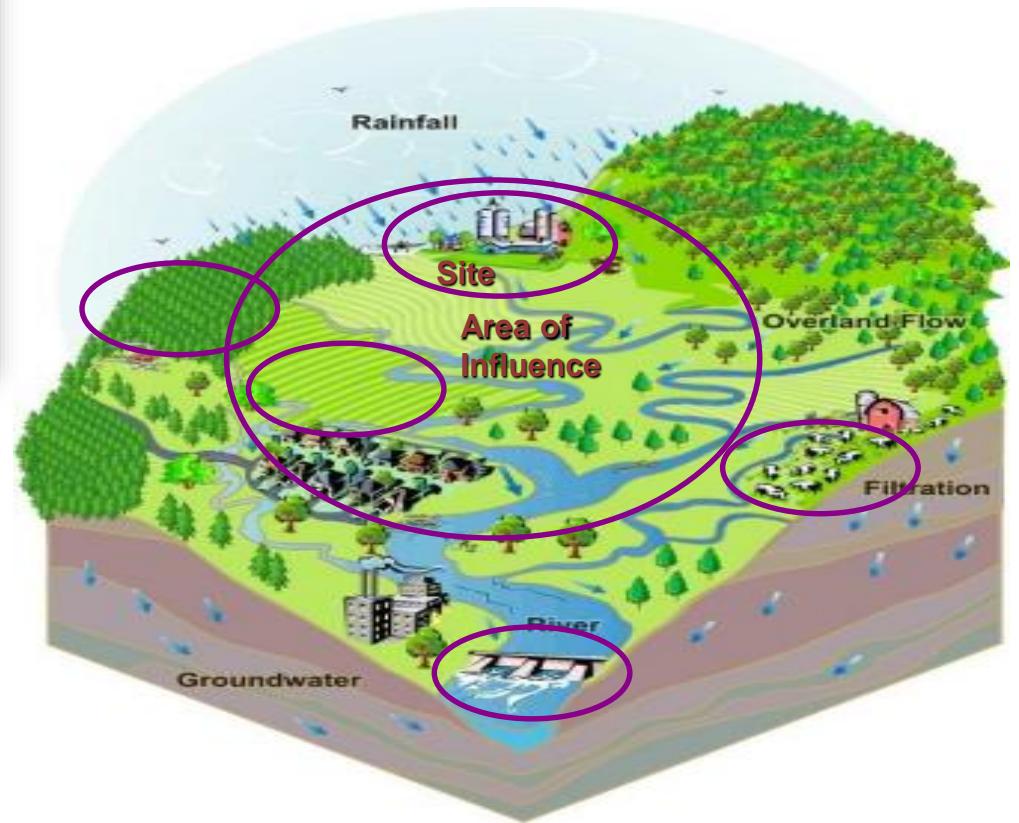


Source: Dalberg and EMPEA.


SMART MONEY




OR...



PULL: CORPORATE COMMITMENTS




All ▾ Search 


WALMART

OUR STORY | NEWS & VIEWS | BLOG | COMMUNITY GIVING | GLOBAL RESPONSIBILITY | INVESTOR RELATIONS

Home > Global Responsibility > Environmental Sustainability > Products > Sustainable Seafood



Global Responsibility
Global Responsibility Report
Environmental Sustainability
Energy
Waste
Products
Sustainable Agriculture
Sustainability Index
Sustainable Seafood
Fair Trade
U.S. Manufacturing
Women's Economic Empowerment
Hunger & Nutrition
Diversity & Inclusion
Veterans & Military Families
Responsible Sourcing

Sustainable Seafood

Working together to protect the world's oceans
Over the past 20 years, we've helped protect another 200 million pounds of fish from extinction.
Walmart U.S. sustainable seafood
2012, all unc









ABOUT US ▾ | BRANDS

✓ SUSTAINABLE LIVING
➤ SUSTAINABLE SOURCING
➤ OUR STRATEGY & FOOTPRINT
➤ TARGETS & PERFORMANCE
➤ SUSTAINABLE PALM OIL
➤ SUSTAINABLE PAPER & BOARD SOURCING
➤ SUSTAINABLE SOY & OILS
➤ SUSTAINABLE TEA
➤ SUSTAINABLE FRUIT & VEGETABLES
➤ SUSTAINABLE COCOA & SUGAR

TARGETS & PERFORMANCE
33  
36% OF AGRICULTURAL RAW MATERIALS SUSTAINABLY SOURCED
OUR COMMITMENT
By 2020 we will source 100% of our agricultural raw materials sustainably: 10% by 2010; 30% by 2012; 50% by 2015; 100% by 2020.
OUR PERFORMANCE
36% of our agricultural raw materials were sustainably sourced by the end of 2012. This exceeded our interim milestone of 30%, and marks a significant rise from 24% in 2011.
WHAT MATTERS MOST
For the Sustainable sourcing commitment we have three targets that are most material to us: Sustainable palm oil, Traceable palm oil and Paper and board. (M) indicates our most material targets.
✓ achieved: 1 ● on-plan: 15 ● off-plan: 1 % of target achieved: 0

5 Mar 2014 Last updated 18:52 EST A- A+



McDonald's sets 2016 deadline for 'Verified, Sustainable' beef supply
09 Jan 2014     



GLOBAL burger chain McDonald's has committed to begin purchasing "verified sustainable beef" during 2016, following a two-year establishment phase during which it will "listen, learn, and collaborate with stakeholders from farm to the front counter to develop sustainable beef solutions."

