

Content Includes:

Preqin Special Report: Agriculture

September 2016

Fundraising

Agriculture funds have experienced two consecutive years of strong fundraising.

Fund Managers

Almost two-thirds of agriculture fund managers are based in North America or Europe.

Assets under Management

AUM of unlisted agriculture funds now tops \$22bn.

Investors

Public pension funds represent the largest proportion of institutional investors in agriculture.





Foreword

Agriculture has attracted greater levels of interest from institutional investors in recent years, as they seek to diversify their portfolios and position themselves to take advantage of growing demand for food arising from global population growth and increased consumption by the emerging middle classes in developing countries. A number of investors have sought to gain access to the sector through investment in farmland, agricultural businesses or companies looking to generate innovative technological solutions to agricultural problems (otherwise known as AgTech). In this report, we take a look at the growing market of unlisted funds providing investors with access to the sector, fundraising, assets under management (AUM) and institutional investor interest.

Over 100 unlisted agriculture/farmland-focused funds have closed since 2006, raising approximately \$22bn in aggregate capital. Fundraising has been particularly strong recently: 10 funds closed in 2015 securing an aggregate \$3.9bn in investor capital, close to the record \$4.0bn in 2014. As a result, AUM currently stands at \$22.2bn, and dry powder increased significantly from \$1.3bn in 2006 to \$9.3bn in 2014, before falling slightly to \$7.8bn in December 2015 as fund managers put capital to work.

Developments have not been solely positive for the agriculture/farmland managers; these managers have set ambitious targets for fundraising and have tended to come in below target in recent years. Nevertheless, there remains a strong pipeline of funds coming to market, with 48 vehicles targeting \$12.9bn, and investors continue to express an interest in the sector, with 26% of natural resources investors tracked by Preqin investing in agriculture/farmland.

Preqin's **Natural Resources Online** database is an essential source of data and intelligence on the unlisted natural resources fund industry, covering agriculture/farmland, energy, metals & mining, timberland and water. To find out more about this and Preqin's other services, please visit www.preqin.com or contact us at info@preqin.com.

Key Facts



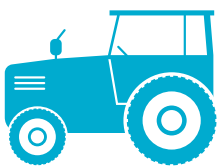
\$3.9bn

Capital raised by the 10 agriculture/farmland-focused funds closed in 2015, close to the record \$4.0bn in 2014.



90%

Proportion of investors in agriculture/farmland that are open to land-owner-focused opportunities.



\$22.2bn

Assets under management (AUM) of agriculture/farmland-focused funds as at 31 December 2015.



67%

Proportion of investors with a preference for agriculture/farmland funds that would invest in AgTech.

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Fundraising

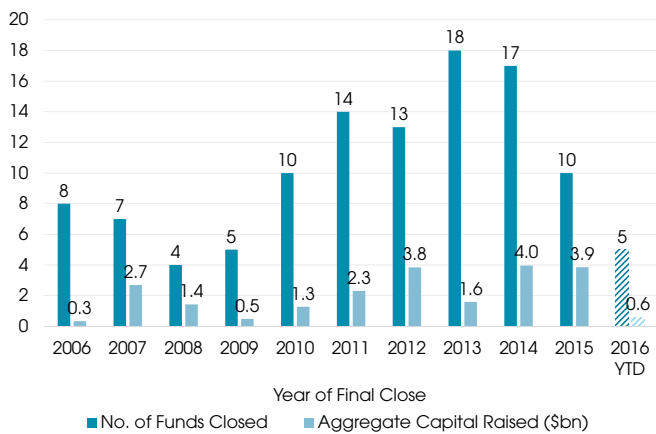
Preqin's **Natural Resources Online** tracks over 100 unlisted agriculture/farmland-focused funds closed since 2006, which have raised just over \$22bn in aggregate capital. The highest number of funds closed was in 2013, when 18 funds secured \$1.6bn, although the annual capital raised peaked the following year, when 17 funds raised \$4.0bn (Fig. 1). Agriculture/farmland fundraising as a proportion of all natural resources fundraising peaked at 7.4% in both 2007 and 2012, and stood at 5.4% in 2015 (Fig. 2).

