

Private investors and top Agro fund managers gathered at the **2010 Jetfin Agro conference** in Geneva's Kempinski Hote recently to learn more about the industry and debate agriculture investment issues. The busy programme began early in the morning with a macro overview of the agricultural sector by **SAI Platform's Peter-Erik Ywema**. He underlined the huge challenge we will be faced with feeding the global population over the decades to come. The Earth's population will reach approximately 9.07 billion by 2050, while available arable land will only increase by 10%. Furthermore, most food production systems are dependent on non-renewable fossil energy and climate change is likely to cause a decline in yields for most key crops (in Southern Asia, for example). The situation requires that we reconsider the way we deal with agricultural issues. There is still enormous potential to increase yields in developing countries. Agriculture has suffered from a lack of interest until just recently, and needs huge investments over the coming years. Fortunately, the momentum to take action seems to be growing; more and more players from the agribusiness industry have grasped the issues and started working together.

It appears that providing enough food for everybody while ensuring a sustainable development model will be humanity's greatest challenge in the 21st Century. "Don't miss the next green revolution", warned **Gaia Capital Advisors' (CH) John Coast Sullenger**, who highlighted the investment opportunities sustainable agriculture offered in different regions including China, Ukraine and Russia. Investors dealing with sustainable development must keep in mind that "bio-fuels will be the first product that has to be sacrificed" (supply/demand collision course) and that "strategy and timing are the multi-million dollar issues", according to **Paul Marland from LCI (Belgium)**.

Risk management is another very important issue for investors, according to **Mari Kooi from Wolf International**. She stated that, "The difference between a great manager and a good one is risk management" and insisted on the importance of a risk framework for market background. Kooi gave some examples with a professional matrix that her company designed.

Commodities have unique characteristics and agriculture offers ways to diversify investments. **Michel Tamisier from Elite Advisers (Luxembourg)**, which provides investment consulting in wine assets, spoke on the subject. Assets like wine can offer investors several advantages, considering that wine is a product that people are truly passionate about and tend to understand more easily.

After lunch, the program continued with a presentation of specific strategies according to regional parameters. What should potential investors know about the various risks and opportunities of farming in America, Australia, New Zealand, Africa and Europe?

Michael Whitehead of Macquarie Agricultural Funds Management (Australia) highlighted Australia's excellent economic conditions (ranked 8th strongest economy of the OECD) and its key position as "bread basket" for Asia and the Middle East. More than 60% of Australian beef production is destined for export. **Detlef Schoen of Aquila Capital Group (Germany)** described New Zealand in similar terms, citing its strong economy, excellent climate, geographical conditions and great political stability. Schoen declared that, "Market value of the

country's dairy farms is more than double the market capitalization of companies listed on the NZX", and added that "New Zealand's farmers are facing free market conditions as they receive almost no subsidies". This "pastoral farming paradise" offers sustainable competitive advantages due to its low cost production system. Last but not least, New Zealand's all-season, pastoral economy means that no costly indoor housing for animals is required there.

"Over the last 2 decades, Latin America's importance in world agriculture has increased significantly. We view Latin America, and Brazil in particular, as uniquely positioned to meet tomorrow's challenges and growing food demand", claims **HSBC Securities (USA)'s Pedro Herrera**, who is rather bullish when it comes to Latin America's agribusiness prospects. "Brazil has the potential to more than double its grain production area", he added, although "it remains heavily dependent on road and transportation costs". According to **Jan Pensaert, from Valiance Asset Management (UK/Brazil)**, Brazil has specific advantages that make it an "agricultural superpower". In addition to its good climatic conditions, ideal average altitude, and the possibility of owning land, Brazil has a strong, positive trade balance driven by agricultural exports and the significant rise of a strong, domestic consumer market. Brazil is the world's 6th most populous nation with 200 million people, is politically stable and expropriation taxes on agriculture are non-existent.

But **Olivier Combastet** from **Pergam Finance (Uruguay)** reminded conference participants that Brazil isn't the only country in South America to provide excellent agribusiness opportunities - Argentina and Uruguay are perfectly suitable as well. "Spread the risk", declared Mr. Combastet, insisting on the necessity of diversifying investments to reduce climatic and political risks. However, all the speakers did mention the need for a technological break-through in Latin America in order to significantly increase crop yields.