The company aligns the move with similar 'sustainable' supply chain adjustments it has made in areas like coffee, fish and packaging materials. The chosen definition of 'sustainable' clearly covers both environmental considerations, as well as animal welfare.

"Sixty years ago, McDonald's started out as a hamburger destination. Today, we offer a range of menu choices, but burgers remain some of our most iconic menu items. That's just one reason we want to do our

 **IFC** International Finance Corporation
WORLD BANK GROUP


PLATFORMS



BANK COMMITMENTS ON AGRICULTURE



Rabobank

HSBC



UBS



INVESTORS



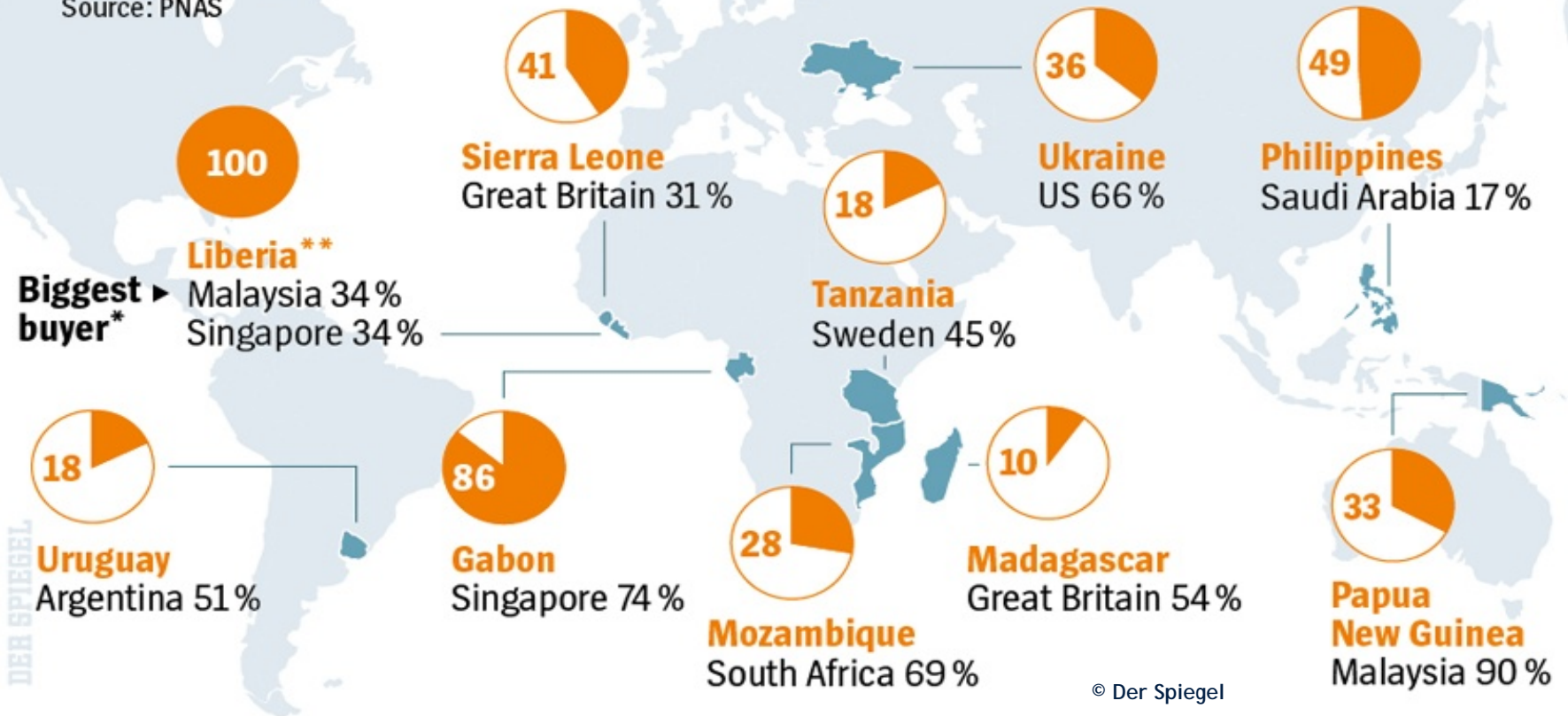
“LAND GRABBING”