A substantial proportion of agriculture/farmland investment is directed towards North America. Among the 77 agriculture/farmland-focused funds closed since 2011, 25 funds with a primary focus on North America have raised \$5.7bn, or 35% of total capital raised (Fig. 3). Significant sums were also raised by diversified multi-regional funds, which seek to spread crop and investment risk by investing across multiple geographies: seven funds raised \$4.4bn. Outside North America, the largest sums of capital have been raised by funds with a primary

focus on Asia (\$1.8bn) and Australasia (\$1.2bn).

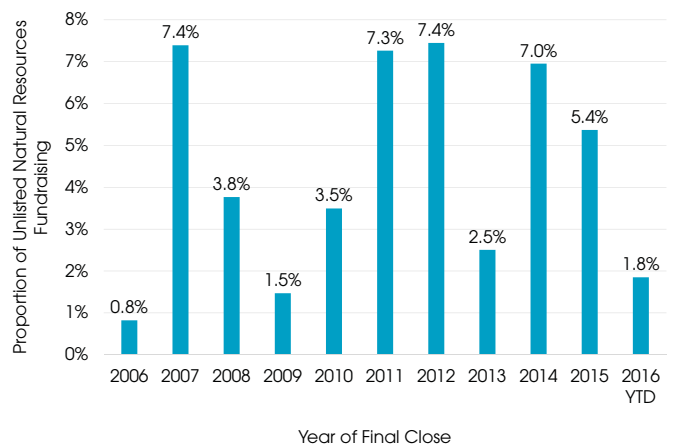
As the sector is still relatively new and growing, fund managers are having difficulty attracting institutional capital; agriculture/farmland-focused funds have typically closed below their initial fundraising target in recent years, with the average fund closed in 2012 securing 77% of its target, rising to 98% in 2015 (Fig. 4). Nevertheless, some funds have been oversubscribed and closed significantly above target:

Fig. 1: Annual Unlisted Agriculture/Farmland-Focused Fundraising, 2006 - 2016 YTD (As at 20 July 2016)



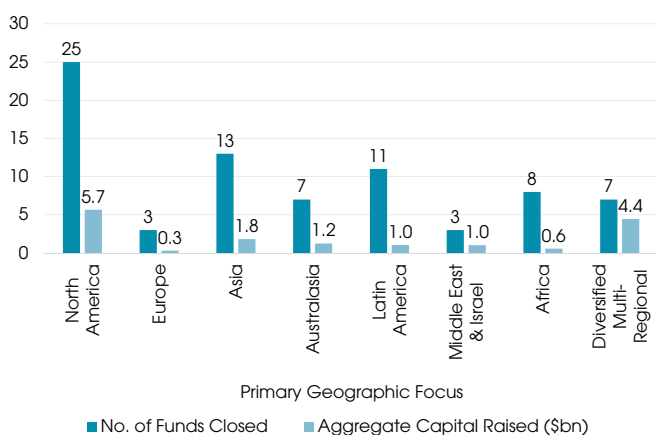
Source: Preqin Natural Resources Online

Fig. 2: Unlisted Agriculture/Farmland-Focused Fundraising as a Proportion of All Natural Resources Fundraising, 2006 - 2016 YTD (As at 20 July 2016)



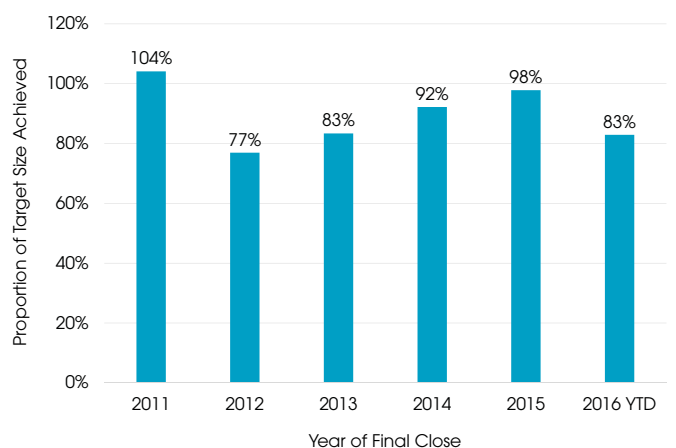
Source: Preqin Natural Resources Online

Fig. 3: Unlisted Agriculture/Farmland-Focused Fundraising by Primary Geographic Focus, 2011 - 2016 YTD (As at 20 July 2016)



Source: Preqin Natural Resources Online

Fig. 4: Average Proportion of Target Size Achieved by Unlisted Agriculture/Farmland-Focused Funds, 2011 - 2016 YTD (As at 20 July 2016)



