BETTING ON WORLD AGRICULTURE

US PRIVATE EQUITY MANAGERS EYE AGRICULTURAL RETURNS

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The Oakland Institute

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ABOUT THIS REPORT

This report was researched between March and September 2012. Research involved an analysis of public sources and interviews with fund managers.

Public sources include:

- Company websites
- General press
- Financial press, blogs, and forums
- Research and international organizations, such as GRAIN, the Food and Agriculture Organization (FAO), the International Institute for Environment and Development (IIED), Meriam Research and CRBM, the Organization for Economic Cooperation and Development (OECD), and the World Bank, which have provided some overviews of the growth of land investments in publications readily available to the general public
- Government documents available to the general public, such as Form Ds
- Non-governmental organizations and advocacy groups

In addition, funds were contacted to confirm basic fund data and obtain additional information regarding their social and environmental practices. A full note on the research methodology is presented at the end of the Executive Summary.

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LIST OF ACRONYMS

TERMINOLOGY

AUM	Assets Under Management
ESG	Environmental, Social, and Governance [criteria]
ESIA	Environmental and Social Impact Assessment
GE	Genetically Engineered
GMOs	Genetically Modified Organisms
Ha	Hectares
IRR	Internal Rate of Return
M&As	Mergers & Acquisitions
NGO	Non-Governmental Organization
SRI	Social Responsible Investing (or Investments)
UNPRI	United Nations Principles for Responsible Investments

INSTITUTIONS AND ORGANIZATIONS

AfDB	African Development Bank
AGRA	Alliance for a Green Revolution in Africa
CDC	Commonwealth Development Corporation
CFTC	Commodity Futures Trading Commission
FAO	Food and Agriculture Organization of the United Nations
FSC	Forest Stewardship Council
IFC	International Finance Corporation
NAFO	National Alliance of Forest Owners
OECD	Organization for Economic Cooperation and Development
MIGA	Multilateral Investment Guarantee Agency
OPIC	Overseas Private Investment Corporation
RSPO	Roundtable on Sustainable Palm Oil
SEC	Securities and Exchange Commission

RESEARCHED INVESTMENT FUNDS AND ENTITIES

AOWAF	Altima One World Agricultural Fund
FLA	Farm Lands of Africa Limited
GASFF	GEF Africa Sustainable Forestry Fund
GEF	Global Environment Fund
GMO	Grantham, Mayo, Van Otterloo & Co Renewable Resources LLC
HAIG	Hancock Agricultural Investments
HNRG	Hancock Natural Resource Group
HTRG	Hancock Timber Resource Group
IFC	International Farming Corporation
OSO	Ospraie Special Opportunities
PAI	Prudential Agricultural Investments
P+P	Paine & Partners
SGSO	SG Sustainable Oils Cooperatif
TIAA-CREF	Teachers Insurance & Annuity Association – College Retirement Equity Fund
WAAIF	West Africa Agricultural Investment Fund

PREFACE

Dan Apfel
Executive Director, Responsible Endowments Coalition

Over the last two decades, the investing world has changed dramatically. Across the spectrum of asset owners, investment officers have been searching the world for outperformance: returns above the average. These are challenging times for investors. Pension funds have increased payouts while governments make proportionally fewer contributions. Universities have been spending more from their endowments to keep up with the competition. The financial crisis has changed the way that fiduciaries look at risk. Volatility, liquidity, and correlation, while always important, have been recognized as serious challenges to institutional asset owners' ability to maintain their assumed rates of return.

Investors, especially institutional investors like colleges, foundations, and endowments, but also high net worth individuals, have gradually yet dramatically transformed their portfolios. Moving away from a typical 60/40 mix of US equities and bonds (the main investment strategy in the 1970s), investors have been making larger and larger allocations to hedge funds and private equity. More recently, investors have looked to commodities, land, and resources for additional "uncorrelated" and stronger returns. Today, many of the aforementioned institutional investors have allocations upward of 50 percent in what are collectively called "alternatives."

During this shift toward hedge funds and private equity, investing has also become much more opaque. Even asset owners often claim to not know or understand the underlying holdings of their funds, focusing solely on their expected returns and the supposed risk to their portfolio. Simultaneously, assets have shifted offshore and investors are now made to sign nondisclosure agreements to have access to the best funds.

While investments have been growing more opaque, certain global issues have become greater concerns than ever before. The effects of climate change are making the lives of millions of people around the world more difficult. Limited fresh water for drinking and irrigation affects millions of people around the globe. Issues of sovereignty and human rights are related to these problems, and investors face unique challenges as global investors are buying land from impoverished villagers.

Agricultural investments around the world also pose somewhat unknown financial risk, especially to an asset owner who does not really understand the underlying challenges pertaining to an individual area or specific investment. And, as norms and laws change, an investment's ethical and even legal implications have become just as important as the financial risk, if not more so.

As a layperson, it is nearly impossible to gain much knowledge of these systems and how they operate. It is hard to understand who the decision makers are and to peer into the local laws and customs. Most people are not even able to find out if the institutions they are involved in are making these kinds of investments, let alone learn about the impact of such investments.

Betting on World Agriculture: US Private Equity Managers Eye Agricultural Returns helps to shed an important light on one piece of the complex and opaque world of hedge funds and private equity: agricultural investments. This report posits a series of questions that we must pose to the wave of investors, governments, and asset managers who are moving into the private investment sphere.

Are investors looking at the real risks of agricultural investing?

Is it possible to invest in agriculture, make the returns necessary for institutional investors, and still protect the long-term agricultural value of the land?

Can we take investment managers at face value when they make promises about their sustainability and human rights record?

What are the obligations of managers and investors to local populations and the environment, and what impacts are managers having?

When I opened this report, I hoped to learn how different funds invest. Yet what I learned about the scarcity of information made available by the funds and how little they research their impact was much more valuable. And it is essential that we know more.

Given that these investments will impact the lives of millions and the health and viability of our environment for decades to come, it is amazing that there are still so many questions that the investment industry has left unanswered, and, for that matter, has not even seriously investigated. This report, along with many others by the Oakland Institute, will serve as a guidepost for students, pensioners, policy makers, and the general public looking for answers to hold their institutions accountable for their investment practices.

INTRODUCTION

"If you want to get rich, you should be investing in farmland." – Jim Rogers[1]

Since the food and financial crisis started in 2007, the flow of private capital into farmland and agriculture has grown dramatically globally.[2] While these investments have generated hopes for alleviating hunger and the effects of climate change, evidence also demonstrates that large land deals left unchecked can be detrimental to food security, local livelihoods, and the environment.[3] This "land rush" involves a wide range of countries and interrelated financial actors, including development agencies, public/private companies, public/private pension funds, endowment funds, sovereign funds, high net worth individuals, private equity firms, hedge funds, and real estate managers, among others.[4]

This report focuses on the role of private investment vehicles that advertise and manage investment opportunities in farmlands and agriculture for investors, such as institutional end investors e.g. pension funds, endowments, foundations, and high net worth individuals. This secluded and highly unregulated form of investment typically seeks to gain control of private land and farm assets, to resell them at a superior market return after an agreed period of time and/or to generate cash from rents.[5]

According to 2012 estimates from the International Institute for Environment and Development (IIED), 190 private equity firms were investing in agriculture and farmland.[6] While a body of publications exists on the role of European and Canadian private investment vehicles in the global land rush, little is known about the role of US private investment vehicles.[7]

This report intends to fill some of this gap. It examines a sample of private investment vehicles either based in the US or promoting farmland and agriculture in the US. The intention of this report is to highlight, through detailed profiles of each fund, how these funds are managed and what type of investments are being made in various regions of the world in order to inform citizens, investors, and policy makers concerned about the impacts of large-scale land and agricultural investments, domestically and internationally.

Setting Up Opportunities in Agriculture, Seeking Out Investors in the US

This report profiles 23 intermediaries, which reflect the large diversity of private investment vehicles promoting farmland and agriculture to investors. They include venture capital firms, traditional private equity funds, large investment firms with specialized boutique firms or divisions, hedge funds evolving into more diverse investment firms, as well as billionaires, large agribusinesses, and public pension funds with their own private investment structures.

While not exhaustive, this list confirms that the rapid development of the private financial sector has pushed the traditional distinctions made between different forms of investments. Private equity funds have not only been increasingly intertwined with hedge funds and other forms of private investments,[8] but they are also integrated into public entities. The case of the Westchester Group and Teachers Insurance & Annuity Association – College Retirement Equities Fund (TIAA-CREF) highlighted in this report demonstrates that public pensions are not only a prime source of capital for private equity funds,[9] but also that few of them are becoming de facto private intermediaries, pulling more public money through their private subsidiaries.

BOX 1: PRIVATE EQUITY, VENTURE CAPITAL, AND HEDGE FUNDS

Private equity, venture capital, and hedge funds are typically differentiated in terms of strategies, lock-up period, and liquidity.[10] The Corner House Briefing 37, "The Global Consequences of Private Equity," provides an excellent explanation and overview of the terms.[11]

Generally speaking, private equity funds are structures that pool capital from wealthy investors and invest it to purchase shares in assets that are not listed on public stock exchanges. Once investors have placed their money, it remains "locked" for an agreed period of time, until the fund manager and its partners "exit" from the companies in their portfolio. Common exit strategies include selling the company assets or planning for a public offering.

While "angel investors" and venture capitalists invest in the early stages of a company's development, most private equity structures invest in already established companies. Because fund managers derive fees from managing and selling these investments, the higher the price tag, the higher the compensation. One of the reasons for the tremendous growth of private equity firms since the 1980s has been their ability to borrow money at attractive rates to finance acquisition and restructuring. In what is called a "leveraged buyout," the acquiring company pays debts by deducting interest from their corporate income taxes, hence maximizing profits for investors and fund managers.[12] In addition, firms have benefited from tax concessions on profits earned, as explained in the "Regulations" section.

What differentiates private equity from hedge funds is debatable. Private equity funds typically seek to purchase or gain control of entire private companies. Investments are typically made within the first three to five years of the fund, and followed by a holding period that averages between five to seven years. Therefore, these investments are considered to be "illiquid." In contrast, hedge funds typically invest in publicly traded securities and liquid assets, such as stocks, bonds, currencies, or commodities, which they buy and sell without necessarily gaining control of the company. However, this distinction is becoming increasingly blurred as both private equity firms and hedge funds have been seen to compete over acquisitions, or seek synergies, to garner premium returns.[13]

The funds profiled in this report draw attention also to the fluid movement of capital across physical borders to accommodate private investment opportunities. While most entities are headquartered in the US, each fund profiled operates through a combination of onshore and offshore partnerships, typically located in the tax havens of Delaware and the Caribbean islands.[14] Those that may be considered as "foreign" entities, like Altima Partners and Pharos Financial Group, do have fund managers and advisory services in the US to pool money wherever it lays. Finally, the case of Farm Lands of Africa exemplifies how a company can create a US-based public shell by mastering reversed merger transactions.

Despite their claims, fund managers featured in this report may not pursue truly unique investment strategies. For the most part, their projections emphasize growing populations, growing demands for grains or fuel, or changing economic cycles and the need for wealthy investors to reap the benefits of declining resources. Their investment thesis relies on securing and consolidating already productive and well-watered pieces of land at the lowest cost possible, and making a profit from land appreciation and most likely land transformation/conversion. Once these lands are secured through ownership transfers, long-term leases, or local partnerships, fund managers seek to scale agricultural operations up by leveraging agricultural inputs (e.g. genetically engineered seeds, fertilizers, agricultural chemicals, machinery) and water resources. The end objective is almost always to primarily serve global markets, and not domestic ones.

When lands owned by these funds are leased to established producers, as is often the case in industrialized countries like the US, the tenants are likely to be subjected to stringent production and crop insurance requirements. The evasiveness of fund managers regarding their tenants' agricultural practices leads to questions about their environmental and social standards. When lands are cultivated by

Fund managers typically use the same combination of arguments to promote agricultural investment opportunities:[15]

- Positive global macro trends (e.g. population growth; growth of emerging markets; increasing demand for food, especially vegetable and animal/fish protein; and increasing demand for biofuel in contrast to finite land and water resources).
- Changing economic cycles.
- Attractive financials (e.g. increasing farmland prices, increasing commodity prices, historical stability of agricultural returns, inflation protection).
- Opportunity to leverage innovation and productivity, usually understood as increasing agricultural inputs.

smallholder farmers who are then incorporated into a "value chain" as outgrowers, which is often the case in sub-Saharan Africa, farmers are likely to be tied to a firm for their loans, supplies, and sales. The extent to which outgrowers are able to choose their supplies and get fair prices for their harvest is questionable given inevitable information and power asymmetries between smallholders and large firms.[16]

Some of the funds briefly mentioned their intention to practice ecologically and socially sustainable agriculture in addition to harvesting high financial returns, but did not provide any information to substantiate their claims, despite repeated requests.

As industry experts stated in a report for the 2011 Agriculture Investment Conference in London, the financial rewards outweigh the concerns and "the trick is how and where to invest to reap the rewards."[17]

Seeking Out Land and Commodities

"A lot of people like to say, 'It's [farmland] gold with a coupon.'"

– Chris Erickson, managing director at HighQuest Partners, an agribusiness consulting firm.[18]

HOT GEOGRAPHIES

For fund managers featured in this report, the US remains an important destination for agricultural investments. With a third of farmers coming close to retirement age, some fund managers have estimated that close to 50 percent of US farmland will change hands over the next decade.[19] Jim Farrell, President of Farmers National, a farm management company, points out that half of the farmland in the Midwest is already owned by people who don't farm it themselves.[20]

In addition to vast pieces of irrigated agricultural land and good infrastructure, the US offers a regulatory environment that is very favorable to corporate formation and genetically engineered (GE) agricultural commodities for food or biofuel production. With Nebraska recently dropping their anti-corporate farming laws, the future looks even more promising for the development of large-scale farm operations.[21] For all these reasons, the US is typically promoted as a low-risk/stable return investment opportunity, where fund managers can also sell their long knowledge of the market.

Yet, since the early 1990s, US fund managers have increasingly sought geographical diversification. To identify opportunities, fund managers almost always look at issues of political stability, infrastructure, land cost/quality, land ownership/security for foreigners, and anything that may favor or impede large-scale agricultural practices, capital flow, profits, and the labor market.[22]

Due to comparable levels of development and political proximity on issues of agriculture, Canada and Australia represent a natural geographical extension for some fund managers.

However, the emerging markets, especially Latin America and Africa, have garnered investors' attention in recent years.[23]

In Latin America, Brazil and Argentina are leading the way.[24] While some uncertainty remains as far as land security is concerned, these countries typically offer a stable political system, low land costs, and fewer risks regarding potential community relocation than Africa.[25]

Like the Westchester Group – owned by the TIAA-CREF and profiled in this report – a number of investors have concentrated in Brazil's Mato Grosso region and new northern frontiers to grow export crops, such as soy, corn, cotton, and sugar cane, raising environmental concerns along the way.

A number of fund managers who have acquired experience in developing large export-oriented agri-businesses in North America and Latin America are now trying to export this model to sub-Saharan Africa, where land is being made available to large-scale investors.[26] While research conducted by Dalberg Global Development Advisors in 2010 reported 19 agri-funds operating in Africa,[27] quick research conducted by the Oakland Institute identified twice as many agri-funds in 2011. This research reports on six funds active in Cameroon, Ghana, Guinea, Mali, Sierra Leone, Tanzania, and Zambia. While actual operations of all were not investigated at this stage, these countries are of particular concern in terms of "development-induced" environmental damage and human rights violations. For instance, information gathered about Altima Partners, Farmlands of Africa, the Global Environment Fund, Herakles Capital, and George Soro's ManoCap provides some insights about management practices and lack of transparency.

In Asia, investment opportunities are also opening up for US investors, although investments are typically made through minority stakes. In 2010, China released a series of policies to open up and "guide" private investments in the Chinese agricultural sector.[28] In 2012, media reported that the Chinese government had put aside $1 trillion to subsidize large-scale factory farms over the next five years, with a focus on dairy expansion.[29] Private equity trendsetters like the Carlyle Group and Kohlberg Kravis Roberts (KKR) were among the first to explore opportunities in Chinese dairy farms (they financed China Modern Dairy Holdings).[30] The case of Black River Asset Management examined in this report seems to confirm private equity firms' interest in milk and meat produced in China. This warrants further investigation in this fast-developing region of the world.

SECTORS IN DEMAND

A majority of funds target the production of agricultural commodities, especially corn and soy, which are usually rotated in the same production areas and are supported by an increasing demand for biofuels. In the US alone, 40 percent of corn produced is used by the ethanol industry. To meet current targets set by the largest fuel-dependent economies, some have predicted that 6 percent of all arable land in the world would have to be dedicated to biofuels.[31] The US (with corn and soy), Brazil (with corn, soy, and sugar cane), and West Africa (with palm oil and sugar cane) represent primary target areas.

In order to tap into the demand for protein also emanating from these largest economies, a number of fund managers are involved in livestock. Important markets include Australia and Brazil (the Cerrado region most notably), with China intending to catch up. This triggers in turn a debate on relevant farming styles, pasture or factory style. However, these categories are not necessarily exclusive with global cattle trade patterns – with pastured Australian cows being shipped to new Chinese factory farms for instance.[32]

Finally, aquaculture has emerged as a new frontier investment according to Paine+Partners, which estimated that 45 to 50 private equity firms attended the recent Sea Food Investment Forum in New York.[33] Other fund managers profiled in this report and present in this sector include Amerra and Black River Asset Management.

Who Are the Investors?

Fund managers are usually very secretive about who is investing in agriculture, although names circulate through conference brochures and public media from time to time.[34] These are the primary types.

LARGE FINANCIAL INTERMEDIARIES

With the private equity market becoming increasingly sophisticated and agriculture emerging as a new asset class, a number of mega private equity funds and funds-of-funds structures are looking into smaller funds internationally to diversify and consolidate their portfolios.[35] This is the case with Aquila Capital, a $2 billion German private equity fund investing in the $100 million Chess Ag Full Harvest Partners, which focuses on purchasing US farmlands and leasing them to tenants.

Similarly, large investment banks and financial groups tap into private agri-funds to cater to the needs of their wealthier clients and expand their debt financing services. For example, this report highlights the role of Credit Suisse in facilitating Ospraie Management's purchase/sale of US grain handler Gavilon. In addition, the case of Amerra Capital Management (which is partially owned by Macquarie Group) is an example of diversification through private equity joint ventures. There is clearly a high degree of collusion between financial groups and private equity structures.