Sold Farmland in percent of total cultivated land
state and private investors. 2012

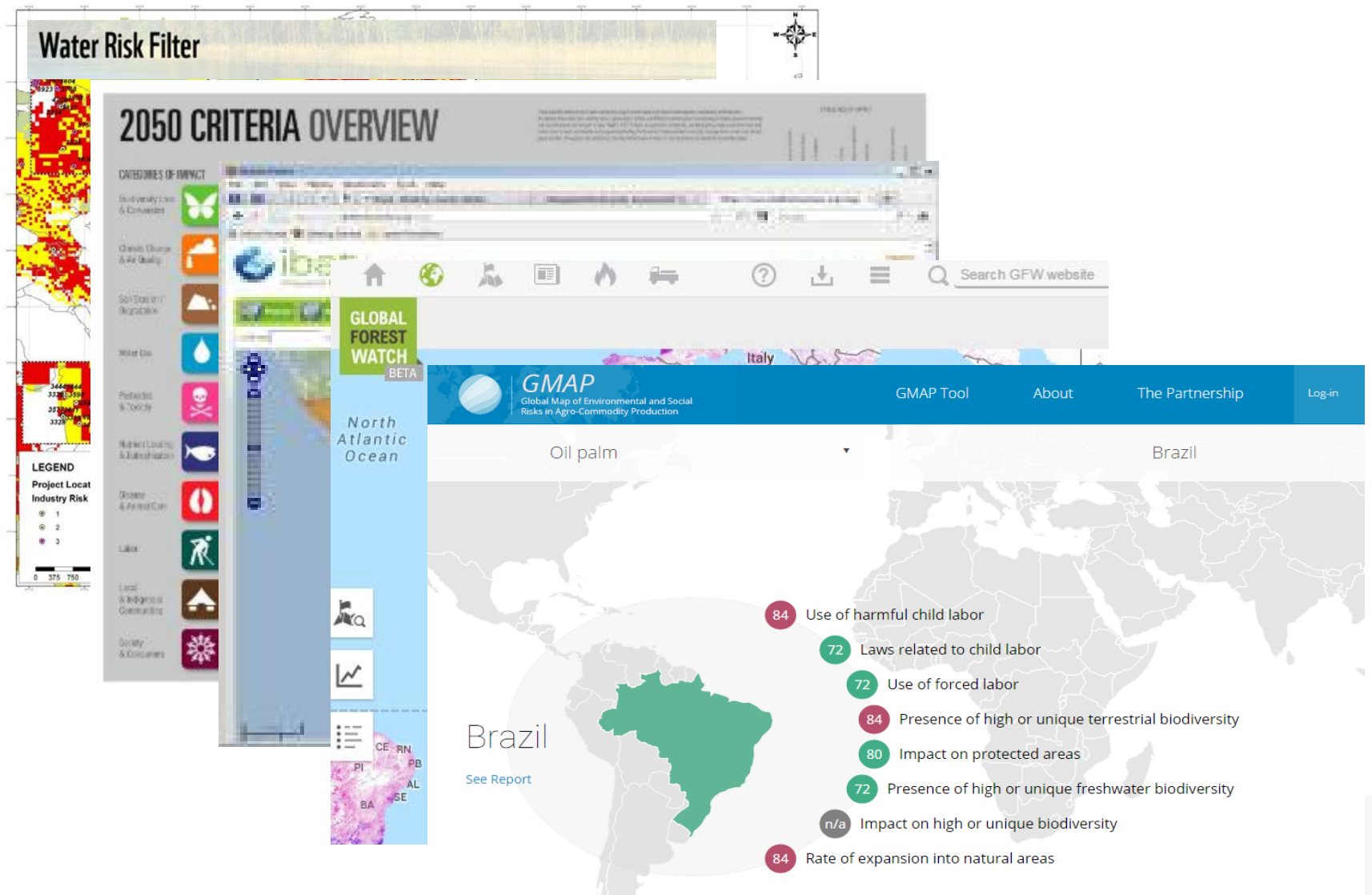
* share of all land sales

** plus additional land sales

Source: PNAS



TOOLS



CERTIFICATIONS



GLOBALG.A.P.



