

F L Y O N T H E W A L L

Growing impact and returns: The opportunity of agricultural infrastructure



How can investors drive substantial returns while prioritizing impact? According to these CEOs, there is a significant opportunity in agricultural infrastructure and businesses supporting the sustainable production and management of natural resources

In this roundtable discussion, Daniel Perruzza, a partner at Instar Asset Management, speaks with Clay Taylor, CEO of Greenwood Mushrooms Development, a premier controlled environment agricultural producer of mushrooms, and Randy Fournier, CEO of PRT Growing Services, a North American producer of container-grown forest seedlings (pictured from left), about emerging trends and opportunities for investors in agricultural infrastructure.

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Daniel Perruzza: As concerns around growing populations, increasing urbanization and fewer natural resources intensify, agriculture is becoming an increasingly popular investment class for individuals and businesses looking for substantial returns while prioritizing impact. High-level trends such as

technological advancements and pandemics continue to shape the agricultural landscape, creating a dynamic opportunity for investors to support the sector's sustainability, resilience and ability to meet growing global demands.

Randy, Clay, as leaders in vastly different agricultural fields, how would you define agricultural infrastructure? Where do you see the main opportunities in this sector and how do you



Growing for the future

DP: As trends in technology, sustainability and urbanization have emerged and evolved, how has investor interest changed? How has this impacted your business?

CT: We have seen a much greater interest in agriculture over the last several years. I think people now view agriculture as a huge opportunity. In terms of operators of agricultural businesses, it gives us assurance we will receive funding to support continued growth. These partnerships are going to be critical in maintaining the bottom line as we invest in science and technology. We are removing the ‘art’ from farming and turning it into a science to ensure it delivers more consistent, predictable outcomes.

This consistency can guide us as we move forward with our investments. When we look at investor involvement in the business, it brings a new skill set to agriculture that we haven’t experienced in the past. Access to these special skill sets is imperative to help develop businesses as more regulatory and environmental challenges arise. We also require guidance and support from the investment community on growing businesses when moving outside the traditional areas of farming.

RF: I think our biggest challenge will be ensuring we are ready to adapt and pivot to meet future challenges as they come, whether they relate to land, labor or environment. While our industry may not be replaced by competing technology, we do have to be more forward-thinking.

When I look at future opportunities from an investor perspective, I think the predictability and consistency of returns for our product will only improve. Our products are generational purchases. We take a seedling and transform it from an item that we sell to an item that we help thrive over time. It represents an ongoing, long-term opportunity.

leverage them in each of your businesses?

Randy Fournier: For forestry and arable land, I think of agriculture infrastructure as systems supporting the inhabitable viability of the planet. In our industry, the processes we implement in and around our greenhouses and fixed production assets are infrastructure systems acting as accelerators for the Earth’s natural growth. While a forest cycling through natural regeneration over 20, 30 or 100 years may have met demand in the past, climate change, urbanization and increasing populations have shifted the balance.

Our systems allow the land to go through the same natural process much faster, establishing species and the best use of the land with more immediacy. Agricultural infrastructure provides us with the support to efficiently regenerate forest ecosystems, allowing us to not only maintain but to strengthen their biodiversity.

Clay Taylor: When you look at food production over the last 45 years, we’ve seen a substantial decrease in the number of farms feeding Canadians. At the same time, our country has experienced huge population growth. This dichotomy places additional strain on our existing infrastructure, leading to critical issues with irrigation, water availability and energy use.

Leveraging new technologies, we are able to adapt to this new environment. We incorporate controlled agricultural facilities to support local production and food security. We embrace automation and genetics to develop more productive seeds and plants. We actively seek out future technological advancements, such as vertical farming, which allows us to effectively manage our carbon footprint, avoid rural land use and navigate increasing land costs. The agriculture, in our case mushrooms, remains the same, but with the support of high-quality infrastructure

we can adapt and remain relevant long into the future.

Generating more from less

DP: You both touched on scarcity of value, whether that is in terms of land, water or another input. With these strong barriers to entry, could you touch on why this represents such an attractive opportunity to investors?

CT: For businesses like Greenwood, it is our precision agriculture. We've implemented vertical and indoor farming systems, working within a completely controlled climate, and exploring new, innovative processes such as precision irrigation. These technologically advanced developments create a very interesting opportunity for investors as they demonstrate strong, continued growth into the future.

Another differentiator can be found in our early-stage approach to delivering pesticide-free products to approximately 170 million consumers. To serve this sizable consumer base sustainably, our growing system utilizes agricultural waste products, repurposing them into a valuable growing medium for mushrooms. That's pretty unique.

RF: As an investor, reforestation businesses provide a high, long-term demand for our products. Despite the global focus on sustainability and the technological advancements made in the past decades, trees are still the most scientifically proven and cost-effective vehicle for sequestering carbon. Science and technology have yet to catch up with Mother Nature in that regard.

In addition, our customer base is primarily comprised of companies leveraging wood as a traditional, renewable natural resource for development. As companies increasingly look to reduce their carbon footprint, wood provides an attractive alternative to steel and concrete, both of which account for a significant amount of CO₂ emissions.

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DANIEL PERRUZZA
Instar Asset Management

"We're seeing competition for some inexpensive inputs such as land application and fertilizer replacement"

CLAY TAYLOR
Greenwood Mushrooms
Development

Changing with the times

DP: The pandemic has created greater demand for the localization of supply chains and automation. How do you see some of those trends impacting the agricultural landscape?

RF: From PRT's perspective, there are two major trends worth discussing. The first is the shift in focus from 'what' companies are doing to 'how' they are doing it. How can we responsibly take agriculture into the next millennium? Particularly as we face new challenges around supply chains and input intensity, we will likely see increased scrutiny on the agriculture sector, both from governments and the communities we serve.

The second trend is to do with our industry's reliance on manual labor. What happens when that method is no longer available or sufficient? The pandemic has accelerated this challenge by five to 10 years, and it will be interesting to see how the industry evolves to keep pace.

CT: On our side, we're seeing competition for some inexpensive inputs such as land application and fertilizer replacement. Over the last decade, the challenges we have faced have mainly involved labor.

About eight years ago, we began looking into options and alternatives to motivate some engineering and equipment manufacturing firms to explore the development of robotic assistance in terms of harvesting technology to alleviate the labor issues we've experienced.

This technological assistance will also have a positive effect on the cost of production. More recently, we've noticed consumers tend to pass by the produce section as a result of our current economic environment. With stricter consumer spending, we're focused on curbing the cost of production and maintaining a price point at retail, fueling the demand for our products. ■