INSTITUTIONAL INVESTORS

In the US, pension funds represent the largest group of investors in private equity, and probably in agri-funds as well.[36] Funded by employees, this type of investor controls an extraordinary amount of capital and is typically driven by the perspective of higher financial returns.[37] Given that many employees lost a significant part of their retirement savings during the 2008 market collapse, this group of investors is likely to keep pushing for higher returns, lower fees, and more flexible investment structures in the future.

With $487 billion under management and a $2.5 billion farmland portfolio, the Teachers Insurance & Annuity Association – College Retirement Equities Fund (TIAA-CREF) is not only the largest US pension fund serving both government and nonprofits, but also one of the largest farmland managers in the world.[38] By acquiring a controlling interest in the Westchester Group, TIAA-CREF also acquired a channel to prospect private farm assets and raise funds from other investors. With TIAA-CREF just opening up a new agricultural investment company, TIAA-CREF Global Agriculture LLC, this pattern is bound to grow.

Today, state pension funds from Alaska to New York as well as smaller county and city-level pension funds are rushing to agri-investment conferences in the US, scouting for deals and models to emulate.[39] This report highlights a few of these funds, for example the Alaska Retirement Board (ARMB), which is currently investing in both UBS Agrivest Farmland Fund and Hancock Natural Resources Group.

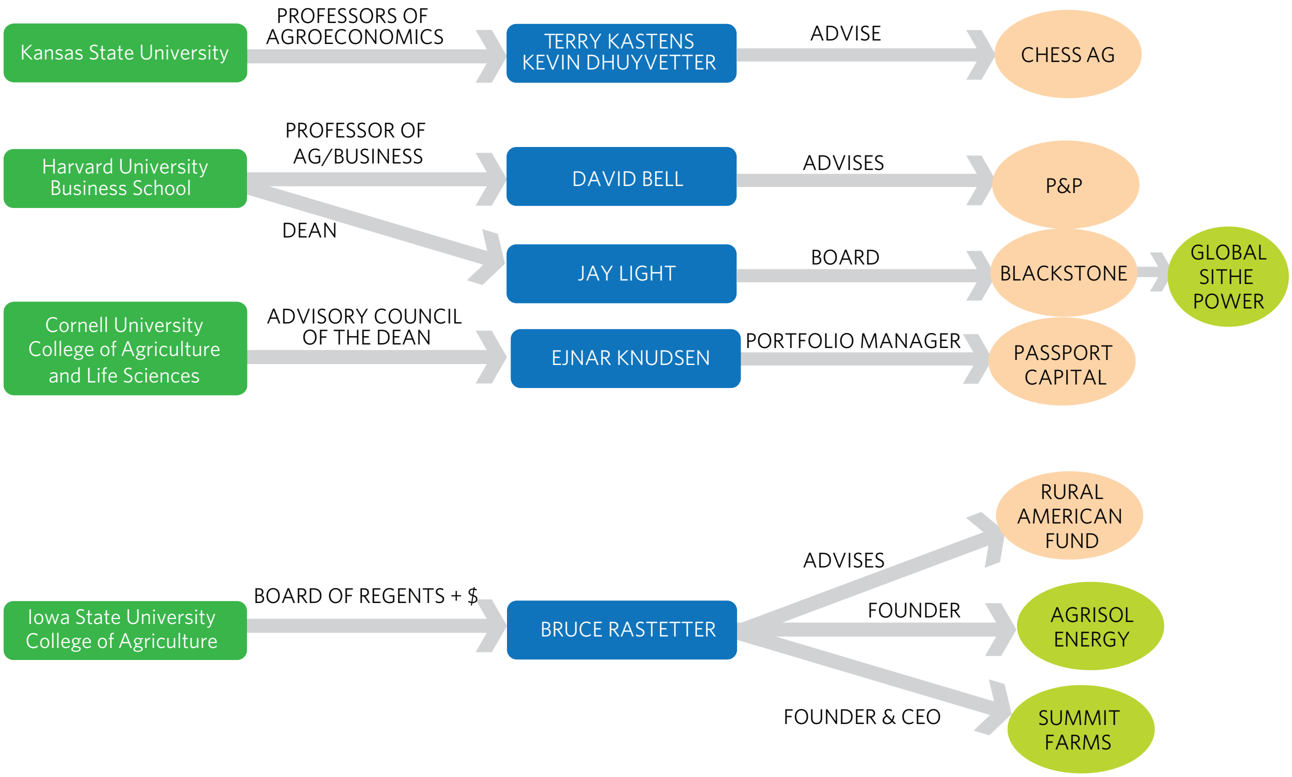
University endowments, funded by students and private interests, are following similar investment patterns, with the biggest endowments from Harvard to Emory[40] setting models as well as co-investment opportunities and fund-of-funds structures for smaller colleges and universities. In 2009, George Washington University was planning to earmark $100 million for agricultural investments.[41] At an investing conference, CEO Jane Mendillo of Harvard Management Company, which manages Harvard University's $32 billion endowment and related financial assets, shared that natural resources are its "favorite area" in the alternative assets market. Under Mendillo's leadership, Harvard's holdings of forests, farms, and other natural resources in Brazil as well as in New Zealand and Romania have grown to about 10 percent of the portfolio–more than $3 billion.[42] According to her, "the fund has been eyeing timberland, farmland, infrastructure, energy, and water-related investments in anticipation of growing global demand."[43] "What I want is properties that produce something that the world is going to want more of, and the increase in the supply is difficult," she said in an interview in 2012.

In addition to expecting high returns, universities and foundations also consider agri-funds as an opportunity to sustain research, develop advisory/consulting services, and push certain technologies outside the US, notably within crop gene manipulations. See for instance the case of Iowa State University College of Agriculture (under Pharos and Rural American Fund) and Cornell's College of Agriculture and Life Sciences (under Passport Capital) in chart 1.

GOVERNMENT AGENCIES

An important group of investors targeting developing markets include government agencies and development banks, which are funded by tax revenues and typically motivated by broad political and economic interests.[44] Among them, the International Finance

CHART 1: UNIVERSITY CONNECTIONS TO LAND INVESTMENTS



Corporation (IFC) is probably one of the most influential organizations. Present at nearly all ag-investment conferences, the IFC, which is the private sector arm of the World Bank Group (WBG), serves as an important intermediary in the world of private equity. The IFC provides research and recommendations to wealthy investors interested by the prospects of agriculture, capital, and lending services to fund managers, and recommendations to developing countries so that they can open up their land to foreign investors and technologies.[45] This report highlights two funds partially financed by the IFC: Altima One World Agricultural Fund and the Global Environment Fund. The portions of holdings financed by development institutions typically have to follow more stringent environmental and social standards. However, the case of Altima highlights how special vehicles can counter such standards in practice.

MULTINATIONAL CORPORATIONS AND AGRIBUSINESSES

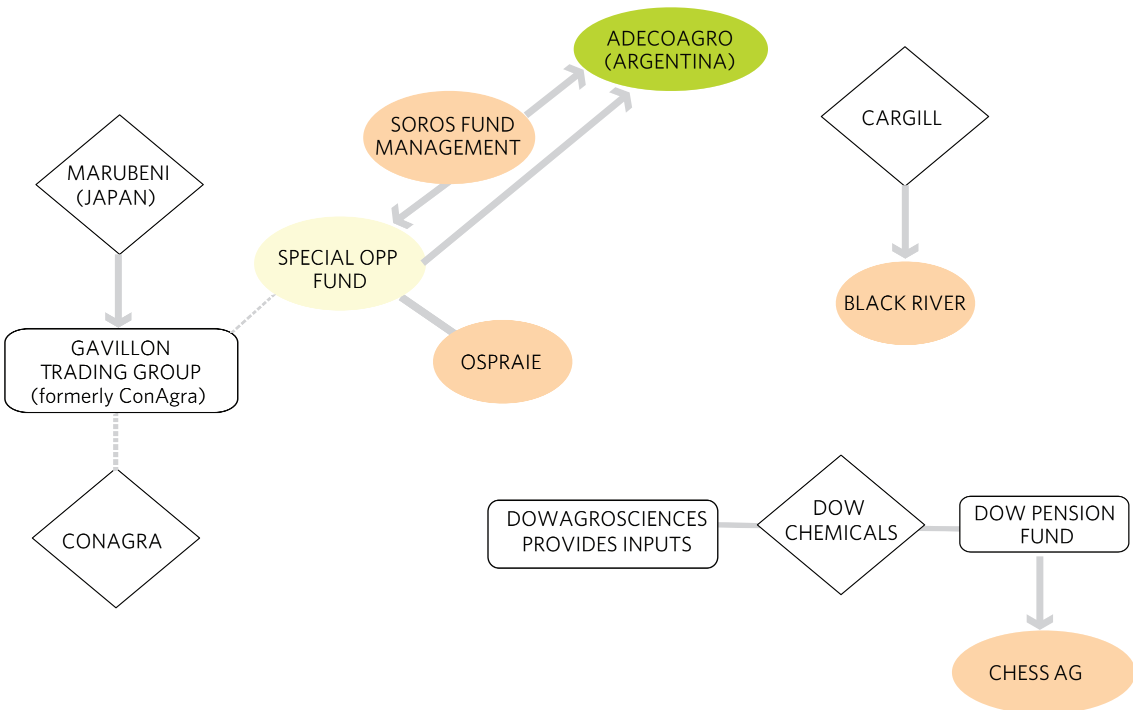
Finally, ag-investment conferences and presentations from private equity managers naturally attract all major agricultural input providers, grain handlers, and equipment manufacturers. Like public pension funds, some of the largest US agribusinesses have also established their own private equity investment businesses. This is the case of two Cargill subsidiaries: Cargill Ventures and Black River Asset Management.

Regulations

TRANSPARENCY

Private equity and hedge funds are regulated by private contractual provisions that describe the terms and conditions under which investors (limited partners)

CHART 2: AGRIBUSINESS CONNECTIONS



and the fund manager (general partner) join to make investments. They have been less regulated by public authorities than other public funds because investors in such funds are wealthy and perceived to be more sophisticated than average citizens to take risks and protect themselves from potential losses.[46]

Following the financial crisis of 2007-2008, many investors, fund managers, and US legislators have expressed a need to create greater "governance" frameworks and regulations.[47]

In the US, the Dodd-Frank Wall Street Reform and Consumer Protection Act amended the Investment Advisers Act of 1940 (the "Advisers Act") and redefined exemptions from the US Securities and Exchange Commission (SEC) registration. Signed in July 2010, the Dodd-Frank Act requires that previously exempted US-based investment advisers to private funds with $150 million or more in assets under management register as investment advisers with the SEC by March 2012.[48]

Since October 2011, the SEC and Commodity Futures Trading Commission (CFTC) also require those SEC-registered advisers to report certain information for the use of the Financial Stability Oversight Council (FSOC), established by the Dodd-Frank Act, to monitor potential risks to the US financial system. The amount of information to be disclosed on form PF each year varies by fund size. Smaller advisers report only basic information about the private funds they advise (e.g., fund strategy, size, investor types, fund performance). Large advisers, such as those managing $2 billion or more in private equity assets, must also provide additional information focusing on the extent of leverage incurred by their funds' portfolio companies, the use of bridge financing, and their investments in financial institutions. However, none of this information is open to the public.[49]

So far, all the co-regulation and public regulation efforts initiated over the past four years have concentrated on reducing financial risks for investors and the financial system at large rather than protecting public good. There remains a critical lack of understanding about how investments are implemented on the ground, and the reluctance of fund managers to disclose basic information including their environmental policy or indicators raises concerns regarding their actual practices.

Some fund managers advertise their adherence to industry-sponsored voluntary principles, such as the Roundtable of Sustainable Palm Oil (RSPO), which was formed in 2004 to promote sustainable palm oil production through community engagement and certification schemes for mills and plantations. The case of Herakles Capital illustrates that adherence to these principles does not prevent hasty impact assessment studies and conflicts with local communities. It was only after complaints were filed by NGOs including Greenpeace International and local communities that Herakles pulled out from RSPO in August 2012. The case of the Global Environment Fund seeking Forestry Stewardship Council certifications also suggests that industry certifications do not exclude potential conflicts of interest between clients and certifiers.

TAXATION

Private equity and hedge fund managers are typically compensated by an annual management fee that is based on the fund's assets and a performance fee based on profits generated. In the US, current laws treat this performance fee as an investment income ("carried interest") rather than an earned income. As a result, fund managers are taxed at a rate of 15 percent rather than 35 percent as applicable to commercial companies and citizens. This lower tax status was granted as compensation for risking capital on investments. As mentioned earlier, in practice, private equity managers commit little capital themselves. Instead, they finance their operations through money pooled from wealthy investors and often finance debt by using the company's assets as collateral (such as when agricultural investments involve the purchase of facilities, mills, etc.).[50]

Since 2010, the speculative activities of hedge funds have pushed some legislators to revisit their tax status. There are currently a number of bills that propose curbing speculation on commodity prices, including setting limits to speculation by the CFTC and modifying the Revenue Code to eliminate tax inequalities between commercial and non-commercial investors.[51]

How to Read the Profiles: A Note on Methodology and Limits of Information

INCLUSIONS & EXCLUSIONS

This research focused on agricultural funds that acquire farmland for food, agriculture, and/or biofuel production. It identified funds focused exclusively on such endeavors, as well as funds that heavily target such activities in their strategy.

However, it excluded geography-focused and multi-strategy funds, where farmland and agriculture is integrated in the portfolio, but not as a core part of the strategy.[52] It also excluded funds that focus on water rights, equipment, and the later stages of the agriculture chain, such as mills, processing facilities, restaurants, etc.[53]

The research focused on larger funds (those with assets of $25 million or more), and as a result, it also excluded smaller funds with a variety of activities from GE seeds to organic farming.[54]

In addition, it is important to note that while investors are taking full advantage of this market diversity, more and more are also looking to make private equity investments–not through private equity funds, but through less visible "separate" accounts, which provide them better control.[55]

SOURCES AND LIMITS TO INFORMATION

This research relied heavily on public sources, though when it comes to private funds, publicly available information is extremely limited. Funds were contacted to confirm basic fund data and obtain additional information regarding their social and environmental practices.[56] We are presenting those who have engaged in a conversation separately from those who have not, since public information gives a very narrow and often truncated view of what funds are actually doing. Through the profiles and research endnotes, this report highlights the differences encountered regarding assets under management (AUM), IRRs, fund coverage, and more.

In the absence of stringent reporting standards, fund managers are given a lot of leeway about whether to place non-financial monitoring indicators on their funds, and what information to disclose to whom. As such, it is extremely hard for concerned citizens or investors to understand the true impact and performance of private equity investments and possibly correct any "mismanagement" practices, which have been acknowledged by the World Bank.[57] This report focuses on issues related to transparency as well as the social and environmental sustainability of private investments in agriculture.

The report highlights that limited information is available for concerned citizens and thus it is necessary that independent research be conducted on the trend and its impact. Our hope is that the readers of this report will take advantage of the information that could be gathered from this sample of investment funds.

As pension funds along with foundations and university endowments become substantial players in agricultural investment, this report seeks to provide information to all who are concerned about the nature of investments made by these institutions. The data in this report, we hope, will inform concerned citizens who seek to stop the injustices of farmland deals that displace small farmers and cause environmental devastation, water loss, and further impoverishment and political destabilization of developing nations.

Investment policies will not change until the community demands so. Better informed, we can demand clarity and bold measures from those deciding the future of land, food, and farmers, from California to Africa.

FUND MANAGERS WHO PARTIALLY OR FULLY RESPONDED TO OI

SET OF INITIAL QUESTIONS POSED TO EACH FUND
Their responses then triggered other questions, depending on the information provided.

Please confirm the following:

- Assets under management
- Acres under management (total and per country)
- Countries invested in (currently and in next 3 to 5 years)
- Origin of capital (distribution by geography and type of investors)
- Current status (raising or not)
- Plans to raise in next 3 to 5 years or not
- Sectors invested in (specific crops or agricultural activities)
- Planned financial returns for investors
- Assessment of social, environmental, and economic impacts of investments (processes in place to ensure operation transparency and minimize negative impacts, assessment studies previously conducted, metrics used to monitor both performance and impacts etc.)

Amerra Capital Management LLC[58]

Investment Vehicles: Amerra Agri Fund, Agri Offshore Fund and Agri Opportunity Fund

BACKGROUND

- Amerra was established in 2009 by M.D. Sass-Macquarie Financial Strategies LP or Finstrat, a private equity joint-venture between M.D. Sass (a closely held investment manager based in New York) and the Macquarie Group (a global financial conglomerate headquartered in Australia and one of the top managers of farmlands globally).[59]
- Amerra positions itself as a private investment adviser offering "customized commodity finance solutions for producers, processors, traders, and distributors operating in agribusiness in the Americas." According to a filing with the Securities and Exchange Commission, it launched a new $500 million fund, the Amerra Agri Fund II L.P., in 2012 to invest in agriculture (with $270 million AUM as of March 2012).[60]
- Three agri-funds have been set-up to date:

NAME OF FUND	TYPE OF FUND	INCORPORATED	LAUNCH
Amerra Agri Fund, L.P.	Private Equity Fund	Delaware	Fund I – 2009 Fund II – 2012
Amerra Agri Offshore Fund, L.P.	Private Equity Fund	Cayman Islands	Fund I – 2010
Amerra Agri Opportunity Fund, L.P.	Hedge Fund	Delaware	2010

STRATEGY & ACTIVITIES

- According to its own marketing materials, Amerra targets investments across many sectors, including aquaculture, livestock, biofuels (ethanol based out of sugar and corn, plus biodiesel and biomass), edible oils (palm oil, soybean, canola, rapeseed), grains (corn, oats, soybeans, rice, wheat), feeds, soft commodities (sugar, coffee, cocoa, rubber, orange juice, and paper), and fertilizers. According to Amerra's principal and founding partner, Craig Tashjihan, countries of interest include the US, Brazil, Mexico, nations in Central America, and "a few other South American countries."[61]
- Recent debt financing activities include Umami Sustainable Seafood, Inc, a holding company of fish farming operations supplying sashimi-grade Northern Bluefin Tuna to the global market. The loan provided in September 2011 was used for the repayment of $3.1 million of the Umami's debt and general working capital for Baja Aqua Farms facility in Mexico.[62] However, Umami is connected to more than seafood. Formerly known as Lions Gate Lighting Corp, a North American–based seller and marketer of lighting products with no significant operations, it acquired Kali Tuna, a Croatian-based aquaculture operation, in June 2010 and announced its change of name to "Umami Sustainable Seafood, Inc." The company stock previously traded on the OTC Bulletin Board under the symbol LNLT, and changed to a new ticker symbol UMAM on August 19, 2010. This appears to be a case of reversed merger transaction – a process by which a private company acquires a

public shell and can bypass standard review processes by regulators for going public.[63]

ENGAGEMENT ON TRANSPARENCY & SUSTAINABILITY ISSUES

- In a 2011 presentation about its agricultural investments in Africa, Macquarie mentions adoption of the voluntary standards set by GLOBALG.A.P. (Good Agricultural Practice), a private sector body, in relation to sustainable production, food safety, community health, and environment/animal welfare.[64]
- Amerra provided OI researchers a general presentation of its funds but declined to share its social and environmental policy, in contrast to Maquarie's sustainability commitments, providing no evidence of its commitment to transparency and sustainable investments.