COLEACP



Vegaplan.be



Footer

Tesco Natures Choice



PRIVATE EQUITY AND EMERGING MARKETS AGRIBUSINESS

Building Value Through Sustainability



CREDIT SUISSE 

CDC

EMPEA 

 **IFC** | International
Finance Corporation
WORLD BANK GROUP



Q&A



STATE AND TRENDS OF PRIVATE EQUITY IN EMERGING MARKETS AGRIBUSINESS

Data Overview

Regional Spotlights

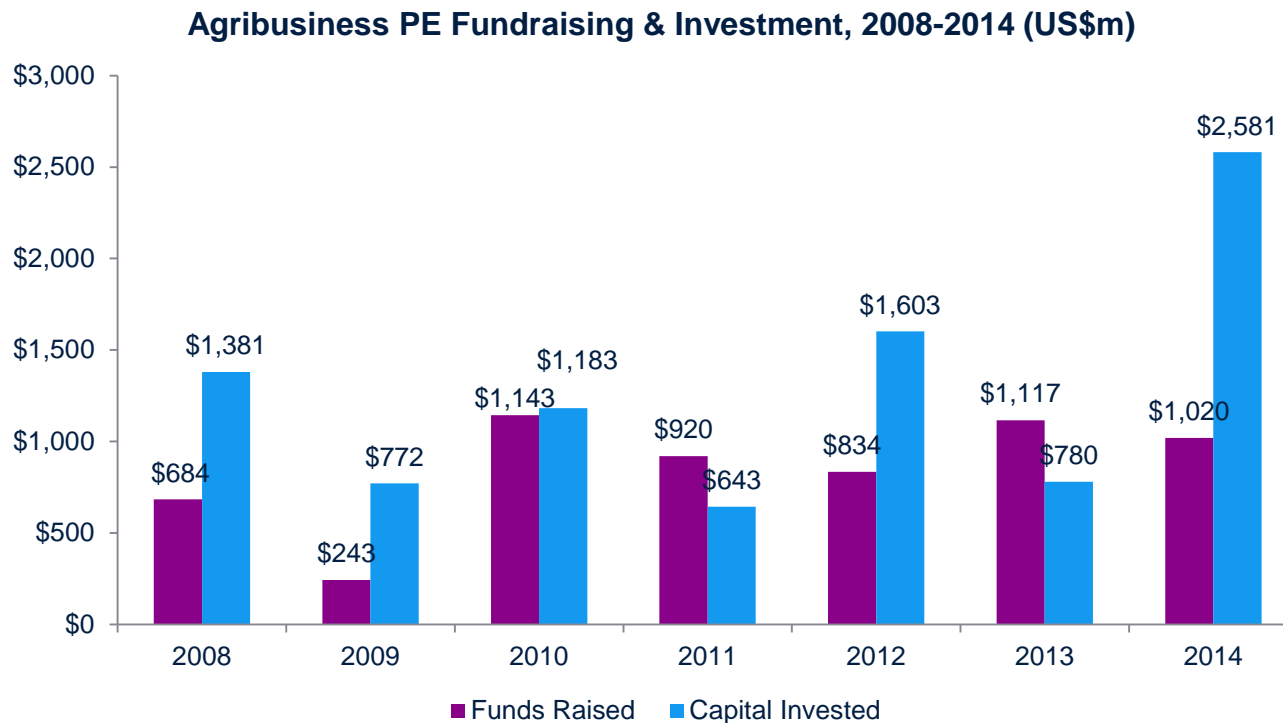
Future Outlook



DATA OVERVIEW



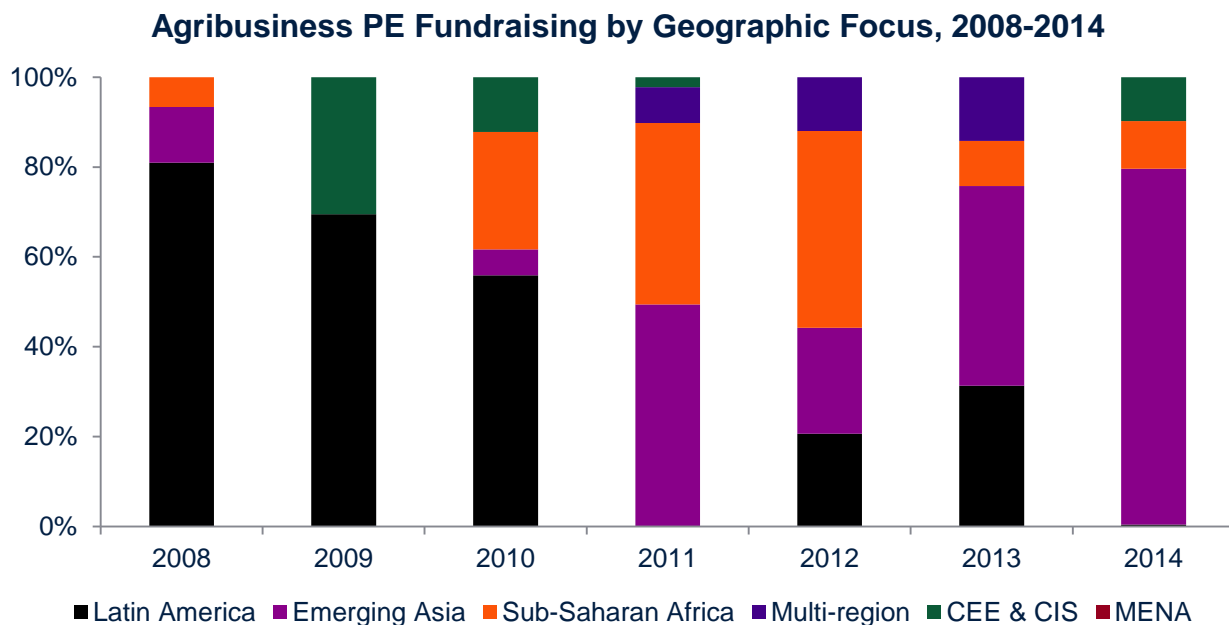
AGRIBUSINESS PRIVATE EQUITY REMAINS A NICHE STRATEGY IN EMERGING MARKETS



Scale in US\$ Millions.
Source: EMPEA.