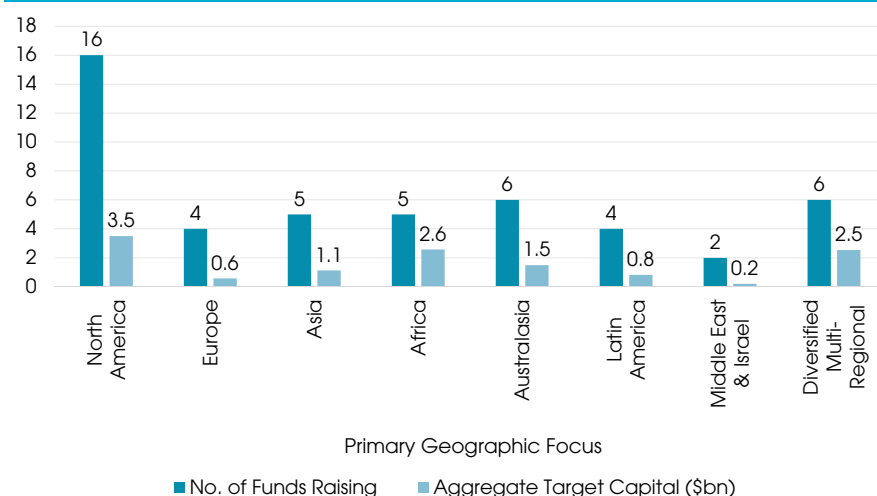
Source: Preqin Natural Resources Online



TIAA Asset Management raised \$3bn for TIAA-CREF Global Agriculture II in July 2015, exceeding its initial \$2.5bn target. The fund will invest in high-quality farmland across multiple crops and regions, including the US, Australia, Brazil, Chile and New Zealand. This made it the largest agriculture/farmland fund closed in the last 10 years, ahead of its predecessor fund, TIAA-CREF Global Agriculture, which closed in May 2012 on \$2bn (Fig. 6).

Fundraising has slowed in 2016 so far, with five funds raising approximately \$0.6bn in aggregate capital. However, the pipeline for agriculture/farmland-focused funds is strong, with 48 funds in market, targeting \$12.8bn in aggregate capital (Fig. 5). Sixteen of these primarily focus on North America, targeting \$3.5bn in aggregate capital. Outside North America, the largest amount of capital is being sought for Africa, with five funds targeting \$2.6bn.

Fig. 5: Unlisted Agriculture/Farmland-Focused Funds in Market by Primary Geographic Focus (As at 20 July 2016)



Source: Preqin Natural Resources Online

Fig. 6: 10 Largest Unlisted Agriculture/Farmland-Focused Funds Closed since 2006 (As at 20 July 2016)

Fund	Firm	Headquarters	Fund Size (mn)	Final Close Date	Geographic Focus
TIAA-CREF Global Agriculture II	TIAA Asset Management	US	3,000 USD	Jul-15	Global
TIAA-CREF Global Agriculture	TIAA Asset Management	US	2,000 USD	May-12	Global
NCH Agribusiness Partners	NCH Capital	US	1,205 USD	Dec-07	Central & East Europe
Paine & Partners Capital Fund III	Paine & Partners	US	1,204 USD	Apr-07	Global
Altima One World Agriculture Development Fund	Altima Partners	UK	756 EUR	Nov-08	Global
Mahaseel Agricultural Investment Fund	Kenana Agriculture	Sudan	1,000 USD	Nov-12	MENA
Paine & Partners Capital Fund IV	Paine & Partners	US	893 USD	Dec-14	Global
Macquarie Pastoral Fund	Macquarie Infrastructure and Real Assets (MIRA)	UK	700 AUD	Apr-11	Australia
Black River Food Fund 2	Proterra Investment Partners	US	700 USD	Nov-14	Emerging Markets
AMERRA Agri Fund II	AMERRA	US	535 USD	Jan-13	North America, Latin America

Source: Preqin Natural Resources Online

Fig. 7: Notable Unlisted Agriculture/Farmland-Focused Funds in Market (As at 20 July 2016)