INVESTORS

- Public pension funds, corporate pension funds, and university endowments represent 85 percent of investors, according to Craig Tashjihan.[65] Further details were not disclosed.

KEY MANAGERS

- Amerra is run by **Craig Tashjihan** and **Nancy Obler**, both former executives at Société Générale and Standard Chattered Bank. Notably, Mr. Tashjihan managed Société Générale's Natural Resources division in the Americas, which might explain the current sectoral and geographical focus of the fund.

Chess Ag Full Harvest Partners LLC[66]

Investment Vehicle: Full Harvest Agricultural Opportunities I & II

"It's just gotten sexy lately"

– Shonda Warner, founder of Chess Ag, referring to farmland[67]

"What they [Chess Ag] offer is a pricey but compelling story for long-term investors, essentially buying up land, leasing it to growers, and collecting a share of the proceeds, while benefiting from appreciating property prices."[68]

BACKGROUND

- Launched in 2007, Chess Ag Full Harvest Partners is an investment firm with assets of about $100 million as of March 2012.[69]

STRATEGY & ACTIVITIES

"In exchange for a seven-year lockup, a 2% management fee, and 20% of profits, she figures she can deliver the investors in her first fund an annual return of 13% to 16% – about 4% to 6% from crop yields, around 8% from land appreciation, and the rest from hedging."[70]

- Managing about 50,000 acres (20,234 ha) in the US,[71] Chess Ag recently closed its second fund but intends to continue raising capital in another fund to capture opportunities in row/permanent crops. While marketing materials stress "agriculture/biofuel synergies," all crops are currently food crops according to the fund manager.[72]
- All tenants must give either a letter of credit or an assignment of crop insurance to Chess Ag.[73]

ENGAGEMENT ON TRANSPARENCY AND SUSTAINABILITY ISSUES

- In communications with the OI, Chess Ag did not elaborate on its commitments to transparency and sustainability. Instead, it responded by stating "*this is an incredibly difficult and immense topic.*"[74]
- OI provided follow up questions to Chess Ag, including:

- How do you go about selecting an investment?
- To what extent do you control farmers' agricultural practices (e.g., crop varieties, method of irrigation, vegetation borders close to streams, etc.)?
- How do you work with local communities and government abroad?
- What indicators do you use to monitor investments? Do you include social and ecological impacts?
- What are your thoughts on transparency, given concerns of increased (foreign) investments in agriculture?

Chess Ag's response: *"Each of those questions could have a four to five page answer."*[75]

- The fund manager, Shonda Warner, is an advisory member of AGree, a cross-sector US-based policy advocacy group seeking to address the combined challenges of food supply, land conservation, health, and rural community development. OI followed up with a question around AGree:

"We know AGree is a work-in-progress and its principles are something you aspire to support. So, would any of the following AGree priorities ('Ensure vulnerable populations' access to nutritious food,' 'Align agricultural and food production in the United States with improved environmental outcomes') be integrated in the strategy of your future fund?"

Chess Ag's response: "*Of course they are integrated into our fund. You could not possibly imagine the work I do in trying to revive rural communities and stabilize vulnerable populations.*"[76]

INVESTORS

- Investors include the pension fund of Dow Chemical (DOW, Fortune 500)[77] and Acquila Capital.[78]
- Expected financial returns are about 10 to 15 percent (gross) and 8 to 12 percent (net) according to the fund manager, who clarified differences encountered by OI in communication materials.[79]

KEY MANAGERS

- Chess Ag was founded by **Shonda Warner**, a former grain trader at **Cargill** and derivatives trader at Goldman Sachs.
- **Terry Kastens** and **Kevin Dhuyvetter**, both professors of agricultural economics at Kansas State University, are advisors to the fund.

Farm Lands of Africa Limited (OTCBB: "FLAF")/ Farm Lands of Guinea, Inc. (OTCBB "FLGI")/ Kryptic Entertainment Company[80]

Investment Vehicle: Land & Resources (Guinea) SA

"I have absolutely no doubt that what we are doing here is 'good' because of the VERY pressing need for food and the poverty. I am unashamed of wanting to make money from it and super confident that the imperative of profit will succeed where aid-driven ventures have failed. Having said that, I am also aware that success will bring social upheaval. I never stop pointing this out to African governments so that they can plan whilst they have time to think about it."

– Mark Keegan, Director, CEO Farm Lands of Guinea [81]

BACKGROUND

- It is hard to imagine a good synergy between companies named Farm Lands of Guinea, Inc. and Kryptic Entertainment. Yet, in February 2011, Farm Lands of Guinea (incorporated in the British Virgin Islands as a Business Company on August 9, 2010 and not subject to income taxes under the current laws of the British Virgin Islands) acquired Kryptic Entertainment (incorporated in Nevada) in a reversed merger transaction, a process which essentially provides a public shell to the private company and avoids a thorough review by state and federal regulators for going public.
- Founded in 2007, Kryptic Entertainment, Inc. was supposedly dedicated to the development and sale of Internet-based interactive entertainment games in the US. It has a history of troubled finances and non-compliance to the OTC Bulletin Board (OTCBB). Since 2011, its shareholders control Farm Lands of Guinea, Inc., which is invested in "rehabilitating" and farming land in Africa. Farm Lands of Guinea changed its name to Farm Lands of Africa Limited (FLA) in March 2012.

STRATEGY & ACTIVITIES

"Unlocking the Riches of an Agricultural Treasure Trove."[82]

- In its press releases, FLA boasts that it *"controls a quarter of a million acres of underutilized West African agricultural land."*[83] Its development model is based on large-scale/scalable farmland acquisitions and low-cost operations. While the bulk of its investments lay in Guinea, FLA intends to expand its model to West Africa at large.
- In Guinea, FLA operates through its subsidiary **Land & Resources (Guinea) SA** (L&R), which is 90 percent owned by the company and 10 percent owned by the government of Guinea.[84] Land & Resources, incorporated in Guinea, is not subject to income taxes under the current laws of Guinea.[85]
- Despite requesting only a tiny stake in L&R, the government of Guinea allowed FLA to take on a large role in driving land leases and agricultural production nationally, through:

  1. Large land leases for its own operations: In September 2010, L&R signed a contract and 99-year lease agreement with the Ministry of

Agriculture to grow maize and soybeans in rotation on a total of 21,900 acres (8,815 ha) in the villages of N'Dema and Konindou. It also signed an option agreement to lease 243,100 acres (98,400 ha) to grow rice, maize, and soybeans and breed pasture cattle near the village of Saraya.[86]

2. Commissions on additional leases: In October 2010, L&R signed a Protocal d'Accord to survey an additional 3.7 million acres (1.5 million ha) to be leased to third parties (e.g., international farming corporations, sovereign wealth funds, private equity groups), with 15 percent commission for L&R on all contracts.

3. The establishment of a National Agricultural Bank of Guinea (Credit Agricole Guinea): This private sector–led, government-endorsed institution is intended to finance farmland lease purchases and related required infrastructure development.[87]

- In Mali, FLA announced a plan in 2011 to secure 24,700 acres (10,000 ha) in the Office du Niger,[88] a rare fertile area in Mali, which has witnessed human rights violations and attacks on smallholder populations to make space for large-scale land leases.[89]
- In Sierra Leone, FLA intends to grow rice on 29,400 acres (11,900 ha), west of River Tai.[90]
- In Gambia, FLA set up two subsidiaries in a single month: Farm Resources Africa (Gambia) Limited (FRAG) in August 2011, and Farm Lands of Gambia Limited in September 2011. The exact setup and activities are unclear. According to the company's press releases, opportunities are being considered north of the Bambia River.[91]
- In August 2012, FLA purchased Buddhavarapu Farms, a group with a landbank of 220,000 hectares, planning to move from rice farms to eucalyptus plantations in Guinea. The deal resulted in shareholders in Buddhavarapu Farms taking a 66.7 percent stake in the combined group and its chairman and managing director, S.N. Kumar Buddhavarapu joining the FLA board.[92]

ENGAGEMENT ON TRANSPARENCY AND SUSTAINABILITY ISSUES

- FLA's constant change of names and reverse merger with Kryptic Entertainment raises concerns regarding its activities in African countries in the context of large-scale land acquisitions.
- On its website, FLA says it will adopt a series of recommendations to sustain soils and the environment "as closely as they can." However, most of these recommendations appear to be loosely defined and do not have performance indicators (e.g., "employ a wildlife ranger," "monitor production and process to leave as small footprint as possible").[93] They also include planting GM soy on 48 percent of the land. These recommendations are endorsed by Nigel Woodhouse, one of the FLA's Directors, who advertises his ties to organic movements and the UK-based Soil Association which might assist in gaining legitimacy both for himself and FLA.
- Mr. Woodhouse responded to OI's questions:[94]

"I will start by explaining that while I am a trustee of the Soil Association, and my interest in organics as a producer has spanned the past 30 years, the consultancy work I do has nothing to do with the Soil Association, and some of the views I put forward for my consultancy work would not fit with Soil Association policy, and the Soil Association would not endorse them. I wish there to be separation, and I trust your professionalism to ensure that is the case.

1. *I do endorse the recommendations posted on the company's [FLA] website.*
2. *Under our current negotiation with the Ministry of Agriculture of the Republic of Guinea, we are proposing to prepare up to 1,185 hectares of derelict land for the use of the villagers whose current agricultural practice is to some degree organic. The balance of the land, however, will be used under modern practice to ensure yields to reduce the national food deficit.*
3. *In practice, we anticipate using lime at the equivalent rate of 200 kilograms pa to balance the pH, and an estimated 150 kilograms of NPK. Herbicide will be RoundUp, pesticide will depend on local conditions.*

Land that will be farmed organically will provide sustainability for the villages and will be run in conjunction with the company school. It would be my recommendation to have the land certified because any surplus product not consumed on site can be exported to provide an income stream for the communities.

The bulk of the land will be put down to GM soy. It will be farmed on an industrial scale to produce profit for the company, part owned by the government. The element of profit being the driver to engage western investment. It is the intention that the product of this enterprise stays in Africa. And the farm is strategically located to supply Mali as well as Conakry in Guinea.

While the GM debate rages on in Europe, the development of GM product is getting more sophisticated, and current trials of GM wheat in the UK using genes from the mint plant to fend off aphids is in my view a benefit, and the green movement needs to keep the debate open. Interestingly, the green protest against these trials was a little subdued to say the least. The issues of consumer choice (to eat or not to eat GM), is a luxury Africa can ill afford in times of inadequate food security. That the farmer is locked into a Monsanto-type company is unfortunate for him, in this case FLA. The people in Central Guinea do not grow soy, and so the issues of cross-contamination do not apply to FLA. I have specified no GM crop should be grown by the company if there are same species non-GM crops grown in the villages.

Having seen large GM farms in Argentina firsthand, I was reminded that there are those that follow best practice and are infinitely more respectful of landscape and environment than others. I think the time has come when there should be standards for product coming off industrial GM farms. The discerning marketplace will by degrees demand improvements in farming practices. For example, a GM farmer who puts 25 percent of his land down to wildlife deserves recognition. It will be that farmer who gets his GM product into Europe when the gates open! [....]"

- Mr. Woodhouse's commitment to organic standards in the UK does not seem to apply to FLA's projects in West Africa.
- FLA's website does not address how it engages with local communities.

INVESTORS

- FLA shareholders include Craven House Capital Plc (formerly AIM Investment Plc), a UK-based "frontier and emerging market investment company,"[95] whose strategy to take significant stakes in operating companies in emerging and frontier markets was created by Desmond Holdings Ltd of Hong Kong, which acts as its investment manager. Craven House agreed to acquire an additional 5.62 percent stake in Farm Lands of Africa, Inc. for $.80 million on May 17, 2012. Post-acquisition, Craven House Capital will hold approximately 7.8 percent stake in Farm Lands of Africa.[96]

  "Emerging and frontier markets offer the greatest potential reward for knowledgeable investors who can identify compelling opportunities."
  –The Opportunity, Craven House Capital[97]

- On July 30, 2012, Buddhavarapu Farms SA (BFS) signed a share exchange agreement to acquire 18.4 million shares of Farm Lands common stock (representing a 66.7 percent stake in Farm Lands) in exchange of 0.01 million shares of BFS common stock (representing 100 percent of the outstanding shares of BFS) from La Solution SARL, Craven House Capital Plc, Investment Arm, Desmond Holdings Ltd, and other shareholders in a reverse merger transaction. As a part of the transaction, S.N. Kumar Buddhavarapu was appointed as a Director of Farm Lands of Africa. The transaction approved by the Board of Directors of Buddhavarapu Farms and Farm Lands of Africa is subject to regulatory approval, entry into a lock up agreement with the shareholder of BFS, and execution of employment agreement.[98]
- A 2011 report to the SEC lists entities linked to FLA's managers, including:[99]

  Ashton Agricultural & General Ltd., a company controlled by Thomas Keegan and Katherine Keegan, the son and the daughter of Mark Keegan; however, reports suggest Ashton is a front for Mark Keegan, as the company is listed as 100 percent beneficially owned by the Keegan family. Ashton Agricultural is a securities holder in FLA. Through Ashton Agricultural, the Keegan family also has share holdings in Sovereign Mines of Africa, whose strategy "is to form joint-ventures with governments in Africa for mineral exploration."[100] Initially, following a Protocol d'Accord with the Office des Mines de Guinee (Guinean Ministry of Mines, OGM), Sovereign Mines of Guinea was established in 2009 and certain gold and diamond concessions were transferred to Guiord, a wholly owned subsidiary of Sovereign Mines of Guinea. Exploration licenses were transferred by OGM in February 2010.

Sovereign Mines of Africa was established as a new holding company and went on to acquire the entire beneficial interest in Sovereign Mines of Guinea, and Guiord and has gold concessions that grant it rights to explore for gold at five properties in the Republic of Guinea.[101] The company intends to pursue further collaborative joint ventures with other governments similar to that which it has established with the Government of Guinea.

Principal Corporate Investor Ltd. is controlled by Mr. Keegan and David Pearl, the founder of Sovereign Mines of Africa.

La Solution, Inc. advises companies with business interests in West Africa, and is controlled by Mr. Haidara, member of the Board of Directors of FLG since 2010. A citizen of the Republic of Mali, Haidara is also a Director of Sovereign Mines of Guinea Limited.

KEY MANAGERS[102]

FLGI's management is comprised of an interesting mix of political intermediaries, entrepreneurs seeking opportunities in natural resources, and retired military personnel:

- **Sir Redmond Watt** helped launch FLG and served as Chairman of the Board of Directors. A UK national, Sir Watt is a retired Commander-in-Chief of Land Forces of the British Army, and was Commanding Officer in Northern Ireland.[103] Effective December 31, 2011, Sir Redmond Watt resigned from his position as a Director of the Company.[104]
- **Mark Keegan,** a UK national, serves as CEO of Farm Lands of Guinea and Director of Land & Resources. Mr. Keegan was involved in the real estate business in the UK, North America, and Europe until 2000, when he acquired a number of farms in Argentina, including a cattle ranch El Choique on the edge of Pampa Seca, which was transformed into a soy and maize farm. In 2008, the farms were sold at a very substantial profit and his interest moved to Africa for opportunities in the agricultural sector. His company, New Hibernia Investments Ltd. served as the vehicle for agricultural investments in Argentina.
- **Cherif Haidara**, a citizen of the Republic of Mali, is a Member of the Board of Directors of FLG and Director of Land & Resources. Mr. Haidara is CEO of La Solutions, Inc. and a Director of Sovereign Mines of Guinea Limited. Mr. Haidara was General Manager of Societe d'Ingenierie de Financement pour l'Afrique from 1990 to 1994 and of Inversora Merden Inc. from 1994 to 1996. From 1995 to 1997, he was Adviser to the President of Comore and from 1995 to 1998 Special Adviser to the President of Niger.
- **Nigel Woodhouse** is the Director of FLA. He is a fellow of the Royal Geographical Society and a trustee of the Soil Association, and claims 15 years of experience in writing standards for UK and European organic movements and the WWF.[105]
- **Michael Barton** is the Chief Financial Officer and a Member of the Board of Directors of FLG. A practicing Chartered Accountant and a Graduate Psychologist, Barton has held several positions including President of the North West Society of Chartered Accountants, Deputy Chairman of the Institute of Chartered Accountants in England and Wales Audit Registration Committee, Deputy Chairman of the Institute of Chartered Accountants Investigation Committee, and Chairman of the Re-admissions Committee. He was Chairman of Mark Keegan's investment company, New Hibernia Investments Ltd., from 2004 to 2009.
- **S.N. Buddhavarapu Kumar**, whose experience extends from telecoms to distilling, has been the Chairman and Managing Director of Buddhavarapu Farms SA since 2010. An Honorary Consul Appointee for Guinea in India, he joined the Board of FLA in July 2012 as part of the reverse merger transaction.
- **David Pearl,** Advisor, serves also as Chairman of Sovereign Mines of Africa Plc, a company that has five gold mining exploration properties in Guinea.

Galtere Ltd[106]

Investment Vehicle: Galtere Global Agribusiness Fund (GGAF)

"Clearly I am running a commercial enterprise and therefore will operate the business in order to generate an appropriate yield to the investor. However, I would rather do nothing than generate any yield if that meant that I am adding, in any measure, to the destruction that is so rampant. My commitment is to do it right where all win, there is no other way or compromise. This is not an extreme position, this is what can be achieved today."