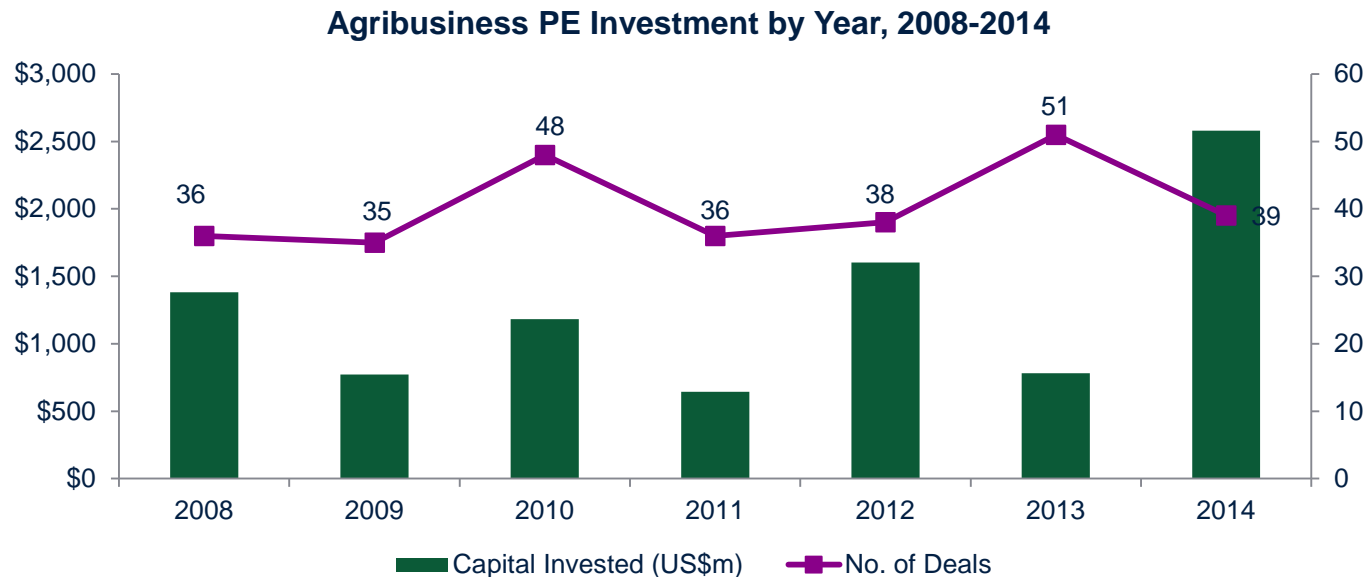


LATIN AMERICAN-FOCUSED FUNDS RAISED THE MOST CAPITAL FROM 2008-14, BUT THERE IS A SHIFT TOWARD EMERGING ASIAN AND SUB-SAHARAN AFRICAN VEHICLES



Scale: % of Total Capital Raised.
Source: EMPEA.

LARGE DEALS—BY GLOBAL FIRMS—IN EMERGING ASIA HAVE CONTRIBUTED TO AN INVESTMENT SURGE IN 2014



Scale: US\$ Millions / Number of Deals.
Source: EMPEA.



THE MAJORITY OF DEALS HAVE BEEN IN “FOOD PRODUCERS,” MEANING PRIMARILY PROCESSORS AND RETAILERS

Most Active Sectors for Agribusiness PE Investment, 2008-2014

	2008	2009	2010	2011	2012	2013	2014
Chemicals	2	2	3	3	2	5	2
Food & Drug Retailers			2	2		1	1
Food Producers	24	30	34	27	33	40	27
Forestry & Paper	9	2	3	1		2	
General Industrials			2	1		1	

Source: EMPEA.