Fund	Firm	Headquarters	Target Size (mn)	Geographic Focus
U.S. Farming Realty Trust III	International Farming Corporation	US	1,000 USD	US
Danish Agribusiness Fund	IFU	Denmark	6,000 DKK	Global
CITIC Modern Agricultural Industrial Investment Fund	Guangdong Haid Group	China	5,000 CNY	Asia
AMERRA Agri Fund III	AMERRA	US	750 USD	North America, Latin America
Food and Agriculture Fund	ICD Asset Management	Saudi Arabia	600 USD	Global
Laguna Bay Agricultural Fund I	Laguna Bay Pastoral Company	Australia	750 AUD	Australasia
AMERRA Agri PE Fund	AMERRA	US	500 USD	Global
Brookfield Agricultural Fund II	Brookfield Asset Management	Canada	500 USD	Brazil
TIAA Agribusiness Fund I	TIAA Asset Management	US	500 USD	Global
ACM Permanent Crops Fund II	Equilibrium Capital Group	US	400 USD	US

Source: Preqin Natural Resources Online

Fund Managers

While many agriculture/farmland-focused funds have a broader geographical remit than other private equity vehicles, due to the availability of agricultural opportunities, fund managers running these vehicles continue to be concentrated in the developed markets of North America (38% of managers) and Europe (26%, Fig. 8).

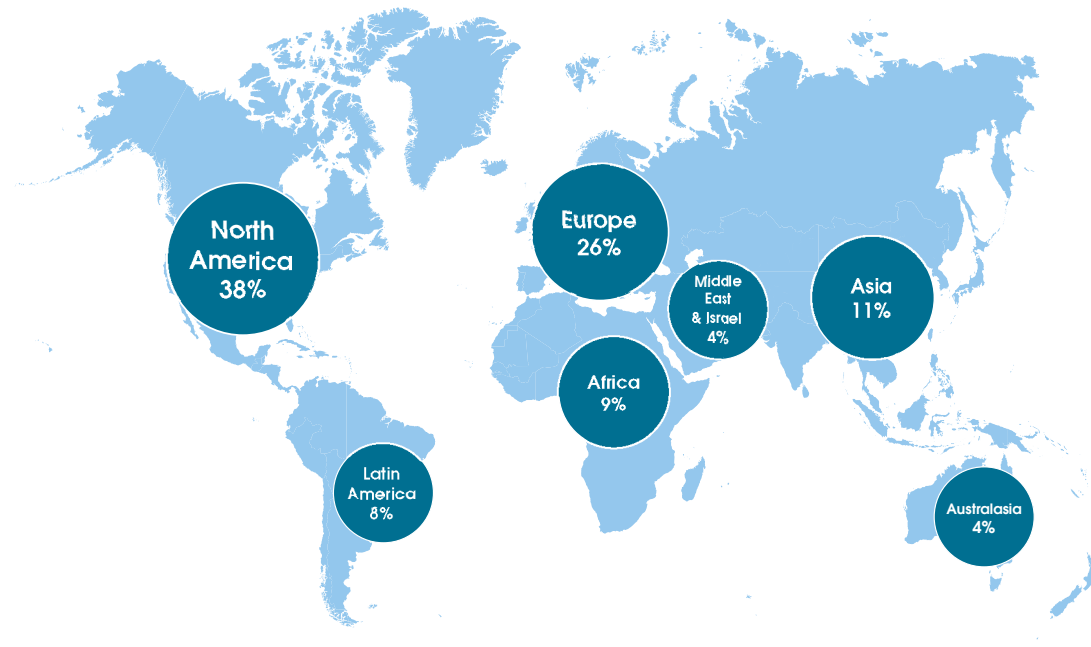
The largest fund manager by capital raised for unlisted agriculture/farmland funds in the last 10 years is TIAA Asset Management, the asset management arm of the Teachers Insurance and Annuity Association, which has secured \$5bn for two funds investing in farmland, including \$3bn for TIAA-CREF Global Agriculture II, the largest agriculture/farmland-focused fund closed to date (Fig. 9).