– Renatto Barbieri, Portfolio Manager of the Galtere Global Agribusiness Fund[107]

BACKGROUND

- Founded in 1997 by Renee Haugerud, a commodity trading veteran, Galtere is an investment firm specializing in commodity-focused hedge funds and private equity. Its strategy involves private equity investments across a diverse range of global agribusiness opportunities, including arable farmland, livestock and crop production, irrigation and water management, agricultural warehousing, and yield-enhancing technologies.[108]
- Between April and September 2012, significant changes were made to Galtere's private equity investments strategy, and it decided to pursue only the infrastructure projects in Brazil focusing on agricultural storage.[109]
- As this report highlights, strategic and tactical changes are quite common among private ag funds, which makes it hard for investors, policy makers, and the public at large to get basic accurate information.

STRATEGY & ACTIVITIES

- Launched in 2010, the **Galtere Glogal Agribusiness Fund (GGAF)** was targeting between $400 million and $2.5 billion in private equity[110] to invest in agricultural assets, including rice farms in Brazil and beef and cattle production in Australia, with remaining money allocated to infrastructure, including grain-storage facilities.[111] With a commitment of $50 million from a seed investor, it hoped to raise another $50 million and planned to invest in irrigated rice production and grain storage in Brazil.[112]

- While Galtere is SEC registered, GGAF was not, as of April 2012. The manager of the fund, Galtere Global Resources Management Ltd., is a British Virgin Island corporation affiliated with Galtere.[113]
- GGAF was planning to maximize returns by targeting prime agricultural lands with good water supply, investing in staples (rather than commodities), and applying what it views as "best management practices." As expressed by Renatto Barbieri:[114]

> *"There is no reason why we should be worried today about clearing more land [...] What we need is an increase in efficiencies and farm methodology."*
>
> *"Food security [...] So what are the staples of the world? [...] It's certainly not corn and soy."*
>
> *"There are very few things I can get for free, but I can get air and water...and the grass, especially grassland does not come very expensive so why are we not utilizing that? [...] Today we get rainfall for free, we need somehow to start pricing these inputs."*

- GGAF's strategy was to mitigate risks by diversifying regional focus and investment types along the value chain, and tapping into both the domestic and international markets. According to its Portfolio Manager, it intended to supply domestic markets primarily, and export markets on "an opportunistic basis."[115]

ENGAGEMENT ON TRANSPARENCY AND SUSTAINABILITY ISSUES

- In materials made available, Galtere stood out from other funds by its apparent commitment to sustaining native pastures in non-frontier markets and its willingness to engage with OI researchers on difficult questions, providing detailed materials. Here we reproduce a few of Galtere's responses to OI. Here we reproduce a few of Galtere's responses to OI that were based on their pre-September 2012 strategy.

BOX 2: GALTERE'S RESPONSES TO OI[116]

END MARKETS

OI: "The brochure says the focus will be on domestic market but the MOU portrays a more subtle picture. For instance: "Irrigated rice produced in Brazil will be sold into both domestic and export markets. In Uruguay, the irrigated rice production will be at least 80 percent dedicated to the export market. In Australia, beef and, whenever warranted, fat lamb production will primarily be sold domestically. Please help clarify."

Galtere on rice production (Brazil and Uruguay):

"RS [Rio Grande do Sul] is responsible for the supply of slightly over 65 percent of all the rice consumed in Brazil. Rice production in RS is approximately 7.5 to 8 million metric tons. Most of this rice is consumed domestically within Brazil, but depending on market conditions, the state exports up to 1 million metric tons (the major market being Africa). The Brazilian government through the Mercosul agreement does import rice from Uruguay and Argentina from time to time.

The area dedicated to irrigated rice production in RS is approximately 1.1 million hectares vs. approximately 182,000 hectares in Uruguay. The Brazilian population, being close to 200 million people, is the major market for any rice operations in the country. The Uruguayan population of approximately 3 million people is not able to absorb their production and therefore direct their production to the export market. It would be difficult to develop a large rice operation in Uruguay, but given the regional proximity, we may be able to optimize operations when properties are not far from each other as the technology and cropping conditions are essentially the same.

As Asia runs down its hydrological resources, rice production will decline (China is no longer self-sufficient although it continues to be the largest rice producer in the world) and *major exporters to Africa will redirect more and more of their production to and within Asia. Unfortunately, Africa is not currently able to feed itself and it may take a while before that happens. Brazil will necessarily have to come to the rescue and therefore local production in RS will need to increase. It not only makes sense from a distance, but eventually one would hope that more regional appropriate technology transfer would take place between these two regions.*

Our objective is to have up to 100,000 hectares of sustainable irrigated rice production. Our primary objective is the domestic market and today 100 percent of the RS production would be dedicated to the domestic market. Even if we wanted to dedicate a substantial amount to exports, this would be difficult as very little work has been done in connection to developing markets for Brazilian rice and exporters have been unreliable as to volume consistency. We will work with the government in order to ensure smooth operations at all levels as we increase our yields, as we will likely need to help Africa and the Middle East."

Galtere on beef production (Australia):[117]

"The region where we are focusing is the NSW Northern Tablelands. This is a region that is dedicated to the supply of boxed beef to the domestic market. Whenever a producer is qualified to export to the EU (hormone-free beef) that market is an alternative for part of the production as it attracts a premium. Australia is a net beef exporter as it produces more than what it consumes. However, there is a lack of good quality and consistent supply into the domestic market and that is the gap we are aiming to fill. We are not involved and will not be involved with live cattle exports as is the case of all the northern Australia cattle operators (Macquarie, Terra Firma, AACo, etc.)."

LAND PRACTICES

OI: "Your brochure says that the fund focuses on "transforming management practices" rather than "converting the land." The MOU mentions that the fund is looking to convert pasture lands into rice production lands, thanks to water catchment. This can appear to be contradictory...please explain; also, how do you ensure that the acquisition of these pasture lands does not conflict with local community rights?"

Galtere: *"Today many areas in our target region that originally were covered with trees have instead "native pasture" and are used for inefficient animal husbandry. Some of these areas can be brought to crop production provided that enough hydro resources are available, and that is the objective of the irrigation project. (NOTE: one of my many objectives is to demonstrate that there is no need to deforest massive areas of the Cerrado to make "land available" when there is sufficient land that can be brought to production without having to deforest the area.)*

The beneficiaries of the irrigation project are the current landowners. Property size varies from 100 hectares to 2,000 to 3,000 hectares in this region. The project as originally proposed to the government would create an extra 18,000 jobs and substantially increase agricultural production in that region (this has been demonstrated through a report to the government). There is zero chance of community or individual displacements, especially given the very specific laws that deal with this in this region."

IMPACT OF RAINWATER CATCHMENT DAMS

OI: "Is there an impact assessment for the 5 to 14 dams you are planning to construct in Rio Grande do Sul? Is it possible to have a copy of the concession received from the government granting water rights for the next 35 years? We are assuming there are populations/ecosystems around the targeted areas that are dependent on rainwater. With the new concession, will the rainwater be sold to farmers?"

Galtere: *"Yes, there is a study made by a third party. In addition, nothing can happen without IBAMA (the Brazilian federal environmental body) approval. The studies are all in Portuguese. The proposed concession to be executed* *under a PPP (public partnership program) is for the sale of irrigation water for a period of 35 years. Unless one has access to his/her own dam water, river, or lake (for river and lakes a government permit is required), it is and has been market practice to pay a percentage of production for access to third party water. This model has been in place since the beginning of irrigated rice production in RS and is a well-established practice (unfortunately this is the only state in Brazil where farmers pay for water and therefore water management in the rice culture is second to none in the world and in some instances far superior to the US. Brazil is trying to have farmers in other regions pay for water access, but politically this has not been acceptable and therefore waste is rampant).*

The proposed dams are small. The largest dam would have a capacity to irrigate approximately 13,000 hectares and therefore the flooded area is small. As previously mentioned, since most of the native vegetation was cleared hundreds of years ago, the impact would be minimal.

This project is presently on hold and discussion continues with the government. As mentioned above, the government is considering building 5,000 small dams instead as it would be a more populist measure, although the environmental impact would be larger, no new jobs would be created, and new production would not come to reality. Hopefully we can educate them as we move forward. This does not impact our projected cash flows and fund returns."

VARIETIES

OI: "What are the "high-yielding" rice varieties you intend to grow? Are these GM? How are the ecological impacts of their rice production on water and soils monitored? Is this prime rain-fed pasture land converted to rice production using some fertilizers and new irrigation infrastructure? Basically, clarify how the fund controls risks, not just upfront (see MOU) but for ongoing impacts.

Galtere: *"High-yielding rice varieties are rice genotypes that have been selected according to certain criteria: for example, plant height, number of grain per stalk, resistance to disease, etc. Currently no GMO rice is allowed in Brazil. Rice is a grass and has what is called an "open genoma." Effectively, this means that if someone decides to tinker with its genes, it only takes one generation (F1) for this trait to be passed to the surrounding grasses. The damage that this can cause can be devastating. Unfortunately, China is allowing the use of GMO rice and will suffer accordingly. There are many multinationals lobbying Brazil to allow the introduction of GMO rice. We will not use it if it is ever introduced.*

We will not use artificial fertilizers or any chemicals. There is no need for it and contrary to what is taught in schools and rammed down people's throats, there is no production impairment because of it. The reason why I am doing it on a large scale is to show conventional farmers that they do not need to be slaves of companies like Monsanto, etc. It is widely known that most aspects of the "green revolution" were and are disastrous and we could have achieved the same production results with sustainable practices. I am not advocating going back to horse and cart. The use of technology is a must. However, it must be the right technology. For example, in the banking world one is not allowed to promote a "tied sale," that is, offer a product to a client conditional on the client entering into another transaction. However, in agriculture we have RoundUp resistant soybeans (aka RR soybeans by Monsanto), which are resistant to glyphosate, an herbicide developed by Monsanto. So the farmer purchases the RR bean and of course the glyphosate."

IRRS

OI: "In your presentation to the World Bank in 2011, you did say says that IRRs of 8 to 20 percent (which is a large range) are achievable without further environmental destruction. Please help us understand."

Galtere: *"When we describe possible returns of up to 20 percent, that means agribusiness, as opposed to farm ownership and operation. In our case, the 20 percent (in Brazilian real) refers to grain storage, which is not related in any way to farmland ownership and operation.[...]*

When focusing on the returns for farmland ownership and operation, one needs to take into consideration intrinsic land value appreciation. One of the best resources for that is NEICREF in the US, although it is still not complete. ABARE in Australia has also done some research on this. The conclusion is that over the last 20 to 30 years (possibly more), farmland has appreciated in the US at around 6 percent p.a. and at a slightly higher rate for Australia. For Brazil the rate has been a bit higher, but we have decided to stick with 6 percent to be more conservative. Under this light, an 8 percent IRR starts to look more realistic as only 2 percent is left for the operations to deliver. Clearly, one would expect to deliver a higher rate than 2 percent on farm operations.

Another consideration is location of the investment. For example, a company in Brazil would have to pay upward of 11 percent p.a. (a preferred rate) to borrow. Then it would not be feasible to consider delivering returns much lower than this, as no investor would be interested in investing in such an asset class.

A great misconception about returns has to do with quantity vs. quality of operations. Because of the nature of the industry and conventional farming, many farmers find themselves tied up to a bank or large feedstock supplier (for seed, fertilizer, pesticides, etc). In order then to borrow the inputs, whether money or all sorts of seeds and chemicals, etc., which come tied up to the "lending exercise," the farmer is forced to accept a "modus operandi" that will in theory produce the highest crop yields (please note the highlight as in practice sustainable ag can produce as much or more with less inputs). The outcome is that even if the farmer produces a lot of volume, the cost is such that his/her financial return, if at all positive, is meager. Now, for example, a biodynamic farmer will have much smaller cost input and therefore, since the output volume is comparable, a much higher return on the investment. Clearly, the latter does not support the highly predatory nature of the ag industry today.[...]

When discussing Africa, where labor costs are very small, then people could conceivably think about higher returns. One also would need to consider local government taxes (or lack of) and incentives. We do not operate in Africa and therefore I am not exactly sure what the implications of such investments could be, although if not done within a positive frame of mind it could certainly be very damaging."

INVESTORS

According to Galtere, 85 percent of its client base is institutional, including ERISA, pensions, foundations, endowments, corporate proprietary capital, sovereign wealth funds, and private bank capital. Another 8 percent is family office/high net worth, and 7 percent funds-of-funds.[118]

- The Danish pension fund administrator PKA has made a commitment of $50 million to GGAF. In April 2012, PKA set up PKA AIP (Alternative Investment Partners) to leverage private equity, forestry, agriculture, and infrastructure investments with a budget of DKK 12 billion for the next three years.[119]
- High and stable profits remain an important motivator for pension funds like PKA, and GGAF targets IRR of 15 percent (25 percent on storage facilities).

KEY MANAGERS

- Galtere was founded by **Renée Haugerud,** a former trader who came up through the ranks of Continental Grain, Cargill, NatWest Markets, and Hunter Dounglas N.A.
- Renée Haugerud met **Renatto Barbieri,** Portfolio Manager of the GGAF, at Cargill (Australia). Before joining Galtere in 2009, Barbieri worked at Standard Chartered Bank (Asia), Merrill Lynch, Goldman Sachs, and Deutsche Bank (as the head of the Natural Resources Principal Finance Team of Global Markets). Trained in agronomic engineering, Mr. Barbieri personally owns 8,000 acres in Australia and is currently applying for government grants to develop a farming-conservation project.

UBS

Investment Vehicle: UBS Agrivest Farmland Fund L.P.

"What was not attractive on farmland over the past 20 years is – boy, we had investments that are only returning five, six percent on an annual income basis."

– Charlie Bryan, Director, Acquisitions and Asset Management

BACKGROUND

- Within UBS Global Asset Management, Global Real Estate in Farmland is the business specializing in farmland investments in the United States. The team operates through the legal entity UBS AgriVest LLC, an SEC-registered investment advisor. AgriVest was formed in 1983 and was one of the first investment managers to be appointed by pension funds to invest in farmland on their behalf. In 1997 the firm became affiliated with Allegis Realty Investors (now UBS Realty Investors LLC). Swiss-based UBS acquired AgriVest in 1999.[120] The open-ended private equity fund **UBS Agrivest Farmland Fund** was set up in 2006.[121]

STRATEGY & ACTIVITIES

- UBS AgriVest actively seeks investments in row, vegetable, and permanent cropland throughout the prime agricultural regions of the United States, managing about 155,000 acres of row crops (valued at $625 million), vegetables, and permanent crops in 25 US states. It is considered to be one of the top-five farmland managers in the world.[122]
- UBS AgriVest LLC provides individually managed farmland investment portfolios for those willing to invest a minimum of $50 million. AgriVest also manages commingled accounts[123] to offer financial vehicles to those seeking to invest a smaller minimum amount (if they meet SEC's definition of an "accredited investor," which requires net worth of at least $1 million or annual earnings of at least $200,000 or $300,000 when combined with those of a spouse.[124]

ENGAGEMENT ON TRANSPARENCY & SUSTAINABILITY ISSUES

- UBS AgriVest confirmed the long-term existence of their farms and their respect for US environmental standards and common agricultural practices. UBS did not provide further documentation.

"We obtain an Environmental Site Assessment from an environmental engineering firm prior to acquiring any farm. Anything that turns up in that report must be remediated or we can cancel the transaction. We have provisions in all of our leases (all of our farms are leased out to local farmers) that require them to comply with local, state, and federal laws regarding the use/handling of fertilizers, chemicals, and any other toxic materials. We construct containment walls around all above-ground fuel storage tanks, if there are none. We have no underground tanks and would require those to be removed and remediated prior to acquiring a farm. In the event an irrigation well is abandoned by us, it is properly sealed in compliance with all local and state regulations.

As I mentioned earlier, the farm properties that we invest in *have been in continuous agricultural production for a long time. We do not clear timber, rangeland, or woodland and convert it to farmland. In some cases we have put some of the farms under long-term conservation contracts or sold the development rights to conservation foundations, etc., such that the farm will always remain as farmland."*[125]

- In addition, UBS Agrivest responded to specific items as follows:[126]

  No-till practices: *"No-till practices are quite widespread and the most common everywhere we hold farms. We cannot specify such practices, as we must remain as passive investors or lose tax exempt status."*

  Buffering zones near water streams: *"This is also very common for flooding issues and especially for vegetable properties for food safety requirements. All vegetable growers must comply with a whole host of food safety regulations, including buffer areas near pastureland or areas with livestock. They also have established self-imposed regulations under what is called the Leafy Green Agreement"*

  GMOs by farmers: "*We have no control over this.*"

INVESTORS

- Investors in UBS Agrivest include public pension funds such as the Alaska State Retirement System; Iowa Public Employees Retirement System (IPERS), which made a $100 million allotment for farmland, to be invested in North America only, through UBS; and Sonoma County Employees' Retirement System Association, which planned to allocate 3 percent of its portfolio to farmland holdings, including AgriVest.[127]

KEY MANAGERS

- **James McCandless** is Co-Founder and Managing Director of AgriVest. He previously held positions at the Bank of America, Connecticut Mutual Life Insurance Company, and Bell Investment Company. Among other affiliations, he is a member of the American Society of Farm Managers and Rural Appraisers and the Pension Real Estate Association.[128]

FUND MANAGERS WHO DID NOT RESPOND TO OI

Altima[129]

Investment Vehicles: Altima One World Agricultural Fund (AOWAF), Altima Farmland Fund (AFF), and Altima Agriculture Equities Fund

"We are confident that our combined strengths [with the IFC] will be a force for positive change in the agriculture sector and will benefit communities around the world."

– Joseph Carvin, Hedge Fund Manager, Altima[130]

"My boss wants to create the first Exxon Mobil of the farming sector." – Joseph Carvin[131]

BACKGROUND

- Altima spun out of the Equity Special Situations Group at **Deutsche Bank AG** in 2004. Based in London, the hedge fund also holds offices in New York and Monaco and claims $2 billion in assets under management (actual figures vary significantly by source), of which approximately $850 million is invested in agriculture in a mix of listed and unlisted investments across several funds, with a focus on emerging markets.[132] Investing in agriculture since 2005, Altima launched its dedicated agriculture platform with the Altima One World Agriculture Fund (AOWAF) in June 2007.
- While an important share of Altima's assets reside in oil, gas, and transportation in Russia,[133] about 40 percent is in the agricultural arena.[134] Altima holds a mix of listed and unlisted investments, including **El Tejar**, the largest agricultural and livestock company in the world.[135] According to the 2011 Global AgInvesting conference brochure, "Altima Fund portfolio companies plan to harvest 2.5 million acres (1 million ha) in South America, Central and Eastern Europe, Australia, and Africa."
- While the advisers/sub-advisers of the funds **Altima Partners LP** (registered in the UK) and **Altima Advisors Americas LP** (registered in Delaware) have a foot onshore, they ultimately connect to **Altima International Ltd,** which is registered in the Cayman Islands. Meriam Research and CRBM also reported Altima's role in offshoring El Tejar Limiteds to the Bermudas.[136]

STRATEGY & ACTIVITIES

- According to Altima's promotional materials, Altima's agricultural investment strategy relies on building regional conglomerates serving global markets.