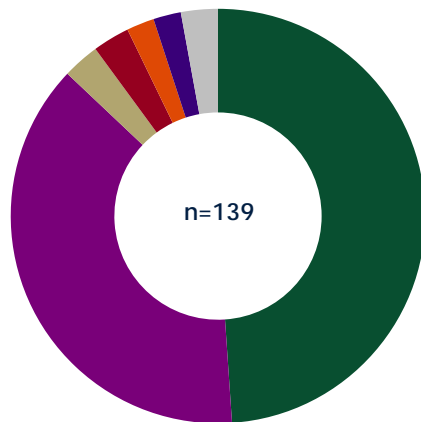
REGIONAL SPOTLIGHTS



EMERGING ASIA: CONCENTRATED BY COUNTRY BUT DIVERSE BY SECTOR

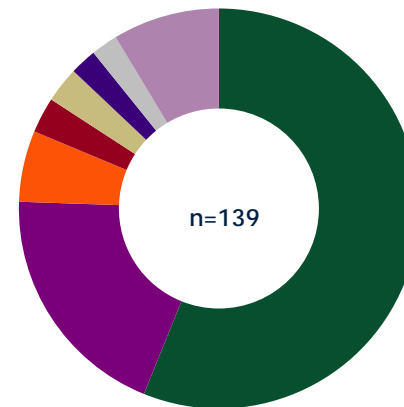
Emerging Asia Agribusiness PE Deals by Country and Sub-Sector, 2008-2014

By Country



■ China ■ India ■ Indonesia ■ Vietnam ■ Malaysia ■ Singapore ■ Other

By Sub-Sector



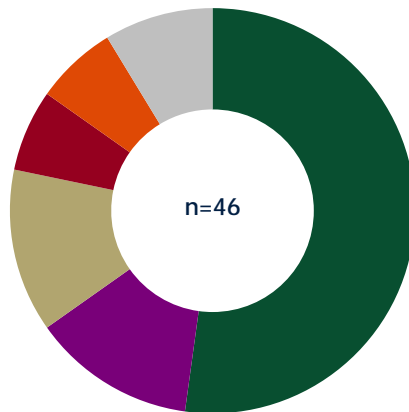
■ Farming, Fishing & Plantations ■ Food Products
■ Specialty Chemicals ■ Food Retailers & Wholesalers
■ Forestry ■ Commodity Chemicals
■ Diversified Industrials ■ Other

Source: EMPEA.

LATIN AMERICA: DIVERSE BY COUNTRY BUT CONCENTRATED BY SECTOR

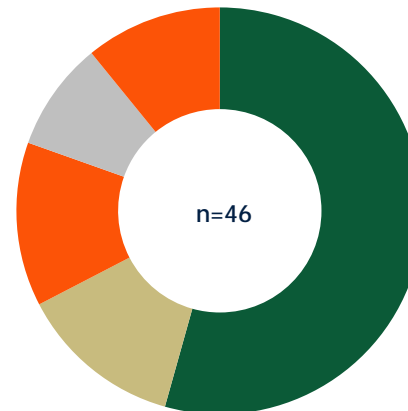
Latin America Agribusiness PE Deals by Country and Sub-Sector, 2008-2014

By Country



■ Brazil ■ Argentina ■ Chile ■ Colombia ■ Mexico ■ Other

By Sub-Sector



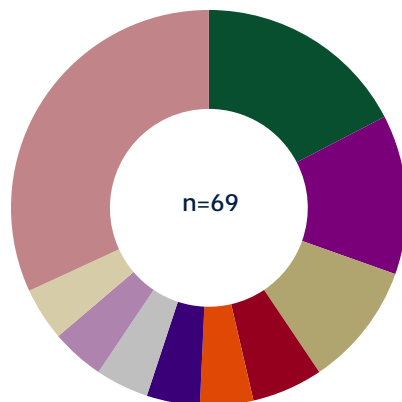
■ Farming, Fishing & Plantations ■ Food Products
■ Forestry ■ Specialty Chemicals
■ Other

Source: EMPEA.

SUB-SAHARAN AFRICA: DIVERSE BY COUNTRY AND SECTOR

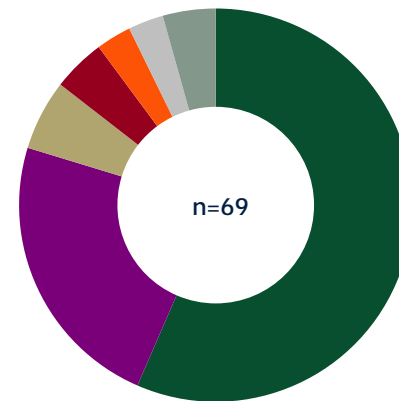
Sub-Saharan Africa Agribusiness PE Deals by Country and Sub-Sector, 2008-2014

By Country



■ South Africa ■ Kenya ■ Uganda ■ Madagascar ■ Cote d'Ivoire
■ Ethiopia ■ Nigeria ■ Tanzania ■ Zimbabwe ■ Other

By Sub-Sector



■ Farming, Fishing & Plantations ■ Food Products
■ Forestry ■ Specialty Chemicals
■ Food Retailers & Wholesalers ■ Soft Drinks
■ Other