Data Source:

Natural Resources Online contains detailed information on more than 180 fund managers with exposure to agriculture/farmland investment.

www.preqin.com/nro

Fig. 8: Natural Resources Fund Managers that Invest in Agriculture/Farmland by Region



Source: Preqin Natural Resources Online

Fig. 9: 10 Largest Fund Managers by Aggregate Capital Raised for Unlisted Agriculture/Farmland Funds in the Last 10 Years

Firm	Headquarters	Total Funds Raised in Last 10 Years (\$bn)	No. of Funds Raised in Last 10 Years	No. of Funds Currently in Market
TIAA Asset Management	US	5.0	2	1
Paine & Partners	US	2.1	2	0
Proterra Investment Partners	US	1.9	5	0
Macquarie Infrastructure and Real Assets (MIRA)	UK	1.2	2	0
NCH Capital	US	1.2	1	0
Altima Partners	UK	1.0	1	0
Kenana Agriculture	Sudan	1.0	1	0
AMERRA	US	0.6	2	2
BRZ Investimentos	Brazil	0.5	1	0
Blue Road Capital	US	0.4	1	0

Source: Preqin Natural Resources Online

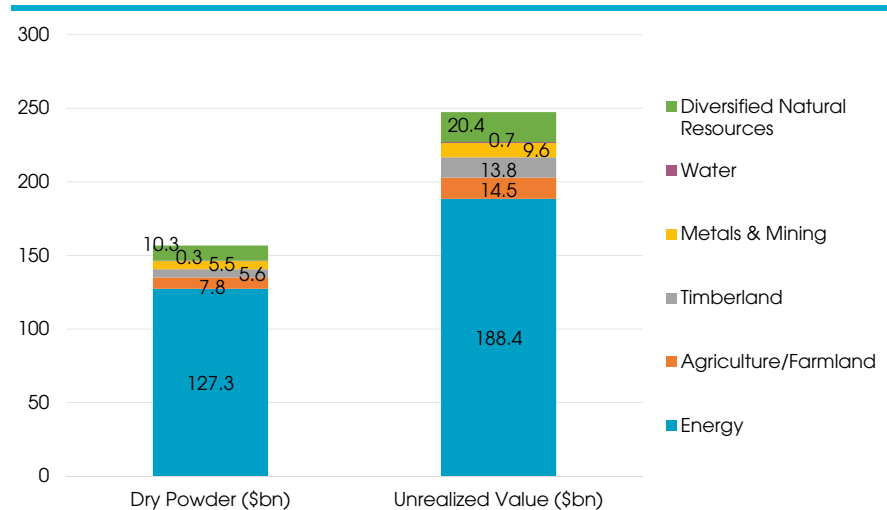


Assets under Management and Performance

Agriculture/farmland assets under management (AUM), which includes capital committed but not yet called up (dry powder) and unrealized portfolio value, stood at \$22.2bn as of December 2015 (Fig. 10). This represents 6% of overall natural resources AUM, which is dominated by energy-focused funds (78%).

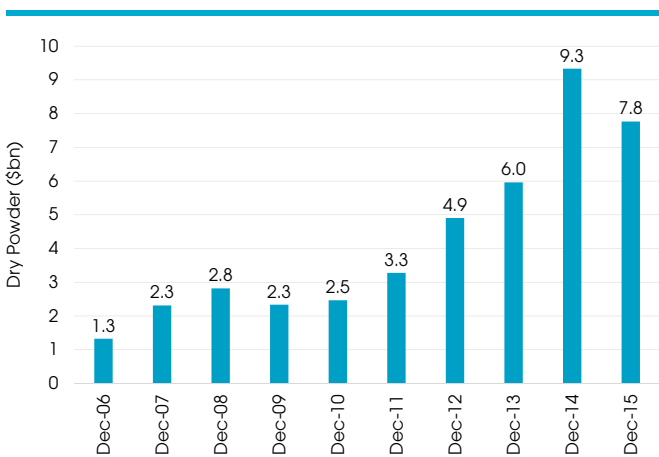
Agriculture/farmland-focused dry powder increased significantly from \$1.3bn at the end of 2006 to \$9.3bn by the end of 2014 (Fig. 11). This declined over the following year to \$7.8bn as fund managers found attractive opportunities to put capital to work. This was particularly prominent among North America-focused funds, for which dry powder fell from \$3.6bn in December 2014 to \$2.6bn in December 2015 (Fig. 12). Meanwhile, dry powder focused outside North America, Europe and Asia, which had increased from \$2.3bn in December 2013 to \$4.4bn in December 2014, fell to \$4.0bn by the end of 2015.