According to **Stephen Kenney** from **Hancock Agricultural Investment Group (USA)**, the US agribusiness offers excellent investment opportunities as well. Kenney affirmed that, "The US agricultural sector is strong and well positioned to benefit from global growth and dietary changes." He added that, "Strong crop yields reinforce the value of farmland and moderate debt levels are coupled with historically low debt ratios. There is great potential for more intensive and improved use of land" in the United States.

Getting back to European options, **Anton Khmelnitski** from **Elbrus Capital Investments (Ukraine)** and **Charles Vilgrain** from **Agrogeneration (France/Ukraine)** described the potential for agribusiness in Ukraine as highly promising. The average monthly wage in Ukraine is one of the lowest in Europe (although manual labourers are both skilled and experienced), and Ukraine's high natural yields and immense expanses of underexploited lands are also advantageous for investors. Large production units (former kolkhozes) result in low operating costs. The current moratorium on land sales in Ukraine will soon be abolished, according to Anton Khmelnitski, who said, "it is just a question of time". Although foreigners can only obtain short-term or long-term leases at this point in time, they will be free to acquire land in Ukraine once that restriction is eliminated. That said, legal procedures exist to protect lease-holders, who have first right of refusal and pre-emptive rights as well. Ukrainian land leases are well documented and registered in the nation's public land registry.

Africa was the last region presented at the Jetfin Conference. The African continent suffers from deep-rooted prejudices, as it has traditionally been considered an unreliable continent for business dealings. **Neil Crowder** from **Chayton Capital (UK)** demonstrated the huge gap that exists between long established prejudices and reality. In fact, the majority of Africa's national economies are thriving (the continent is expected to resume GDP growth above 5% during the

decade beginning in 2010) and risks related to inflation, corruption, property rights and potential conflicts are comparable to BRICS' own statistics. Neil Crowder affirmed that, "Africa is the next BRIC" adding that, "Africa has strong competitive advantages; only a small portion of arable land is being used for crop production, while parts of Africa have good access to water and many countries provide investment incentives. The input prices are very low and there are favourable supply/demand dynamics, not to mention the double-cropping possibility in the region's best areas". According to Mr. Crowder, the prime nations for developing agribusiness in Africa currently include Zambia, Botswana and Mozambique.

The final part of the conference concentrated on diversified investment strategies, including investment and allocation perspectives. **Craig Tashjian** from **Amerra Capital Management LLC (USA)** reminded participants about some general agribusiness specifics, principally that the sector is dominated by private companies and that transparency is limited in the industry. **Richard Davis** from **BlackRock Investment Management (UK)** explained why he prefers equities to commodities. "Agricultural equities and commodities can be correlated - but they can diverge from time to time. Commodity funds rely on rising commodities prices, while equity investments depend on improving farm income", he stated, adding that "equities can benefit even if commodity prices remain unchanged, while commodity prices are volatile".

François Gilliéron, from **Atlas Capital (Switzerland)** concluded the busy conference day by presenting investors with opportunities to invest in Swiss agribusiness. He went over the particularities of Switzerland's agribusiness sector stating that, "few retailers impose their conditions on the nation's numerous small, local producers. These producers are thus forced to take on all the climatic and price/volume risks while Coop, Migros, Manor, etc. work purely on a 'just in time' basis. Large distributors in Switzerland have completely abandoned working with local production entities, and therefore choose where to buy products without any restrictions thanks to European surpluses and nearly non-existent transportation costs". He described investing in Swiss agribusiness as "the ultimate 'out of the money' option game". Gilliéron went on to claim that, "It can be used as both a put option (in case of political crises, financial crashes, natural disasters, epidemics, etc.) or as a call option. Farm land remains the safest long term bet in town, a natural hedge against inflation and deflation". However, Swiss law requires that investors find a licensed Swiss farmer to work with in order to start doing business.

The **Jetfin Agro Conference** ended at Geneva's trendy "**Riverside Café**", where speakers and attendees gathered to network and exchange views in a more casual atmosphere.