

Co-investing with farmers

10 June 2013

Agriculture needs private investment, of that there is no doubt. Global population growth in conjunction with an increasing shortage of farmland makes it vital for existing farms to raise their efficiency if the provision of food is to be guaranteed. According to the OECD, in the next 40 years alone agricultural production will have to be increased by at least 60 percent if the growing demand for food is to be met.

However, this macro trend is accompanied by another development which is necessitating capital flows from the private to the agricultural sector: Fewer people are working as farmers. This is the case not only in Germany but throughout the world. A large number of active farmers are about to enter retirement but they have no successor to replace them. This is because, in the past, working as a farmer was not particularly attractive. The shortage of food is a fairly recent phenomenon: with the formation of butter mountains and milk lakes as a result of huge subsidies, the wrong impression was created that there wasn't actually any need for more farmers. The few people today sufficiently qualified to become farmers may have to raise large amounts of capital as the value of farmland is still rising.

Aquila Capital has been closely monitoring this trend in recent years and we have modified our strategy for farm investments as a result. A few years ago our policy had been to focus solely on selecting attractive farms – now we also concentrate on selecting qualified farmers who are willing to work in partnership. Our preferred business model is based on the principle of growing together with these partners and generating scale effects by, for example, acquiring neighbouring farms which in many cases have been given up upon retirement. As mentioned above, far more farms are up for sale than there are farmers. We continue to focus on specific sectors in certain regions, for example dairy farms in Australia and New Zealand, and we always give consideration to strict sustainability criteria.

A partnership of this kind with Aquila Capital offers farmers the possibility of establishing or optimising their own farms so that, after a foreseeable period of efficient cultivation, they are able to work self-sufficiently again. The advantage of a co-investment of this kind for Aquila Capital lies in the clearly scalable earnings and in the alignment of interests with the farm management: Both profit from a well-run farm.



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About Aquila Capital

Established in 2001, Aquila Capital is a leading independent investment manager with a focus on alternative investments. The company specializes in the structuring and management of market-independent investment strategies that are driven by global macro trends, target above average, long-term returns and are uncorrelated with traditional asset classes. Aquila Capital's ability to pioneer major developments as a first mover is based on a strong operational backbone and a research-driven corporate culture. With over 100 employees, including more than 60 Investment Professionals, Aquila Capital currently manages EUR 4.2 billion in assets from seven international offices in Europe and Asia-Pacific.

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