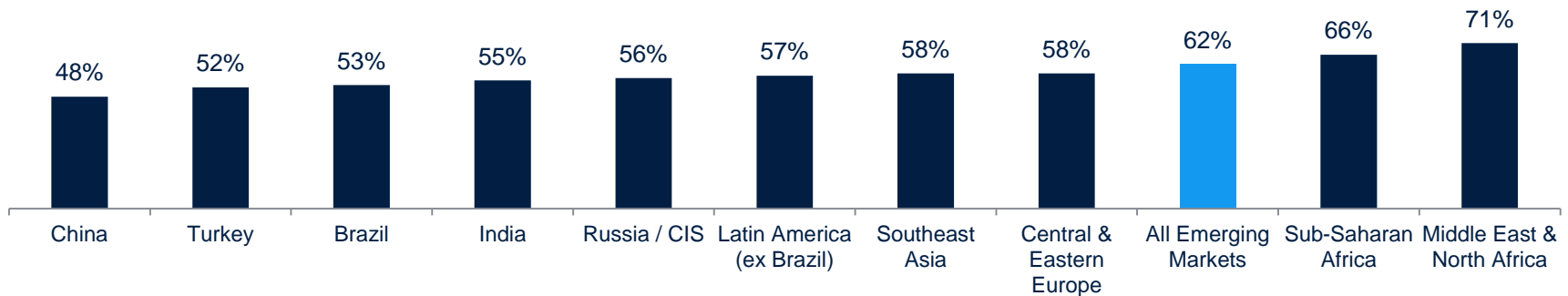
Source: EMPEA.

FUTURE OUTLOOK



NEARLY HALF OR MORE OF SURVEYED LPS ARE LOOKING TO BUILD EXPOSURE TO AGRIBUSINESS PE IN EACH EMERGING MARKET REGION

Percentage of LPs Looking to Build Exposure to Agribusiness PE Over the Next Two Years, by Region



Scale: % of Respondents. n=141.

Source: EMPEA 2015 Global Limited Partners Survey.



Q&A



ROADMAP FOR E&S RISK MANAGEMENT

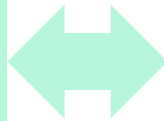


E&S ISSUES ARE MATERIAL

Getting E&S issues right is one of the key requirements to successful PE investment in emerging market agribusiness.

Risks from

- **Land**
- **Labour**
- **Water**
- **Agrochemical use**
- **Climate change**



Impacts on

- **Market access**
- **Capital raising**
- **Cost of production**
- **Labour productivity**
- **Product quality and volume**
- **Opex**



MANAGING E&S ASPECTS IS HARDER

- Boundaries, scope and leverage
- Interaction and increased complexity of issues
- Brown or Greenfield
- Cumulative and indirect issues
- Evolution over time