Fig. 10: Unlisted Natural Resources Assets under Management by Primary Strategy (As at 31 December 2015)



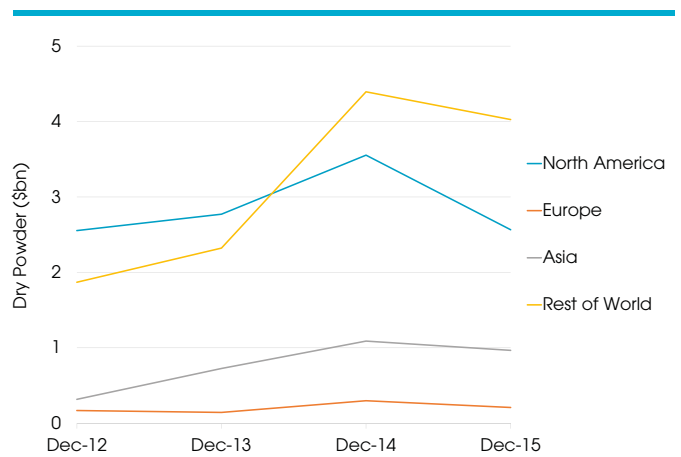
Source: Preqin Natural Resources Online

Fig. 11: Unlisted Agriculture/Farmland-Focused Dry Powder, December 2006 - December 2015



Source: Preqin Natural Resources Online

Fig. 12: Unlisted Agriculture/Farmland-Focused Dry Powder by Primary Geographic Focus, December 2012 - December 2015



Source: Preqin Natural Resources Online

Fig. 13: Notable Unlisted Agriculture/Farmland-Focused Fund Performance

Fund	Firm	Vintage	Fund Size (mn)	Geographic Focus	Net IRR (%)	Date Reported
Ag Real Value Fund	Teays River Investments	2010	478 USD	US	15.6	Dec-15
Bonnefield Canadian Farmland I	Bonnefield Financial	2010	31 CAD	Canada	14.5	Dec-14
Bonnefield Canadian Farmland II	Bonnefield Financial	2013	27 CAD	Canada	11.7	Dec-14
Black River Capital Partners Fund (Food)	Proterra Investment Partners	2011	455 USD	Emerging Markets	9.0	Dec-15
Avrio Ventures II	Avrio Ventures	2011	91 CAD	North America	9.0	Sep-15

Source: Preqin Natural Resources Online



Investors

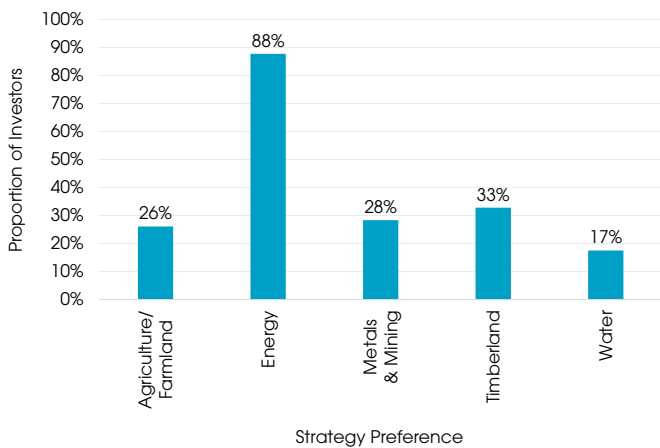
Preqin's **Natural Resources Online** tracks over 2,000 investors in natural resources, with over a quarter (26%) of these investors expressing a preference for investing in agriculture/farmland (Fig. 14). The largest proportion (20%) of institutional investors in agriculture are public pension funds, followed by endowment plans (14%), foundations (12%) and private sector pension funds (12%, Fig. 15).

Investors are most likely to allocate to agriculture/farmland investments from their real assets (37% of investors), natural resources (16%) or private equity allocations (16%, Fig. 16). Only 6% of investors have a separate allocation to agriculture/farmland.

Among investors that expressed a preference for the type of business model they would take through their investments, 90% would be open to

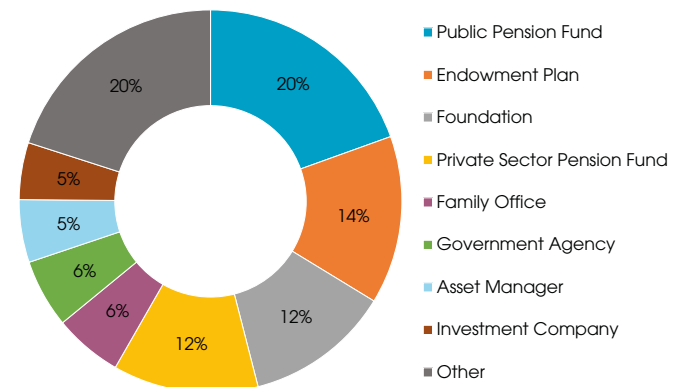
a land owner approach, 85% to an owner-operator approach and 79% to an operator approach (Fig. 17). Two-thirds of investors would invest in AgTech, businesses developing technological solutions to modern agricultural problems. Most investors are open to investing in a range of agricultural commodities, with 90% open to investing in annual/row crops, 85% in perennial/permanent crops and 85% in livestock.