  "*Altima's investment thesis is to form a vertically integrated, regionally focused, agri-conglomerate, which will be designed to serve domestic/regional markets primarily, and over the medium-term, as scale is achieved, move into more lucrative international export markets (focusing on the Middle East, China, India, and Western Europe)*"[137]
- This industrial model of agriculture has been easily implemented in Latin America, but in sub-Saharan Africa, Altima is still trying to develop this concept. In 2010-2011, their strategy seemed to focus on establishing a farm (**Cenafarm**) integrated to an outgrower scheme ("Agri-Enable") in Zambia, then and duplicating it in other attractive countries like Mozambique, Tanzania, and Zimbabwe.

As explained by Angus Shelby in a presentation to the World Bank: *"The CENAFARMS model is based on being*

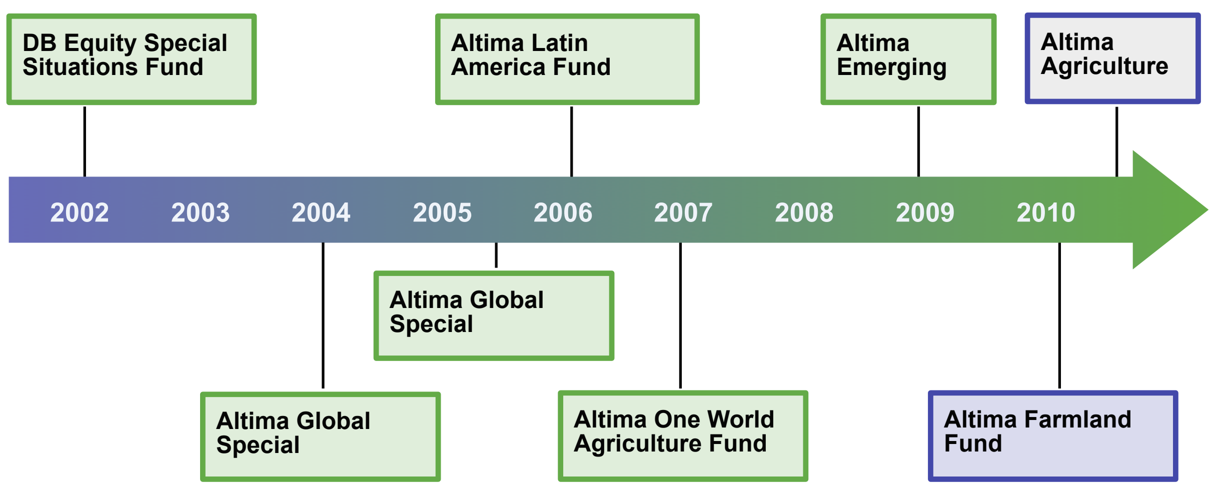
BOX 3: ALTIMA'S KEY AGRICULTURAL NETWORKS

	EL TEJAR	SPEARHEAD	AAG	CENAFARMS	TFMN	BROWN & CO	TOTAL
Managed Farmland (Ha)*	660,000	60,000	55,000	5,000	30,000	5,000	815,000
Directly Operated (Ha)**	936,000	60,000	5,000	3,000	–	–	1,004,000
Owned Farmland (Ha)	170,000	500	500	5,000	–	–	176,000
Value of Land Under Management ($US M)***	3,300	300	385	10	360	40	4,395

** Physical Hectares Owned, Leased, or Managed in 2010/11*
*** Annual Seeded Hectares Farmed Internally in 2010/11*
**** Approximate Oct 2010 Values*

Source: Altima Africa Strategy

BOX 4: ALTIMA'S KEY FUNDS – TIMELINE



Source: Dr. Angus Shelby, Presentation to the World Bank Conference on Land & Development, April 2011

the low cost producer throughout the supply chain," with revenues derived from commodities but also from inputs and services sold to farmers.[138]

- In August 2010, Altima was considering establishing a joint-venture to source land deals in Africa with sub-Saharan Capital, a private equity firm domiciled in Guernsey.[139] The current state of this project could not be verified.

ENGAGEMENT ON TRANSPARENCY AND SUSTAINABILITY ISSUES

Altima did not respond to questions regarding their funds and social and environmental sustainability standards. In the context of the promotion of their agricultural investment projects in sub-Saharan Africa in 2010-2011 as being socially responsible, Altima provided documents that raise some questions.

- The documents provided suggest Altima has "established working relationships" in Zambia with the Conservation Farming Unit (or CFU, funded by the Norwegian government) and the Zambia Development Agency (ZDA).[140] However, no written agreement or other documents were supplied to explain the nature of these relationships and how, for instance, the need to sell fertilizers to smallholders will be balanced against conservation imperatives.
- Altima's commitment to SRI principles is inconsistent. Its "Africa Strategy Overview" did not mention special commitment to socially and environmentally sustainable practices, but did stress Altima's commitment to finding cheap fertile farmland in Africa:

  "[...] because certain factors were deemed to be more important than others, different weightings were assigned. As such, a triple weighting was given to the 'Productive potential of the land,' and a double weighting was given to both the 'Agricultural policy environment' and the 'Price of farmland.'"[141]
- To the World Bank, Altima defines its "social and environmental approach" as follows:

  "1 - Sustainable resource usage and management with emphasis on soil structure and water usage;

  2 - Sustainable social integration through an integrated farming model based around skills transfers and market/service provision to neighboring smallholder farmers."

  Yet, these principles are not substantiated. For example, how would Altima achieve sustainable water use? How would skills be transferred and services provided at a sustainable cost to farmers? What would be farmer's negotiating power?
- While Altima promotes its role in co-setting "pragmatic" (non-binding) principles for investing in farmland,[142] its commitments to social and environmental standards and good governance remain unclear. The firm is not a signatory of the UN Principles for Responsible Investment (UNPRI).[143] And, significantly, it does not adhere to the UK Financial Reporting Council's Stewardship Code published in 2010 to improve transparency in investments.[144]

INVESTORS

- The International Finance Corporation (IFC) committed $75 million to the Altima One World Agriculture Fund (AOWAF), which represented its largest equity investment in 2009. It invested in AOWAF via a "special vehicle," allowing Altima to continue investing outside of the IFC investment guidelines (the IFC has a set of eight performance standards, including criteria like biodiversity conservation, land acquisition, and labor conditions).[145]
- Other investors to the Altima Farmland Fund remain unknown.

KEY MANAGERS

Altima is run by former Deutsche Bank executives, including:

- **Dominic Redfern,** the former Managing Director of Deutsche Bank AG. Mr. Redfern co-created the Equity Special Situations Group in 1999, co-founded Altima in 2004 and continued overseeing Altima Global Special Opportunities Fund. Mr. Redfern is also the Executive Director of Altima Monaco. He sits on the board of various companies where Altima is invested: Landmark, Oil & Gas Plc, and the Water Resource Group.[146]
- **Joseph Carvin** helped promote AOWAF and finalize the deal with the IFC. Mr. Carvin withdrew from the Senate race as a Republican candidate in New York in March 2012. His program did not tackle offshoring practices and transparency issues with private investments.[147]
- **Dr. Angus Selby**, who is also a Morgan Stanley alumnus, formerly served as Principal and Portfolio Manager (Agriculture Private Equity), promoting agricultural investments in sub-Saharan Africa. He recently joined the **Canada Pension Plan Investment Board (CPPIB)** as a Senior Principal (Agriculture).[148] This raises the question of whether CPPIB has invested or is considering an investment in Altima's portfolio of fund.

Black River Asset Management LLC[149]

Investment Vehicles: Black River Commodity Agricultural Fund LLC, Black River Dedicated Agricultural Fund LLC, and Black River Capital Partners [Food] Fund

"We're so used to efficient food production in the United States. But in China and India a lot of it depends on peasant farmers. It is not an optimized or efficient system and it is unsustainable to meet demand."

– Richard Gammill[150]

BACKGROUND

- Cargill, which was founded in 1865 and remains one of the largest privately owned corporations in the US (with $119.5 billion in revenues as of May 2011),[151] does not content itself with providing food ingredients and agricultural services to world markets. It has built its own private investment businesses, **Cargill Venture** (invested in information technology, genetically modified seeds, and alternative fuels) and **Black Rivers Asset Management** (invested in natural resources).
- Established in 2003, Black River Asset Management is now a privately held global asset manager with some $6 to $10 billion in assets under management.[152] Its private equity team manages over $1 billion in assets along four resource-related sectors: agriculture, food, metals, and mining.[153]

STRATEGY & ACTIVITIES

- Black River manages funds specialized in agriculture ("**Black River Commodity Agricultural Fund LLC"** and **"Black River Dedicated Agricultural Fund 1 LLC"**) and food ("**Black River Capital Partners [Food] Fund")**. The food fund closed in 2011 with $455 million in commitments.[154] In addition, since 2010 Black River has managed the Commodity Equity Long/Short Opportunity Fund, which invests in stocks in the fertilizers, food distribution, energy, grains, meat, steel, and transportation sectors.[155]
- Black River intends to westernize/industrialize agriculture in emerging markets, leveraging opportunities across their funds.
- Black River's reported investment interests include:

  Aquaculture in Central and Latin America as well as Southeast Asia.[156]

  Controls 50,000 hectares of productive land in South America.[157]

  Livestock and dairy farms in China and India and fruits, vegetables, and rice in the Philippines.[158]

  Farmland properties in Australia. Black River notably purchased the BFB Pty Ltd, an unlisted farming company with fluctuating financial performance.[159]

  According to NGO reports, Black River has also invested in farmlands in Bulgaria through participation in Ceres.[160]

Black River's ability to make large private bets on commodities and land keeps fueling criticisms. Its parent company, Cargill, finds itself regularly at the center of campaigns about food safety, deforestation, and human rights violations.[161]

INVESTORS

- Institutions that have committed capital to the food fund include US pension funds such as Illinois Teachers Retirement Board, the Dutch pension fund PFZW (formerly PGGM), and the investment corporation Utimco, which manages money for Texas A&M University.[162]
- In 2010, Black River's fund manager was aiming for financial returns of 25 percent.[163]

KEY MANAGERS

- **Richard Gammill** oversees private equity investments in the food sector. Prior to Black River, he was an investment professional for private equity and venture capital firms.

Ceres Partners

Investment Vehicle: Ceres Farms, LLC[164]

"You always want to be in an asset class whose demand is increasing [...]"

– Perry Vieth, President[165]

"There's a real hunger to farm as many tillable acres as possible, and in turn, that's driving up prices for farmers who want to rent land and investors looking for opportunities to buy."

– Brandon Zick, Senior Portfolio Manager[166]

BACKGROUND

- Ceres Farms is a private equity fund managed by Ceres Partners, which also manages Heartland Farms, LLC (an agri-fund currently closed to investors).
- Launched in 2007, Ceres Farms has raised a total of $45 million according to SEC fillings. Its website currently shows assets under management of $100 million.[167] Ceres Farms significantly grew its assets over the past year according a recent interview in Bloomberg's *Money Move* and the fund is still accepting new investors for a minimum commitment of $250,000.[168]

STRATEGY & ACTIVITIES

- Ceres Farms' strategy is to acquire prime farmlands in the US Midwest at the lowest cost possible,[169] team up with highly capitalized tenants seeking economies of scale, and maximize returns by deriving income from cash rent, crop share, and land value appreciation. Additional sources of income include seasonal hunting leases to individual hunters or outfitters, harvesting mature timber, oil and gas royalties, and billboard rentals.[170]
- In an interview with *Bloomberg* on July 20, 2012, Ceres Founder Perry Vieth stated that drought was offering a great opportunity to add to land holdings.[171]
- According to its founder, Ceres Partners produced an average annual gain of 16.4 percent after fees from January 2008. The bulk of the returns are in rent payments from tenant farmers who grow and sell the crops and from land appreciation.[172]
- Ceres seeks to "provide the premier agricultural asset management fund to investors" and "believes that the best means of investment is through direct ownership in a diversified managed portfolio of income producing farms that also allows investors to participate in land appreciation gains."[173]
- According to its website, Ceres Partners manages a portfolio of properties encompassing more than 20,000 acres and consisting of 90 farms in the states of Indiana (70 percent), Illinois (10 percent), and Michigan (20 percent) as of 2012. The main activities of these farms are corn and soy production for biofuels.[174]

ENGAGEMENT ON TRANSPARENCY AND SUSTAINABILITY ISSUES

- Ceres Farms did not provide any information that could enhance our understanding of its fund or its "sustainable practices."

- In email correspondence with OI, Ceres Farms did stress its objectives in the following terms:

  "We look to partner with our US farmer-tenants to help them be the most efficient and productive farmers as possible so that they can produce more grain for the entire world to consume. We do not try to dictate the end use of our farms' product, but we do try to insure that all tenants are practicing sustainable practices that will insure increasing productivity for the current generation as well as generations to come."[175]

- Materials available through public sources stress productivity and returns imperatives but do not mention any sustainability indicators, the absence of which might explain the fund's inability to elaborate on these issues of public interest.

INVESTORS

- Likewise, information regarding investors does not appear consistent. According to Perry Vieth, "Ceres is comprised mostly of individual US investors and a few institutional investors such as foundations."[176] Another media report mentions Pierry Vieth stating that it is buying for wealthy investors, owns 65 farms, and returns 15 percent annually to his investors.[177] The website states that Ceres Farms has "100 investors consisting of individuals, trusts, IRA accounts, pension plan, insurance company."[178]

KEY MANAGERS[179]

- Ceres Farms was founded by **Perry Vieth**, the former head of fixed income investments for PanAgora Asset Management, a Boston-based quantitative money management firm. Mr. Vieth serves on the University of Notre Dame Law School's Advisory Council.
- Its executives include **Barbara Conolly Keady** and **Brandon Zick**, both Morgan Stanley alumni.

George Soros

See also OSPRAIE

Investment Vehicles: Soros Fund Management LLC and Soros Economic Development Fund

"I'm convinced that farmland is going to be one of the best investments of our time. Eventually, of course, food prices will get high enough that the market probably will be flooded with supply through development of new land or technology or both, and the bull market will end. But that's a long ways away yet."

– George Soros, June 2009

"It is the decade of agriculture in Africa. Food security will become the next tradable commodity."

– Stewart Paperin, President of Soros Economic Development Fund[180]

BACKGROUND

- George Soros started his career as a trader at Wall Street and grew as a well-known hedge fund manager and speculator, betting on currencies like the British pound and the Thai baht and delivering two-digit returns in the midst of the 2008 financial crisis.
- Controlling close to $25 billion for himself, his family, and his foundations, in 2011 Soros announced that Soros Fund Management LLC[181] will focus on managing assets solely for the Soros family. This decision was taken with the new financial regulations that would require the firm be registered with the Securities and Exchange Commission by March 2012 if it continued to manage money for outsiders.[182]

STRATEGY & ACTIVITIES

- In June 2009, George Soros declared that he was "convinced farmland is going to be one of the best investments of our time."[183] Given his influence on the industry, this is likely to guide other investors. Below is a brief outline of some of his agriculture-related investments over the past five years.
- **The Soros Fund Management LLC:**

  In 2008, Soros Fund Management, a hedge fund management firm that serves as the principal advisor to the Quantum Group of Funds, started to invest in the Ospraie Special Opportunities Fund (OSO) and US grain elevator companies (see also the Ospraie profile). Through this relationship, it became implicated in some controversial farmland purchases in Missouri.[184]
- In 2011, Soros Fund Management, through its affiliate Pampas Humedas LLC, had a 33 percent stake in Adecoagro SA (AGRO), one of the largest agricultural companies in Argentina, Brazil, and Uruguay. Adecoagro remains Soros Fund Management's biggest holding as of 2011 (making up about 5 percent of its portfolio).[185]

BOX 5: A CLOSER LOOK AT ADECOAGRO (ALSO KNOWN AS INTERNATIONAL FARMLAND HOLDINGS)

- As of December 31, 2011, Adecoagro owned a total of 725,065 acres (293,423 ha), comprised of 23 farms in Argentina, 13 farms in Brazil, and one farm in Uruguay. The company is engaged in the production of raw and industrialized milk, crop commodities (soybeans, corn, wheat, sunflower, and cotton), sugar/ethanol, rice, coffee, as well as cattle breeding. It became public in January 2011 and is traded on the New York Stock Exchange.[186]
- Soros Fund Management is Adecoagro's largest shareholder (although it reduced its stake from 33 percent to 21 percent in January 2011). In June 2012, media reported on potential takeovers, notably from US agribusiness companies Bunge and Cargill.[187]
- Adecoagro was founded by Mariano Bosch (CEO) and Alan Leland Boyce (Board of Directors).[188]
- Mr. Bosch serves on the advisory board of Teays River Investments LLC, a farmland investment management firm in North America, which works with OSO (see Ospraie profile).
- Mr. Boyce has worked for 8 years at Soros and also headed Absalon, a join-venture between Soros and the Danish financial system. In addition, he has been involved under the aegis of George Soros in assignments with the governments of Argentina and Mexico. Involved in many agricultural and energy production companies in the US, Mr. Boyce is also Director of Agrica Ltd, a rice producer whose land acquisition in Tanzania was disputed by nearby communities (who were eventually relocated).[189] Finally, Mr. Boyce also influences industry research and information as an advisory member of High Quest Partners, a consulting and events company serving agriculture, agribusiness, grains, oilseed, food, and biofuels markets.

- The Soros Economic Development Fund:[190]

  In 2010, the Soros Economic Development Fund partnered with Alliance for a Green Revolution in Africa (**AGRA**) and **Lundin Foundation** to launch the **West Africa Agricultural Investment Fund** (WAAIF), which targets small- and medium-size agricultural enterprises in Burkina Faso, Cote d'Ivoire, Ghana, Mali, and Niger. WAAIF is managed by Jerry Parkes from Injaro Investments, a West African fund management company. While the Lundin foundation advertises productivity gains for small holders and new processing facilities, AGRA emphasizes "improved" seed supplies to small farmers (AGRA has been at the center of many controversies, notably for propelling GMOs to Africa).[191] In 2011, the fund invested in a Malian seed company and a Ghanaian seed producer called M&B Seeds and Agricultural Services Company Limited.