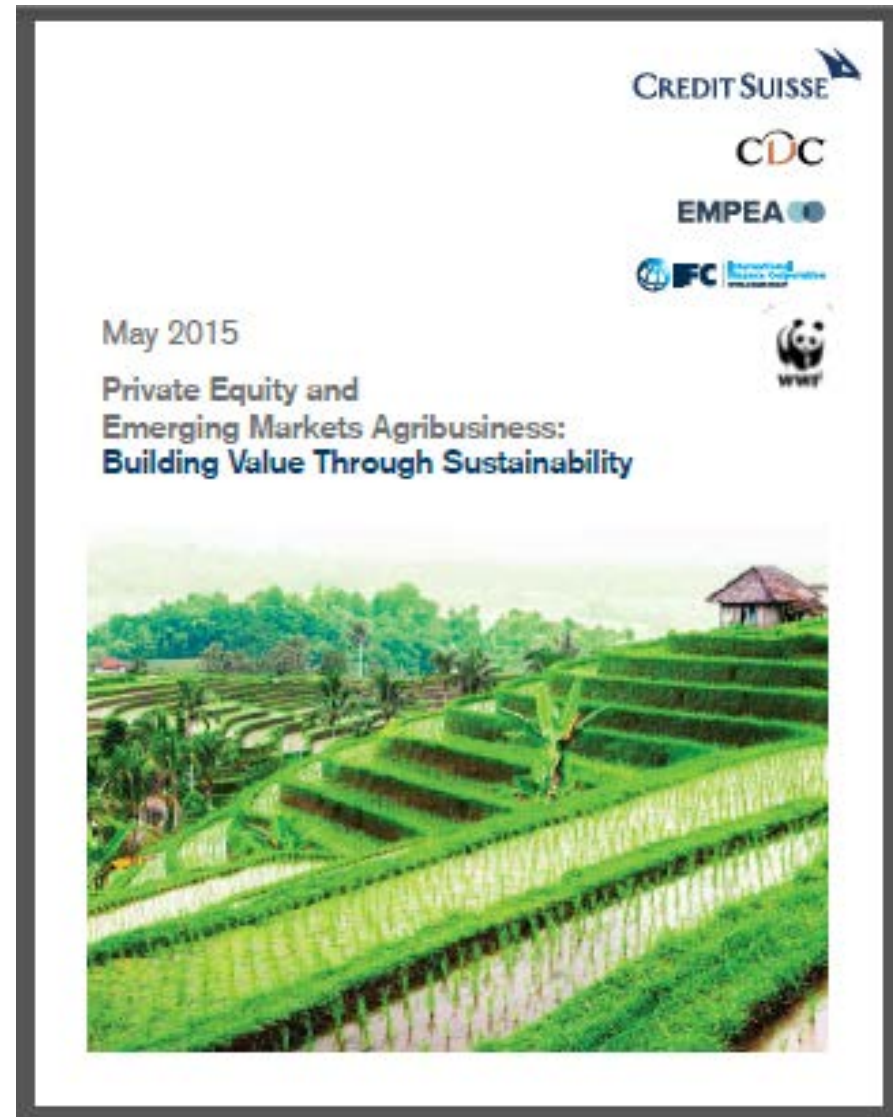


FINDING AND DELIVERING VALUE ADD

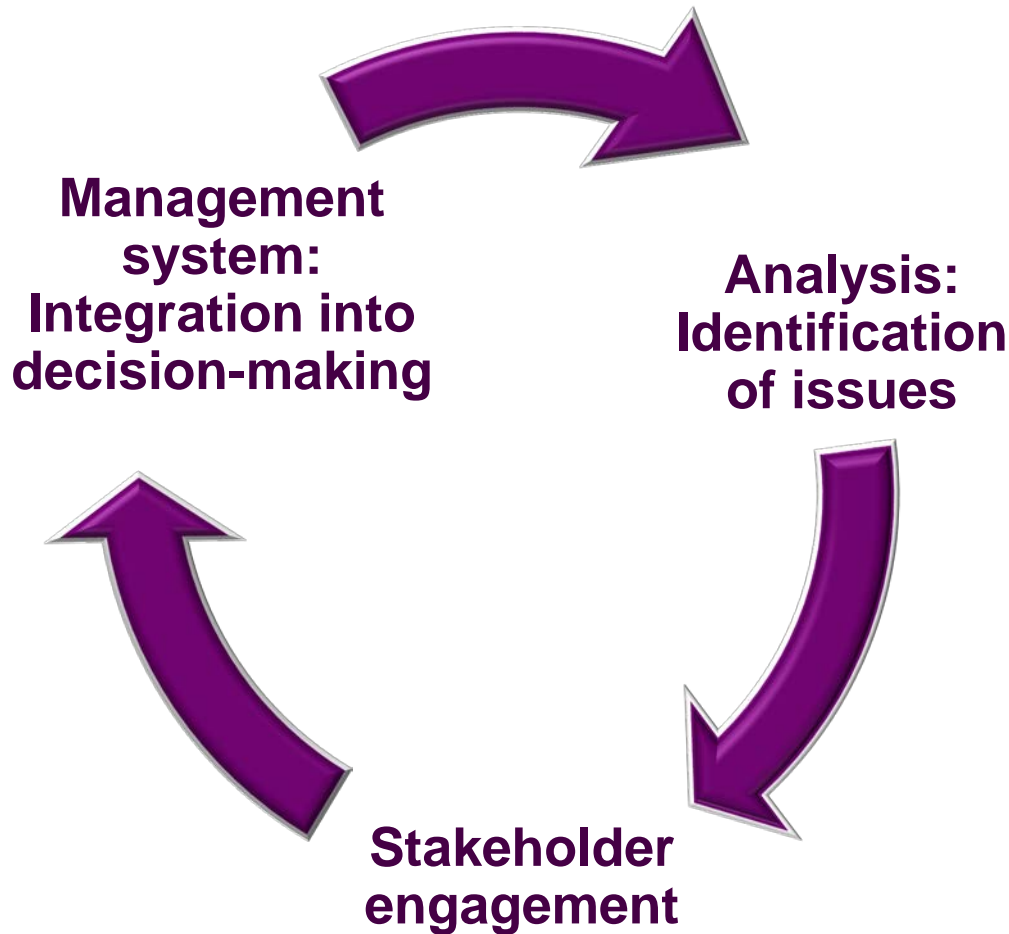
Lessons learned:

- Define your expectations and engage investees early
- Prioritise and accept that implementation may take time
- Ensure risks are managed as well as opportunities realised
- Build capacity and management systems as needed
- Leverage knowledge (of others)
- Tools and guidance (IFC projects and good practice / CDC ESG toolkit)
- Measure and report on performance – this should inform management practices

Poster



THE “MUST HAVES”



A MANAGEMENT SYSTEM

- Policy
- Identification of risks & impacts
- Management programs
- Organizational capacity & competency
- Grievance mechanism
- Monitoring and review

CERTIFICATION

Costs

- Price premium should not be assumed
- Reduced production area (HCV)
- Segregation of product
- Certification costs

- v -

Benefits

- **Increased access to capital, and some markets**
- **Better management of input and labour costs**
- **Staff motivation**
- **Community relations**
- **Supply chain traceability**



Q&A