Fig. 14: Institutional Investors in Natural Resources by Strategy Preference



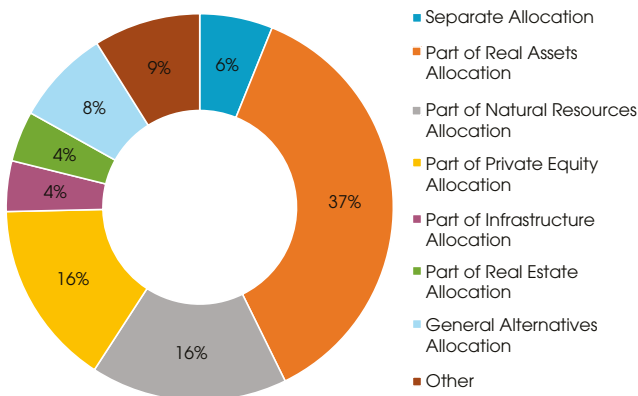
Source: Preqin Natural Resources Online

Fig. 15: Institutional Investors in Agriculture/Farmland by Type



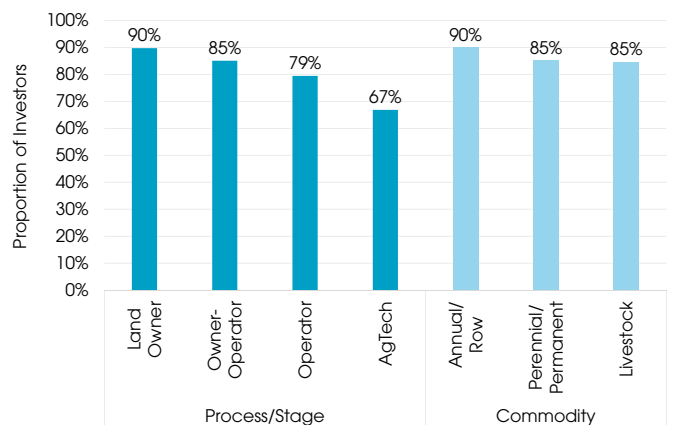
Source: Preqin Natural Resources Online

Fig. 16: Institutional Investors in Agriculture/Farmland by Source of Allocation



Source: Preqin Natural Resources Online

Fig. 17: Institutional Investors in Agriculture/Farmland Investor: Process/Stage and Commodity Preferences



Source: Preqin Natural Resources Online



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September 2016

Preqin: Global Data and Intelligence

With global coverage and detailed information on all aspects of the natural resources asset class, Preqin's industry-leading **Natural Resources Online** service keeps you up-to-date on all the latest developments in the natural resources universe.

Source new investors for funds

Find the most relevant investors, with access to detailed profiles for over 2,000 institutional investors in natural resources, including information on their current fund searches and mandates, direct contact information and sample investments.

Find out which investors are specifically targeting investments in agriculture/farmland, energy (including oil & gas), metals & mining, timberland or water.

Identify potential investment opportunities

View in-depth profiles for over 1,500 natural resources funds, across all natural resources strategies. Profiles include information on investment strategy, geographic focus, fundraising progress, service providers used and sample investors.

Find active fund managers in natural resources

Search for firms actively targeting natural resources investments. View information on firm background, key contacts, fundraising, and applied strategies of the firm.

Analyze the latest natural resources fundraising activity

See which firms are currently on the road raising a natural resources fund and which will be coming to market soon. Analyze fundraising over time by fund type, manager location and regional focus, and conduct competitor analysis.

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Keep track of all activity in the natural resources industry, with access to in-depth market intelligence and a wide range of analytical tools. Stay up-to-date on the activity of competitors and drill down to areas of interest to analyze trends in specific sectors, regions and markets.

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