- The Soros Economic Development has also been an investor of the Luxembourg-based Fanisi Venture Capital Fund, which invests in high-growth businesses in Kenya, Rwanda, Tanzania, and Uganda across a wide range of sectors, including agriculture.
- Backed by the Multilateral Investment Guarantee Agency (MIGA), the political risk insurance arm of the World Bank Group, **ManoCap,** a private equity fund that operates in Sierra Leone, Liberia, and Ghana, has been raising capital to invest in agribusiness in the region. ManoCap currently manages two funds: the Sierra Investment Fund (investing in a broad range of sectors, except the mining sector) and the ManoCap Soros Fund (investing in agribusiness specifically).[192]

AFFILIATIONS

- **George Soros** entertains many affiliations outside the realm of investments. He is the founder of New Economic Thinking, the Director for the Institute for International Economics, and the Director of the Council on Foreign Relations, among many other positions. He founded the Open Society Foundation.

Gladstone Companies

Investment Vehicle: Gladstone Land Corporation

"It's an investment play. Warren Buffett said he'd rather own all the farmland in the US than all the gold in the world."

– David Gladstone, Founder, Chairman and CEO of Gladstone Companies[1]

BACKGROUND

- Gladstone Companies "are a family of public and private investment funds with approximately $1.2 billion invested."[2]
- Gladstone Land Corporation is a private company, managed by Gladstone Management, which has purchased, leased, and sold farmland in the US since 1997.[3] Gladstone Land Corporation filed for an initial public offering (IPO) in mid-2010, withdrew it in March 2012, and refiled it again in September 2012. If the paperwork moves forward, Gladstone Land Corporation will change its tax status from a sub chapter of corporation C to a real estate investment trust (REIT) hence forgoing corporate taxes, and it will be registered under "LAND" on the NASDAQ.[4]

STRATEGY & ACTIVITIES

"They're not making that kind of land anymore. It's getting used up at a fairly rapid pace with urban and suburban uses. Over time there's an appreciation in value."

– David Gladstone[5]

- Gladstone Land Corporation first purchased farmland from Monsanto in 1997 with the primary objective of operating strawberry farms through Coastal Berry Company LLC, which was then sold to Dole Food Company in 2004.
- Since 2004, the company's strategy changed to focus primarily on generating cash and profits from land leases (2 to 5 year terms) and land sales and pay it out to shareholders as dividends.[6] The tenants pay all property related costs, such as maintenance, utilities, property taxes, and insurance.
- Although the Gladstone website states that it leases to both independent and corporate farmers, the SEC filling reports that 959 acres (59 percent of its reported estates) are leased to Dole Food Company, 415 acres (25 percent) are leased to undisclosed corporate farmers, and only 257 acres (16 percent) are leased to undisclosed independent farmers. According to the same report, Gladstone also leases a small parcel on its Oxnard farm to an oil company.[7]
- According to Gladstone Land Corporation's website, the company currently owns twelve row crop properties in California and Florida totaling 1,631 acres and valued at over $75 million. Gladstone is also actively seeking new properties across the US, including California, Florida, the Southeast, the Mid-Atlantic and the Midwest.[8] Last year, CEO David Gladstone stated that he "would like to buy another 10,000-12,000 acres."[9]
- According to Gladstone Land, the company focuses on row crops, namely "strawberries, lettuce, cabbage, radicchio, cantaloupes, watermelons, raspberries, okra, peas, grapes and tomatoes."[10]

INVESTORS

- Gladstone Land Corporation was partially financed by Metlife which provided a $50 million credit line.[11]

KEY MANAGERS

- **David Gladstone** tightly controls all of Gladstone's operations. He is the Founder, Chairman and CEO of Gladstone Companies. He serves as Chairman and CEO of Gladstone Capital Corporation (since 2001), Gladstone Commercial Corporation (since 2003), and Gladstone Investment Corporation (since 2005). In addition, he is the Founder, Chairman, and CEO of Gladstone Land Corporation. An MBA graduate from Harvard University, Mr. Gladstone spent his career in the leveraged buyout industry, with various executive positions at American Capital Strategies, Allied Capital, and The Capital Investors among others.[12]
- **George Stelljes** joined in 2004. He serves as Chief Investment Officer (CIO) and Vice Chairman of Gladstone Companies. Among other positions at Gladstone, he is the CIO of Gladstone Land Corporation. An MBA graduate from Virginia University, Mr. Stelljes also made his career from debt investments. He notably served, like Mr. Gladstone, at Allied Capital.[13]
- **Terry Brubaker** joined in 2004. He serves as Chief Operating Officer (COO) and Vice Chairman of Gladstone Companies. Among other positions at Gladstone, he is the COO and Vice Chairman of Gladstone Land. An MBA graduate from Harvard University, Mr. Brubaker spent most of his career in the paper industry. He held various executive positions at American Forest and Paper Association, Interstate Resources (a manufacturer of paperboard and packaging products), James Corporation (a manufacturer of napkins and paper products), Groveton Group and Premium Printing, and Boise Cascade, among others.[14]

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2 Gladstone Companies website: http://www.gladstonecompanies.com/ (accessed October 13, 2012).

3 Gladstone Management website: http://www.gladstonemanagement.com/index.html and Gladstone Land website: http://www.gladstone-land (accessed October 13, 2012).

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Brad Thomas, "Gladstone Land Corporation: Don't Bet The Farm On This Proposed and New REIT," Seeking Alpha, September 24, 2012. http://seekingalpha.com/article/883371-gladstone-land-corporation-don-t-bet-the-farm-on-this-proposed-new-reit

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SEC archives, S-11: http://www.sec.gov/Archives/edgar/data/1495240/000119312512395600/d412144ds11.htm (accessed October 13, 2012).

5 Mike Hornick, "Gladstone Land eyes Florida farmland," The Packer website, October 10, 2011. http://www.thepacker.com/commodity-fruits/raspberries/Gladstone-Land-eyes-Florida-farmland-131456513.html

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SEC archive, S-11, p.6 & 47: http://www.sec.gov/Archives/edgar/data/1495240/000119312512395600/d412144ds11.htm

7 SEC archives, S-11, introduction, p.2, 6, 22 & 47: http://www.sec.gov/Archives/edgar/data/1495240/000119312512395600/d412144ds11.htm (accessed October 13, 2012). See also Hoovers website: http://www.hoovers.com/company-information/cs/company-profile.Gladstone_Land_Corporation.e36dcdb1d0f71683.html (accessed October 13, 2012).

8 Gladstone Land website: and http://www.gladstoneland.com/portfolio.html for detailed portfolio (accessed October 13, 2012).

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9 Mike Hornick, "Gladstone Land eyes Florida farmland," The Packer website, October 10, 2011. http://www.thepacker.com/commodity-fruits/raspberries/Gladstone-Land-eyes-Florida-farmland-131456513.html

10 Gladstone Land website: http://www.gladstoneland.com/portfolio.html (accessed October 13, 2012).

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11 Gladstone Land website "Gladstone Land Announces New Line of Credit with MetLife," Press Release, June 4, 2012. http://www.gladstone-land.com/documents/GladstoneLand_MetLifeLineofCredit.pdf

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13 *Bloomberg Businessweek*, "George Stelljes," http://investing.businessweek.com/research/stocks/private/person.asp?personId=133857

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Global Environment Fund (GEF)[193]

Investment Vehicle: GEF Africa Sustainable Forestry Fund LP (GASFF)

BACKGROUND

- Founded in 1990, GEF is a private equity firm that has been investing in businesses "dedicated to clean technology, emerging markets and sustainable forestry" since 1990 and manages assets of about $1 billion.[194]
- GEF is a signatory to the UN Principles for Responsible Investments.[195]
- Launched in 2009, GEF Africa Sustainable Forestry Fund is positioned as a private equity fund focused on sustainable forestry in sub-Saharan Africa. The fund's first close was $84 million,[196] committed principally by development finance institutions; it closed 2012 with $160 million.[197]
- Although it is incorporated in Canada, the fund's business address is in the US.

STRATEGY & ACTIVITIES

- GASFF's strategy is to invest predominantly in existing forest plantations (some investments are also made in new plantations or natural forest concessions)[198] and seek Forestry Stewardship Council certification and potential REDD+ benefits, targeting investments in the $15 million to $30 million range. The fund considers opportunities in Gabon, Ghana, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Uganda, and Zambia and intends to supply the global construction, energy, furniture, and biofuel markets.[199]
- GASFF forestry investments include:[200]

  Chile: Monte Alto Forestal in southern Chile, acquired by GEF in 2008, encompasses 55,539 hectares, of which 41,300 hectares consist of native lenga forest. The company's lumber is sold in both domestic and international markets.

  Ghana: Afram Plantation Limited (APL), a newly established entity, has entered into a long term lease to develop a greenfield forestry plantation totaling 136,860 hectares in the Afram Plains region in Ghana.

  Malaysia: Hijauan Bengkoka ("Greening Bengkoka") is an integrated forest products operation on the Bengkoka Peninsula in Northern Malaysia. In partnership with the Sabah Forestry Development Authority (SAFODA), Hijauan Bengkoka plans to harvest and replant 25,000 FSC-certified hectares of Acacia mangium under a long-term concession to supply the growing fiber markets in Southeast Asia.

  Mozambique: GEF's 156,000 hectare acquisitions include the Pemba Sun concession of Eastern Miombo Woodlands and the Mozwood concession. It plans further acquisitions.

  South Africa: Cape Pine Investment Holdings (CPIH) is a plantation and sawmilling business that is also engaged in timber trading. CPIH's assets include an FSC-certified forestry and sawmilling business with three active and two dormant sawmills and total land holdings of approximately 118,000 hectares (of which approximately 73,000 hectares are planted).

  Swaziland: One-third of the Peak Timbers property of 31,500 hectares is managed for conservation purposes, while the balance consists of FSC-certified pine and eucalyptus plantations.

  Tanzania: Kilombero Valley Teak Company Limited (KVTC) is the country's largest teak farm with approximately 8,150 planted hectares and the rest of 28,000 hectares of conservation land, as well as a sawmill with initial production capacity of 35,000 cubic meters. It is located in the Kilombero and Ulanga Districts of the Morogoro Region of Southern Tanzania. Kilombero Valley Teak Company Ltd was set up by Commonwealth Development Corporation.

INVESTORS

GEF investors include prominent endowments, foundations, family offices, and pension funds.[201] However, development finance institutions make up the bulk of investors in GASFF. Institutions that have committed capital include:[202]

- African Development Bank (AfDB): $20 million
- Commonwealth Development Corporation (CDC): $50 million
- International Finance Corporation (IFC): $20 million
- PROPARCO (partly held by the French Development Agency (AFD) $10 million
- Swiss Investment Fund for Emerging Markets: $10 million
- Other reported investors include sovereign wealth funds, such as Spain (€20 million).

KEY MANAGERS[203]

- **Jeff Leonard** is the President and CEO of GEF, where he serves as Chairman of the Investment Committee for each GEF fund. A member of the Advisory Board of the US-Brazil Biofuels Partnership, Mr. Leonard is on the board of the National Council for Science and the Environment (NCSE), the New America Foundation, and is Chairman of the Board of The Washington Monthly.
- **John Earhart**, Chairman of the Board and a founding shareholder of GEF, serves as Managing Partner on GEF's Sustainable Forestry team, and formerly served in nonprofits such as WWF, The Conservation Foundation, and Peace Corps. He is also the co-creator of Forest Stewardship Council (FSC), the Director of Forest Trends, and a board member of Eco-Trust Forest Management. The collusion between certification and investment mechanisms is relatively high and a cause of concern.
- **Ole C. Sand**, Managing Partner, is head of GEF's Sustainable Forestry team. He previously oversaw forest investments for the IFC.

Grantham, Mayo, Van Otterloo & Co Renewable Resources LLC (GMO)

"Timber provides a steady yield. The value of that yield is tied to commodity prices and the timing of that yield can be managed–you can cut the trees sooner or let them grow older."

– Eva Greger, Managing Director of GMO Renewable Resources[204]

BACKGROUND

- Launched in 1977, Grantham, Mayo, Van Otterloo & Co (GMO) is a global and diversified private equity firm with AUM of about 100$ billion,[205] including $2 billion (2%) in "renewable resources."

STRATEGY & ACTIVITIES

- Launched in 1997 and initially focused on timberland investing in the US, Australia, New Zealand and Latin America,[206] GMO Renewable Resources now offers investments in both timberland and agriculture (although this later activity appears hidden from one of its websites).[207]
- In 2011, GMO Renewable Resources sold $1 million acres of timberland in the US to billionaire John Malone, the chairman of Liberty Media and manager of BBC Land LLC. Through this transaction, Mr. Malone became the largest land owner in the US.[208]
- GMO Renewable Resources is a member of UNPRI.[209] Some clients have complained about GMO's reporting standards this year.[210]

INVESTORS

- Its client base includes endowments, pension funds (Milwaukee County Employees Pension Fund), public funds, foundations, and cultural institutions.[211]

KEY MANAGERS

- **Jeremy Grantham** is the co-founder of two equity firms: Batterymarch Financial Management established in 1969, and Grantham, Mayo, Van Otterloo & Co. LLC (GMO) founded in 1977. At GMO, he currently serves as Chief Investment Strategist and Board member. An MBA graduate from Harvard, he started his career with Royal Dutch Shell and now promotes investments in "no-till farming."[212]
- **Eva Greger** is Managing Director of GMO Renewable Resources. A graduate of Harvard University, she made her career in timber investing, notably at UBS prior to joining GMO. She is also on the Board of the National Alliance of Forest Owners (NAFO), a group of private forest owners.[213]
- **Stuart Donald** is the head of Agriculture at GMO Renewable Resources. With an educational background in agribusiness management, he grew along the ranks of multinationals, including Monsanto and Cargill. He recently founded AgriFrontiers to guide investors interested in "large-scale farming" in Brazil.[214]

Hancock Natural Resource Group, Inc. (HNRG)

Investment Vehicle: Uses a variety of investment vehicles in its individually managed separate accounts and advisory relationships

"We've been doing this for a number of years, long before anyone thought this was sexy. Now we are getting a lot of calls, and we are noticing more competition. There's a lot of interest in New York."

– Jeff Conrad, CEO of Hancock Agricultural Investments[215]

BACKGROUND

- Hancock situates its origin during the farm financial crisis of 1980s, which left many farmers bankrupt.[216]
- Hancock Natural Resource Group (HNRG) is a subsidiary of Manulife Financial Corporations (formerly John Hancock Financial Services), Canada's largest insurer and wealth manager. It oversees two divisions: Hancock Agricultural Investments (HAIG) and Hancock Timber Resource Group (HTRG).

STRATEGY & ACTIVITIES

"As globalization in the agricultural industry continues amid falling trade barriers, the United States and other large and efficient producers stand to benefit. With increasing population and finite amounts of quality property, farmland is likely to remain a valuable asset class, with attractive attributes for institutional investors."
– Why Farmland, HAIG[217]

- With assets of $1.5 billion in 2011 and about 200 properties, HAIG[218] is one of the largest global agricultural asset managers. Through Hancock Global Farmland Income Fund LP, it invests in both row and permanent croplands, acquiring properties typically valued at more than $1 million, which are then leased (for row crops) or operated (for permanent fruit trees and vineyards). HAIG oversees 230,000 acres in the US, 6,000 acres in Australia, and 1,000 acres in Canada.[219] Agricultural activities include the production of corn, soy, vineyards, almonds, walnuts, pistachios, macadamia nuts, cranberries, and apples trees. It requires a minimum $50 million investment.[220]
- In addition to being a nationally ranked producer of almonds, walnuts, cranberries, apples, pistachios, and macadamia nuts, HAIG also maintains a diversified portfolio of annual crops located throughout the Midwest, the Mississippi Delta region, the Rocky Mountain region, the Southeast, and Texas.
- With assets of $9 billion in 2010, HTRG[221] is the largest global timberland agricultural asset manager. Invested in a broad range of forest related investments (sales of sensitive lands, lease of recreational land, forest acquisition and management), it manages about 4.6 million acres of timberland in the US, Canada, Australia, New Zealand, and Brazil.[222] While it stresses stewardship and social responsibility, its logging practices have raised some concerns in Australia.[223]

"One key area for investing now is a rush to lease or buy water rights. Water is a key resource for agricultural production and scarcity concerns coupled with a

growing world population makes water control critical.”
– Reuters[224]

INVESTORS

- Reported investors of HAIG include public pension funds: state pension funds such as the Alaska State Pension Investment Board, and county/city level pension funds such as the Orange County Employees Retirement System Board of Retirement and the City of Alexandria Fire and Police Officers Pension Plan in Virginia.[225]

KEY MANAGERS[226]

- **Jeff Conrad** founded the Hancock Agricultural Investment Group (HAIG) in 1990. Until September 2011, Mr. Conrad served as HAIG’s President. He serves on the Cornell University Agricultural Advisory Committee and is a former board member of the Farm Foundation. Jeff Conrad is a member of the American Agricultural Economics Association, the CFA Institute, the Boston Security Analyst Society, and he co-chaired the development of the NCREIF Farmland Index in 1994. He also served on the John Hancock pension committee for ten years overseeing a portfolio of $2.5 billion in assets.
- **Oliver Williams** was previously employed at the First Pioneer Farm Credit, ACA, one of the largest farm credit associations in the US and succeeded Jeff Conrad as the President of HAIG.
- **Daniel Christensen,** CEO of HNRG and President of the Hancock Timber Group, is also on the board of the National Alliance of Forest Owners (NAFO), a policy advocacy group of private forest owners.[227]

Herakles Capital/Agriculture

Investment Vehicle: Herakles Farms

"We believe that developing a sustainable and responsible palm oil industry in Africa is key to food security on the continent."

– Bruce Wrobel, Founder of Herakles Capital[228]

"There isn't a question of it going forward, more of what the exact [total] area will be."

– Herakles Farms[229]

BACKGROUND

- Herakles Capital is a venture finance firm specializing in emerging and developing countries in four sectors: telecommunications, energy, agriculture, and mining and natural resources. The firm's homepage claims that "all Herakles Capital projects maintain a strong sense of corporate social responsibility."[230] Herakles Farms is the operation arm of its "Agriculture" division with a focus on sub-Saharan Africa.

STRATEGY & ACTIVITIES

- In 2009, Herakles Farms acquired SG Sustainable Oils Cooperatif (SGSOC), previously owned by Blackstone Capital Partners. It is developing a commercial-scale palm oil project on nearly 200,000 acres (81,000 ha) in West and Central Africa – one plantation in Cameroon (about 180,600 acres, 73,000 ha) and one in Ghana (10,800 to 14,500 acres, 4,400 to 5,900 ha).[231] According to the company, "it seeks projects that meet growing demand for food and commercial agricultural projects that can be implemented in a sustainable and environmentally benign manner with full support of the local people."[232] In a press release, it states creation of over 10,000 jobs for local people, as well as housing, healthcare, clean water, and schools, through its palm oil plantations in Cameroon and Ghana.[233] In addition, the company assures that "no planting on primary forest or high conservation value forest (HCVF) will be done, and buffer zones between the plantations and those regions will be maintained, safeguarding the incredible biodiversity of this part of the world."[234]
- Herakles Farms, a member of the Roundtable on Sustainable Palm Oil (RSPO) until it pulled out from the mechanism in August 2012, has pledged to adhere to the principles of the agreement and the highest environmental standards. However, their operations have fueled resistance from local communities and civil society groups, which has led to RSPO withholding its approval of SGSOC's project in Cameroon. Herakles Farms has pulled out from RSPO, presumably because of its difficulty to comply with its requirements, principles, and standards.[235]

Cameroon:

- In 2009, Herakles Farms signed a 99-year lease agreement, granting them the use of a prime piece of land at \$0.50 to \$1.00 per hectare annually. In addition, it is exempted from taxes and from the application of national laws.[236]
- An Environmental and Social Impact Assessment (ESIA) was conducted in August 2011 and cleared by the Mundemba High Court in June 2012 according to Herakles, and has made the document available on its website.[237] However, the project

started in August 2010, a year before the ESIA was completed.

- While the report recommends the creation of buffer zones to remediate clearing of existing vegetation, the plantation would still require clearance of 148,000 acres (60,000 ha) of forest and shrubs. The project expects to pump water from nearby rivers, but does not state how much in dry seasons. In addition, it states it will ensure minimal chemical usage but also that "weed control will be done in accordance with manufacturers' recommendations," both of which may not be compatible.
- The report describes the area to be cleared as "secondary forest." A September 2012 report by the Oakland Institute report stresses that at least parts of the land concession are actually untouched primary tropical forest, and that the project resides within a biocultural hotspot. As a result, land clearance would severely impact migrations and gene exchanges between nearby parks and reserves.[238]
- The report balances the environmental impacts with the social benefits, which forecast 7,000 to 8,000 jobs (with preference given to local employment). The Oakland Institute report refers to estimates that up to 45,000 inhabitants would be affected by the project and that employment opportunities would be reduced to dependency when land would be cleared.[239]
- The Oakland Institute report, like others such as Save Wildlife Foundation's, summarized the ESIA as "a fraud." Other concerns include inadequate consultation with local communities and short duration and timing of flora and fauna surveys.[240] These issues were not addressed in Herakles' latest press release.[241] The "Sustainability Guide" continues to claim that "communities have been consulted throughout the leasing, planning, and build-out stages,"[242] a claim challenged by local groups such as the Centre for Environment and Development (CED).

Ghana:

- Since January 2009, Herakles Farms's subsidiary, SG Sustainable Oils Ghana, Ltd. (SGSOG) has secured well-irrigated pieces of land through renewable 50 to 60 year lease terms.[243]
- According to the company's "Sustainability Guide," Herakles Farms started planting in 2008.[244] The ESIA was approved by the Ghana Environmental Protection Agency in November 2009.[245]
- The ESIA is rather ambiguous about the nature of the vegetation covering the future plantation area, describing it as "bushy" and "fallow lands" in summary sections, and as forest, woodland, and grassland areas in other sections.[246] While the report suggests that water extraction from nearby rivers, streams, and boreholes will fluctuate according to seasons, no specific quotas have been set, leaving SGSOG free to define what a "sustainable level" means for its operations and the 153,276 people leaving in the Nkwanta South District. The report did not map the communities that resided in the plantation area before the deal, only noting that the "10 huts" are allowed to remain. SGSOG stated that "no relocation was necessary" and that "several dozen farmers" were compensated, which is yet to be evidenced. The development of infrastructure, health clinics, and schools were expected to start in Q1 2012. Herakles Farms has not provided any status updates on these social developments yet, claims of which are challenged by the communities.
- The two operations work in conjunction with All For Africa, a nonprofit that promotes palm oil as a sustainable development project in Africa and will supposedly own 17,300 acres (7,000 ha) of plantation in Cameroon. All for Africa's campaign currently targets donations of 1 million "trees," while Herakles Farms says that it will "subsidize up to 1 million oil palm trees on behalf of the nonprofit." According to an Oakland Institute report this is an attempt to greenwash Herakles' true intent.[247]

INVESTORS

- The size and origins of the funds for these projects remain unknown. Yale 360 reports that Herakles may plan to raise $300 million for its Cameron project, and All for Africa $750 million.[248]

- SGSOC is 100 percent owned by the American company Herakles Farms,[249] an affiliate of Herakles Capital,[250] which is an Africa-focused private investment firm involved in the telecommunications, energy, infrastructure, mining and agro-industrial sectors.[251] The Chairman and CEO of Herakles Farms, Bruce Wrobel, is also the Chairman and Executive Director of All for Africa, a "development" non-governmental organization (NGO). Although ownership of SGSOC was transferred from Sithe Global (a Blackstone Group company) to Herakles Capital in 2009, Sithe Global – whose CEO is also Bruce Wrobel – remains closely tied to the companies undertaking the project.

  Wrobel and other Herakles executives claim that since Herakles took the project over, "Blackstone has (had) no stake in Herakles Farms, contrary to what has erroneously been reported."[252] Similarly, Peter Rose, Blackstone's senior managing director for public affairs, told two reporters that Blackstone has "no connection to this [Cameroon] project, directly or indirectly."[253] Whether or not Blackstone has money invested in the project via Herakles, several elements indicate close ties between all these entities: in addition to Wrobel's role as the top executive at Sithe, Herakles, and All For Arica, the three share office space at the same New York address.

KEY MANAGERS

- **Bruce Wrobel** is the maestro of both the for-profit and nonprofit operations. He is the founder of Herakles Capital, Sithe Global Power, and the nonprofit All for Africa. He is also the Co-Founder of Global Alumina (an alumina refinery company in Guinea) and SEACOM (a fiber optic cable company in East Africa), which are founding partners of All for Africa. In addition to Wrobel himself, executives from Sithe Global and Global Alumina (a Sithe Global subsidiary) are members of All For Africa's board.[254]

International Farming Corporation (IFC)

Investment Vehicle: US Farming Realty Trust II LP

"It is a dance, a bit, to find out how to keep the smaller farmers in business [...] Consolidation is happening, and there is really no way to successfully generate the profits we are promising our investors without buying larger tracts of land."

– Mary McNairy, IFC officer[255]

"There's a growing gap between progressive farmers and those that resist new technologies."

– Charlie McNairy, CEO and Managing Partner, IFC[256]

BACKGROUND

- IFC is a private, family managed, alternative investment firm specialized in agriculture.
- IFC advertises its 149 years or so of agricultural experience.[257] The firm's principals have farming experience in the Americas, Europe, and Africa and believe in maximizing farmer productivity through the application of technology.[258]

STRATEGY & ACTIVITIES

- In 2011, IFC launched a $300 million private equity fund, US Farming Realty Trust II LP, to invest in farming properties including row crops, pastureland, dairy farms, and permanent crops in the US and "a bit in Canada."[259]
- Claiming that "successful investors need to have relationships with professionals who consistently interface with farmers," IFC's sourcing and management strategy includes working with major agricultural firms such as John Deere, Monsanto, DuPont, and Potash Corp.
- The firm's objective is to maximize crop yields and increase farm profits by leveraging "technologies."
- The fund is registered in Delaware but managed out of North Carolina.[260]

ENGAGEMENT ON TRANSPARENCY & SUSTAINABILITY ISSUES[261]

OI gleaned some information in a phone interview:

- IFC did not disclose basic fund data, nor elaborate on its processes to select and monitor investments.
- IFC claimed that improving soils and decreasing fertilizers or pesticide use was its number one concern, which is not evident on its website (as of April 2012). IFC did not wish to provide any materials to support its claim.
- IFC praised custom agriculture applications to sustain soils. When asked to elaborate on the technologies that allowed IFC to "maximize yields above country averages" as advertised on its website, IFC mentioned a journal publication would be released soon on the subject.
- In response to increased concerns around transparency, IFC praised its relations with investors

and the government's current reporting standards.

KEY MANAGERS[262]

- **Charlie McNairy** is CEO and Managing Partner of IFC, and one of the fund's principals. His bio states "He is a rare breed of farmland investor with deep roots in both North Carolina agriculture and Wall Street. His family operates a 140-year-old farm business, along with John Deere dealerships, fertilizer manufacturing and distribution, seed processing operations, custom agriculture applications and services, and cotton ginning."[263] He started his career at Morgan Stanley, where he focused on real estate-oriented principal investments. Mr. McNairy was a Morehead Scholar at the University of North Carolina at Chapel Hill and received his MBA from Harvard University.
- Other officers include **Mary McNairy** and **John O. McNairy**, who is also President of Harvey Enterprises, a privately-held distributor of farm and petroleum products.

NCH Capital

Investment Vehicle: NCH Agribusiness Partners LP[264]

BACKGROUND

- Founded in 1993 after the collapse of the Soviet Union, NHC is a private investment firm connecting western capital to the markets of the former Soviet Union and the Baltic States. Headquartered in New York, it has regional offices in Russia, Romania, Ukraine, Latvia, Bulgaria, Moldova, and Albania.[265] Its estimated AUM in 2010 was $3 billion.[266]
- Launched in 2007 and listed in the Cayman Islands, NCH Agribusiness Partners LP is an agricultural fund managing about $1.4 billion of equity invested in a diversified portfolio of agricultural land and related businesses, including agribusiness assets and agribusiness-related securities and farmland totaling 1.7 million acres (700,000 ha).[267]

STRATEGY & ACTIVITIES

- NCH invests primarily in prime "black earth soils" in Ukraine and Russia but also in Moldova, Bulgaria, Romania, and Kazakhstan and is considered to be one of the largest players in the region. According to its website, it targets the "production of agricultural commodities for global consumption at comparatively low cost."[268]
- According to an interview with George Rohr, founder of NCH Capital, the strategy relies on aggregating vast tracks of land to achieve economies of scale, aiming for "*economic farming units of 6,000 to 7,000 hectares, which then enable you to bring modern, large-scale farming.*"[269]
- According to Mr. Rohr, land acquisition strategies differ by country as follows: "*In Ukraine, we are leasing farmland on the basis of long-term leases—roughly 15-to 20-year leases. There is currently a moratorium on the further sale of farmland by the farmers who had the exclusive right to buy the farmland from the Ukrainian government in the first wave of privatization. The expectation is that the moratorium will be lifted in the next several years. Our leases give us the right to buy the farmland, if we choose to, when the moratorium is lifted. In the case of Russia and our other markets, we are actually acquiring the farmland outright.*"[270]

INVESTORS

- NCH targets university endowments, corporate and state pension funds, foundations, and family investment offices.[271]
- Meg Whitman, CEO of Hewlett-Packard and a former candidate for California governor, has reportedly invested in this fund.[272]

KEY MANAGERS[273]

- **George Rohr** is the Co-Founder and General Managing Partner of NCH Capital. He started his career in media at Newsweek, Inc. as Director of Special Projects, moved to medical publishing, and then to the financial industry after the collapse and restructuring of the Soviet Union.
- **Moris Tabacinic**, George Rohr's brother-in-law, is the Co-Founder of NCH capital. From 1976 to 1991, he led a series of successful emerging market real estate developments. Following the collapse of the Soviet Union in 1991, Mr. Tabacinic began actively investing across asset classes in the region. He and George Rohr were among the earliest western participants in the privatization opportunities offered by several of the region's markets.

- **Maria Osyka** is Director of Agriculture Investments. Based in Kiev, Ms. Osyka oversees both investments in Ukraine and agribusiness investments across countries. She grew her career within big agribusiness and seed companies like Monsanto Europe, Helm AG, and May Seed Group.
- In the US, business development is led by **Christopher C. Abbott** (Managing Director, responsible for new business development with a particular focus on foundations and endowments, family offices and global partnerships), **Edna Beaudette** (responsible for investor relations and the development of new business in the endowment, foundation, and family office market segments), and **Joseph F. Bond, Jr.** (responsible for the firm's institutional sales and marketing activities, focusing on the corporate and public pension fund market segments).

Ospraie Management LLC

See also GEORGE SOROS

Investment Vehicle: Ospraie Special Opportunities (OSO) Fund and Ag Real Value Fund TC LLC

BACKGROUND

- Founded in 2004, Ospraie Management LLC[274] is a privately-owned investment manager focused on commodities and basic industries. At its peak in 2008, Ospraie had $9 billion in total assets under management across several funds, including the main Ospraie fund, a fund-of-funds business, and a private-equity-style Special Opportunities Fund.[275]
- In summer 2008, nearly all of the main fund's positions–longs and shorts, metals and grains–started to turn against it. After starting the year with $3.3 billion in assets, the fund was down 38.6 percent by the end of August. In September 2008, Ospraie announced the closing of the main fund, promising to return 40 percent of investors' money immediately, 40 percent by the end of the year, and the rest when possible.[276]

STRATEGIES & ACTIVITIES

- In June 2008, Ospraie Special Opportunities (OSO) teamed up with George Soros and co-invested in a $2.8 billion deal to buy the trading arm of ConAgra Foods. The ConAgra Trading Group, then renamed Gavillon, became the third largest grain distributor and trader in the US and a leading commodity management firm after a series of strategic acquisitions. Gavillon handles not only corn and fertilizers, but also crude oil. In May 2012, it announced the formation of a joint-venture with SemGroup Corporation to construct a crude oil pipeline in Oklahoma. The same month, the Japanese trading house Marubeni bought Gavillon with an offer worth about $5.6 billion including debt, after rumors of acquisitions by other trading companies like US-based Bunge and Swiss-based Glencore.[277]
- In 2009, OSO created a joint-venture with Teays River Investments: Ag Real Value Fund LLC.[278] The private equity fund started to invest in US farmlands. In 2011, controversies emerged from the fact that some of these land investments coincided with an intentionally (?) flooded farmland area in Missouri.[279] In 2011, Ospraie Management and OSO became one of the principal shareholders of AdecoAgro, along with George Soros (see earlier profile).[280]

INVESTORS

- Lehman Brothers invested in Ospraie in 2005, taking a 20 percent stake. Lehman was to provide marketing, technology, and product development services and allow Ospraie to launch additional funds with new managers.
- Credit Suisse is OSO's principal investor.[281]
- The Ag Real Value Fund received capital from pension funds like the Texas Teachers Retirement System.[282]

KEY MANAGERS

- Ospraie Management was founded by **Dwight Walter Anderson** in 1999 to profit from the long upward move in the price of commodities. Prior to his role at Ospraie, Anderson was recruited out of University of North Carolina's business school to work at Tiger Investment Management where he made millions trading in copper and palladium markets. He also interned at J.P. Morgan & Co.
- The fund was co-founded by **Jason Alexander Mraz**, previously a trader at J.P. Morgan & Co. who specialized in US Treasury bonds, currencies, swaps, and futures.

Paine & Partners LLC (P+P)

Investment Vehicle: Paine & Partners Capital Fund III LP[283]

"Our basic resources are limited, but our growth potential is not. New land resources are scarce and logistically challenging. However, emerging markets offer exceptional opportunity."

– David Buckeridge, P+P Parter[284]

BACKGROUND

- Founded in 1997 and known as Fox & Paine Management until 2008, P+P is a private equity firm focused on investing in food and agribusiness opportunities along with insurance and financial services, healthcare services and medical devices, and energy sectors. It specializes in investments in management buyouts, middle markets, public-to-private transactions, company expansion, special situation, acquisitions, add-on acquisitions, and growth capital.
- The firm manages assets estimated at $2.7 billion.[285] Those of Paine & Partners Capital Fund III are estimated at $1.2 billion.[286]

STRATEGY & ACTIVITIES

- P+P prefers to be the lead investor and seeks to take a seat on the Board of Directors of its portfolio companies.[287]
- In the early 2000s, the former entity made noticeable investments in leading seed manufacturers Seminis and Advanta. The firm acquired majority control of Seminis, with its valuable intellectual property including proprietary seed technology, in a $606 million transaction in September 2003. Seminis was sold to Monsanto Company in March 2005 for $1.5 billion.[288] Advanta, the fifth-largest agronomic seed company in the world and the largest independent company in the industry at the time of acquisition, was acquired in 2004 in an alliance with Syngenta. P+P continues to promote both genetically engineered seeds and agro-chemicals as key strategies to improve the agricultural yields of their portfolios.[289]
- Since 2007, P+P sees aquaculture as an important investment opportunity. In 2007, it acquired Icicle Seafood Inc. (a producer of salmon and crab). In 2011, it acquired Scanbio Marine Group (a Norwegian producer of fish by-products previously owned by Verdane Capital IV).[290] In February 2012, Icicle reached an agreement to acquire Snopac Products, Inc., an independently owned and operated seafood processing company with operations in Alaska and Seattle.[291]
- In October 2011, P+P announced investment in Costa Group of companies, allowing it a 50 percent stake in the Costa Group (the largest private producer, marketer, and exporter of fresh fruits and vegetables in Australia).[292]
- In April 2012, P+P announced new advisory relationships with SDA Ventures LLC, a firm focused on assisting emerging growth and middle-market companies, primarily in the health and wellness and nutritional products markets, to identify and

execute investment opportunities in the human and animal food and nutritional products industries globally.[293]

KEY MANAGERS

- **W. Dexter Paine III**, a private equity veteran, co-founded both Fox & Paine and P+P.
- Other key partners include **Angelos Dassios** (who came up through the ranks of Goldman Sachs) and **David Buckeridge** (former CEO of the giant seed company Advanta), and **Kevin Swartz** (who started his career at Goldman Sachs).[294]
- **David Bell**, George M. Moffett Professor of Agriculture and Business at **Harvard Business School,** advises P+P on investments in the agribusiness and food industry.[295]

Passport Capital LLC

Investment Vehicles: Passport Agriculture Fund LP and Passport Agriculture Fund Ltd[296]

"It's a silent tsunami [...] if we don't find ways to produce more with less, it's going to be a real challenge to take the population from 7 to 9 billion people[...]

If you're looking at people who are not happy with their current situation, the last thing you want them to be is hungry. The Roman saying is 'give them bread and keep them entertained' [...] China is very aware of this[...]

We're going to convert ag crop to fuel even without government mandates or subsidies because there is a solar parity[...]

We're in the early stages of a massive repricing of agriculture [...] and agriculture is a way for investors to have assets, which is going to have purchase power when you're coming at the other end of it[...]"

– Ejnar Knudsen, Co-Portfolio Manager of the Agriculture Fund, Passport Capital LLC[297]

BACKGROUND

- Founded in 2000, San Francisco-based Passport Capital is a global investment firm and one of the largest hedge funds in the world, with assets under management close to $4 billion according to its founder.[298] The firm's investment team focuses on the following areas: agriculture, basic materials, consumer, energy, industrials, financial services, healthcare, internet/technology, India, Middle East & North Africa.
- Launched in 2009, Passport Agriculture Fund had more than $63 million in assets under management as of the end of 2009. Incorporated in the British Virgin Islands, it is currently active.[299]

STRATEGY & ACTIVITIES

- According to an interview conducted with Ejnar Knudsen,[300] Passport Capital invests in agricultural companies that address some of the perceived bottlenecks between production and consumption, more specifically genetically engineered seeds or technologies with higher yield promises, providers of natural resources that are capped, and food companies oriented toward "healthy living" (alternative proteins such as grains, nuts, and fish oils). While a significant share of investments go toward existing agricultural companies, the company is also looking at start-ups in the seed sector.
- As of June 2012, top holding positions for the fund

include: Imperial Sugar (sugar manufacturer), CF Industries (fertilizer manufacturer), Pilgrim's Pride (chicken producer), and Makhteshim-Agan Industries (pesticide manufacturer).[301]

KEY MANAGERS

- Passport Capital was founded in 2000 by **John Burbank**, a former private investor and fund manager who predicted the subprime crisis and bet against the US housing market, returning 217 percent in 2007.[302] Taking it a step further, he looked to emerging markets and commodities. Within a few months, his funds lost over 50 percent.[303]
- **Ejnar Knudsen** is Co-Portfolio Manager of the Agriculture Fund. Prior to this role, he held executive positions at milling (Western Milling) and ethanol fuel companies (Western Milian, Cilion) and served as Vice-President at Rabobank, where he advised food and agricultural companies on M&As. He is also a member of the Advisory Council to the Dean of **Cornell's College of Agriculture and Life Sciences**. According to him, Cornell is currently seeking grants to develop drought-tolerant seeds with interests in private partnerships.[304]
- **Jim Cunnigham**, who previously occupied positions in software-oriented companies such as Oracle, is the other Co-Portfolio Manager for all agricultural investments.[305]

Pharos Financial Group

See also Rural American Fund LP

Investment Vehicle: Pharos Global Agriculture Fund

BACKGROUND

Established in 1997 with seed capital from Soros Fund Management and Credit Suisse (CS) First Boston, Pharos Financial Group is a hedge fund specialized in Russia and the emerging markets of the former Soviet Union. Headquartered in Moscow, Pharos also offers advisory services in the US and the UAE.[306] In 2011, its estimated AUM was $1.5 billion.[307]

- In 2009, Pharos launched a $350 million private equity fund, the Pharos Miro Agriculture Fund, focused on acquiring and operating agricultural land in Eastern Europe, Eurasia, and Africa. The fund, to be managed by Miro Asset Management (part of Dubai-based global agriculture and timber operator Miro Holdings International) expected to raise more than half of the fund from investors in the Middle East, with a minimum subscription of $6 million, aimed at delivering annualized capital returns of 20-25 percent from the cultivation of prime arable farmland.[308] The partnership between Pharos and Miro Asset Management appears to have ended in 2010.
- Launched in 2011, the Global Agriculture Fund ("Pharos Ag") focused on private equity opportunities in farmland and agriculture beyond the former Soviet Union. Its structure can hardly be considered Russian. Domiciled in the Cayman Islands, the fund was directed by Bruce Rastetter, a US national with connections to both US agribusiness and public universities.[309] Its current status is unclear, however. Following the Oakland Institute's exposure of the Agrisol deal in Tanzania, in which Mr. Rastetter and Pharos are implicated,[310] the Pharos website no longer mentions activities in agriculture.

STRATEGY & ACTIVITIES

- On its website, Pharos puts forward its "*proven track record of superior absolute returns.*"[311] Pharos Ag intends to deliver such returns by taking advantage of opportunities throughout the agriculture value-chain globally.[312]
- Understanding exactly where Pharos Ag invests is more challenging than it seems. The website lists "Romania, Brazil, Australia, United States, and Ukraine" as its geographical focus. However, a 2011 presentation promoted investment opportunities in Tanzania and Sudan while also showing countries like Canada, Mexico, and South Africa as opportunities under review.[313]
- Pharos Ag's strategy in Africa appears to center on replicating an industrial-style agriculture model, providing opportunities for genetically seed manufacturers like Monsanto and fertilizer providers like Yara.

ENGAGEMENT ON TRANSPARENCY AND SUSTAINABILITY ISSUES

In 2011, OI investigated land deals secured by Pharos Ag (and its partner AgriSol Energy LLC) in Tanzania.[314]

- In 2011, the fund's presentation documents for the project stated that it would *"ensure investments are made in a sustainable manner with a focus on integration with local smallholder population."*[315] However, the presentation associated sustainable

Source: Pharos Global Agriculture Fund, "Africa Project 2011"

agriculture with vague terms like "quality seeds," "irrigation/drainage," and "pest management techniques."[316] AgriSol Energy's website still does not address any concerns regarding investments transparency and sustainability, which raises concerns about its true commitment to these issues.

- Pharos Ag promoted the "smallholder outreach program" as an innovative program created in conjunction with Iowa State University (ISU) and local institutions, and supported financially by private foundations and NGOs supplying volunteers.[317] However, with AgriSol controlling both input supplies and produce purchases, the bargaining power of smallholder populations in this remote region was far from clear. In addition, ISU's involvement in the outreach program has been much debated, with communications showing trips to Tanzania in exchange of promises for funding, but no concrete activity until 2011.[318] OI's exposé led to critical attention to this deal from the media and ISU students, and helped pressure the university to completely withdraw from the deal in February 2012. An Iowa-based group, Citizens for Community Improvement (CCI), is campaigning for the removal of Bruce Rastetter from the Iowa Board of Regents. In June 2012, CCI filed an ethics complaint with the Iowa Ethics and Campaign board over Rastetter's involvement with Iowa State University and AgriSol Energy.[319]

- Pharos promoted MOUs with the government of Tanzania,[320] but omitted to mention that the development of 803,00 acres (secured at less than $.75 per acre) was contingent upon the resettlement of more than 160,000 people. The future of communities located within AgriSol's leases remains unclear.[321]

- According to the AgriSol Energy website: "Our current plans are for Kigoma only, at Lugufu, and at a second, smaller location near Basanza village." AgriSol also indicates that it has had discussions with the Tanzanian government about "developing farms at Katumba and Mishamo in the future" but "that process has been delayed" and development efforts stopped "until the situation is resolved."[322]

INVESTORS

- While Pharos Ag actively seeks sovereign funds from the Middle East, current investors remain unknown. In 2011, the fund projected annualized returns of 13 to 20 percent for investors.

KEY MANAGERS[323]

- **Bruce Rastetter** was CEO of Pharos Ag until of 2011. Currently, he is President of the Summit Group, which includes Iowa-based agricultural operations and AgriSol Energy (which he co-founded and still manages). He is also an adviser to the Rural American Fund (see later profile). Mr. Rastetter is a donor to Iowa State University College of Agriculture and a member of the Iowa Board of Regents, which oversees three public universities, including Iowa State University. Having led oil exploration projects in Russia as well as ethanol operations in the US, Mr. Rastetter also serves on the Boards of Directors of American Ag & Energy Council, Growth Energy, and Iowa Renewable Fuels Association.
- **Tim Callahan** was CFO of Pharos Ag as of 2011. He has been working closely with Mr. Rastetter at Hawkeye Energy Holdings (as CFO) and the Summit Group (as advisor to this date). He is also principal of AgriSol. Mr. Callahan was trained as a consultant at Arthur Andersen and investment banker at Credit Suisse.
- **Peter Halloran** was Managing Director of Pharos Ag until of 2011. He founded Pharos Financial Group and currently serves as its CEO. Prior to this role, he worked at Morgan Grenfell, Soros Fund Management, and Credit Suisse First Boston.

Prudential

Investment Vehicle: Prudential Agricultural Investments (PAI)[324]

"It is about safety. Farmland is a great place to store our wealth."

– Charles Allison, President of Prudential Agricultural Investments[325]

BACKGROUND

- Prudential Agricultural Investments (PAI) is an affiliate of Prudential Mortgage Capital Company, which is part of Prudential Financial.

STRATEGY & ACTIVITIES

- As of December 2011, PAI managed farmland covering 175,000 acres (including PAI equity) in addition to advising other investment funds like the American Farmland Company.[326]
- Specializing in US farmland, its "agricultural equity team" manages a portfolio of $263 million and its mortgage team a portfolio of $2.9 billion as of June 30, 2012.[327]
- Investments focus on the food, fiber, and biofuel feedstock production sectors.

KEY MANAGERS

- PAI's President **Charles Allison**, came up through the ranks of Prudential since 1990. He is also President of the Florida Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMRA).[328]

Rural American Fund, LP [329]

See also PHAROS

BACKGROUND

- Set up in 2007, the Rural American Fund (RAF) is a Chicago-based middle market private equity firm focused on partnership investing in rural American companies, principally in agriculture or ag-related businesses.

STRATEGY & ACTIVITIES

- The RAF invests in privately held US-based agriculture or ag-related businesses with annual cash flow of $1 million or more and recurring annual revenues in excess of $10 million. Instead of investing in land or farming operations, RAF seeks opportunities with businesses providing agricultural inputs or services and companies that supply or process niche crop or animal-based products and ag equipment.[330] Current investments include Technology Crops (development and commercialization of new and high-value crop oils from specialty oilseed and botanical crops) and La Crosse Forage & Turf Seed (production, marketing, and wholesale distribution of field seeds, turf seeds, and other specialty seed products). In 2009, RAF invested in Seeds 2000 (producer of sunflower with proprietary germplasm, corn, and soybean seeds). In 2011, Seeds 2000 was sold to Nuseed (a wholly owned subsidiary of Nufarm Limited), a global seed and traits company focused on the enhancement of food and feed value through seed technology.[331]

KEY MANAGERS[332]

- The fund is governed and managed by three principals, Thomas S. Karlson, Mia P. Koch, and Paul C. Smith.
- **Thomas S. Karlson**, Founding Principal at the Rural American Fund, is responsible for deal generation and marketing, structuring, and negotiating new investments and exits, and portfolio company management, along with fundraising and investor relations. Well experienced in strategic acquisitions, Mr. Karlson has worked with Bankers Trust Company, now owned by Deutsche Bank as well as Merrill Lynch.
- **Mia P. Koch**, Founding Member of the RAF, is responsible for investment opportunity evaluation, structuring and negotiating new investments and exits, and due diligence, as well as portfolio company management, investor relations, and marketing. She has previously worked on M&As for both private and consulting companies with a focus on the agribusiness market.
- **Paul C. Smith** is responsible for investment opportunity evaluation, structuring and negotiating new investments and exits, and due diligence, as well as portfolio company management, investor relations, and marketing. Previously he has worked on M&A primarily on the consulting side.
- The advisory team is strongly connected to the Iowa State University (ISU) College of Agriculture. **Bruce Rastetter** sits on the Iowa Board of Regents, which governs ISU; **Roger C. Underwood**, who serves on Croplife America's board, also serves on ISU's Foundation Board of Directors and the ag college's advisory committee; and **J.D. Schlieman** is an ISU ag alumnus who has worked at Rastetter-controlled companies,[333] most recently as the President of Hawkeye Energy Holdings and its subsidiaries, which were co-founded with former Hawkeye CEO, Bruce Rastetter. **Bruce Rastetter** is involved in AgriSol Energy, whose controversial land investment in Tanzania was exposed by the Oakland Institute in 2011 and 2012 (see Pharos profile earlier).[334]

TIAA-CREF/The Westchester Group

Investment Vehicle: TIAA-CREF Global Agriculture LLC

BACKGROUND

- Founded in 1986, the Westchester Group is a private agricultural asset manager that has been controlled at 85 percent by Teachers Insurance and Annuity Association of America (TIAA-CREF) since 2010.[335] Its strategy of investing in agricultural land and operations intends to benefit from a growing worldwide demand for food.[336]

BOX 6: TIAA-CREF'S INTERESTS IN AGRICULTURE

"When you're really looking into buying a farm, at the end of the day it's a water play. When the US is exporting beans and corn to China as they did last year, really what we're exporting is water."

–Jose Minaya's (Chairman of the Board of the Westchester Group) presentation to the World Bank in 2011:[337]

WHAT IS TIAA-CREF?

- With about 4 million participants and $487 billion assets under management,[338] TIAA-CREF, set up in 1918 as one of the largest nonprofit retirement services companies in the US, is among the world's largest agriculture investors.
- TIAA-CREF acts both as an institutional investor and as a private manager.

INTEREST IN AGRICULTURE AND FARMLAND

"At TIAA, our approach to agriculture investing is focused on direct ownership of farmland… the uncertainty in the markets over the past few years has led many investors to look for other asset classes that provide attractive returns, low correlation to traditional asset classes and can provide protection from inflation. Farmland fits the bill…"

– Biff Ourso, Director and portfolio manager with TIAA-CREF

- TIAA-CREF has been targeting agriculture as an asset class since 2006 and is currently one of the largest farmland managers in the world.[339] TIAA-CREF currently manages about $2.5 billion in more than 400 properties totaling 600,000 acres (242,800 ha) of farmland in the United States, Australia, South America, and Eastern Europe.[340]
- Rationale for investments in agriculture include non-correlation to other asset class, correlation with inflation, increasing demand/limited supply for food, exposure to key natural resources (food, water, and energy), and competitive advantage as an institutional investor. TIAA-CREF's focus is truly global.
- TIAA-CREF has been building its own antennae to identify farm properties in key geographies. In 2008 in Brazil it created Radar Propriedades Agricolas S.A. (RADAR) in partnership with Cosan, the world's largest grower of sugarcane and producer of ethanol.[341] RADAR currently manages 261,931 acres (106,000 ha) of land.[342]

- In October 2010, TIAA-CREF took controlling stakes in the Westchester Group (see next profile) and in May 2012 it announced the creation of a $2 billion farmland investing company: TIAA-CREF Global Agriculture LLC.
- Both private entities target the same geographies, increasing property exposure in Brazil and Australia (with TIAA-CREF Global Agriculture focusing on water assets recently).[343]
- Investors to the newly formed venture include AP2 (one of the largest pension funds in northern Europe), British Columbia Investment Management Corporation (an independent investment management company), and the Caisse de dépôt et placement du Québec (managing funds for public and private pension and insurance plans).[344] The amount TIAA-CREF raised is among the largest dedicated to agricultural investments.

INTEREST IN SRI

- TIAA-CREF positions itself as a driving force in the field of social responsible investing (SRI) and participates in multiple frameworks. The company is a member of the Global Impact Investing Network (GIIN), the Social Investment Forum (SIF), signatory of UNPRI, and a Founding Partner of the Global Initiative Ratings, among others. The company is also part of a group of large pension funds that have defined their own ESG guidelines in farmland.[345] Jose Minaya explains TIAA-CREF's position as follows: "sustainable farming, good practices is not something you do at a charity, it's not something you do because you think that's what the world wants, it's good for returns."[346]
- TIAA-CREF policy's states that the company "participates in the public debate over issues of corporate governance and responsible corporate behavior in domestic and international markets." The company, however, did not respond to OI's inquiry, despite repeated requests.[347]
- Land speculation remains a concern. For instance, TIAA-CREF's joint-venture in Brazil, RADAR, appears to be more interested in land appreciation than sustaining soils for farming. According to its own website: *"After reaching a level of appreciation deemed satisfactory, the properties are put up for sale."*[348]

WESTCHESTER AGRICULTURE ASSET MANAGEMENT

- The strategy of the Westchester Group naturally mirrors the strategy of its parent company, TIAA-CREF. According to its own publication, Westchester has *"the goal of owning farmland in all the major grain exporting countries around the world."*[349]
- In the US and Australia, Westchester operates under similar operational models, with investment professionals scouting land deals throughout the country.[350] In Australia, the Westchester Group is one of the largest farmland owners, with at least 192,742 acres (78,000 ha) of farmland under management.[351]
- In Brazil, it operates through RADAR, which is controlled by TIAA-CREF. Crops of interest include commodities like corn, soybeans, and sugarcane (for food and ethanol production) grown heavily in the Mato Grosso region as well as the northern region (corn) and Bahia (cotton).[352]
- Set up in 2008, the International Agricultural Investors (IAI) LP Farmland Fund has estimated assets of $400 million. Its main investor is TIAA-CREF. The Swedish National Pension Fund (AP) has also reported interest in IAI Australia fund II (around 10,800 acres/4,379 ha).[353]

COZAD/WESTCHESTER AGRICULTURE ASSET MANAGEMENT[354]

- Established as a joint venture between Cozad Asset Management and the Westchester Group, Cozad/Westchester is a $425 million agricultural asset manager (as of 2012).
- The joint-venture advertises its presence in the US, though it has reported interests in Canada (Saskatchewan province), Australia, Brazil, and Argentina.
- It manages a diverse range of crops (e.g., almonds, pistachios, wine grapes, apples, citrus, corn, soybeans, wheat, cotton, alfalfa, rice, and vegetables) and supplies major food brands such as Tropicana and Cadbury.

KEY MANAGERS

- **Jose M. Minaya** is the Chairman of Board of the Westchester Group. He is also Managing Director and Head of Natural Resources and Infrastructure Investments at TIAA-CREF. Educated in business and finance, he worked for 17 years as a private equity professional for investment firms like AIG Global Investment Group and Merrill Lynch before joining TIAA-CREF in 2004.[355]
- The Wetchester Group is headed by **Randall Pope** (CEO). Mr. Pope has been connected to AgriFinance Magazine (advisory board) and the Harvard Executive Agribusiness seminars (as group leader).
- **Murray Wise** is Westchester's founder and adviser.
- **Rocardo Mussa**, CEO of Westchester Group in Brazil, is an industrial engineer previously employed by Unilever.[356]
- **Matt Bull**, CEO of Westchester Group Australia, previously spent a decade with Rabobank.[357]

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