

## Unlocking the Potential of Agrifoodtech

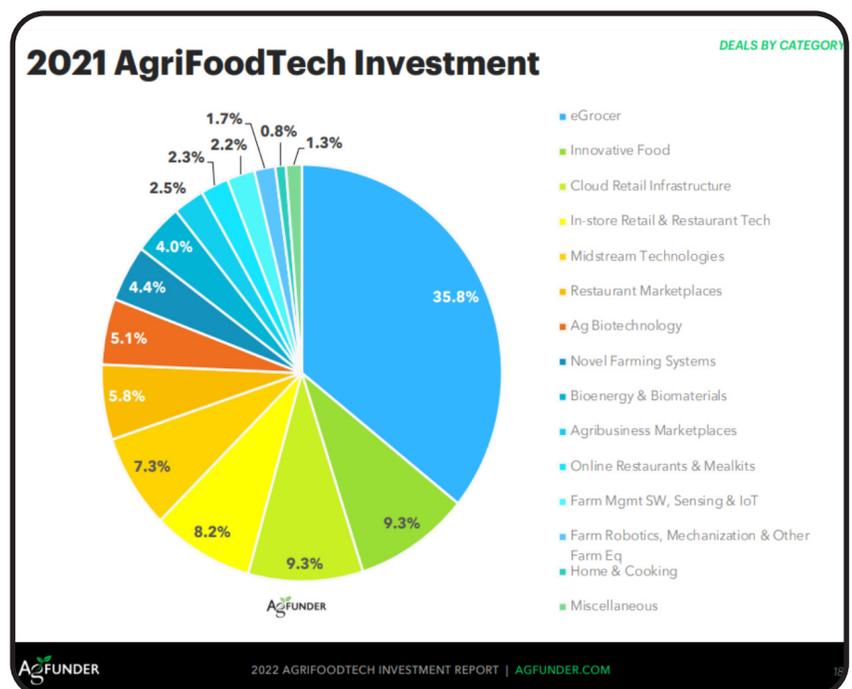
Covid-19, extreme weather, the war in Ukraine all of these dramatic events have put the food supply chain under a magnifying glass. They have revealed problems with its inefficiency and lack of sustainability, while demanding our attention.

Emma Weston, co-founder and CEO at the online grain management platform AgriDigital, told AgFunderNews that because of the structure of our global food supply chain, it doesn't take much of a shock to make prices shoot upwards – and we have had several such shocks hitting us simultaneously in recent months.

“Largely our world has evolved into a series of commodity-tiered supply chains, so when there are commodity shocks for whatever reason, that directly influences the price of food,” she says. “Combine that with supply chain shocks, particularly in the Black Sea region, and all on the back of Covid, and you get a perfect storm [for food inflation.]”

Analysts don't see an end to this inflationary period for at least six months, but in the meantime, there is opportunity rumbling under the surface – much like the pandemic unleashed widespread adoption of a range of front- and back-of-house technology in restaurants. Indeed, the agrifoodtech sector just came off its biggest-ever year for venture capital funding. According to the 2022 AgFunder AgriFoodTech Investment Report, the U.S. continues to dominate as the world's biggest agrifoodtech investment market, with U.S.-based startups raising 41 percent of all capital and accounting for 34 percent of deals in 2021. The U.S. demonstrated its relative maturity to the rest of

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# A Confluence of Challenges, but Efforts at Relief

## *An update on agricultural commodities*

Farmers are dealing with more uncertainty than normal as the war in Ukraine continues to disrupt global crops, food inflation persists and weather impacts the planting season. Farm protections and methods of management are evolving, with more discussions coming to the fore about the use of insurance protections and precision agriculture to manage the growing uncertainties of the sector. In the meantime, the USDA announced a new Food System Transformation Framework designed to help ease some of the challenges facing farmers by making the food supply chain fairer, more competitive and more resilient. Here is an overview of current conditions for key agricultural commodities:



**Wheat:** As winter wheat harvesting begins in the southern U.S., prices are in doubt amid improving weather for U.S. and European crops and ongoing negotiations around the release of grain shipments from Ukraine. For the first time in four years, global wheat production is expected to fall due to rising inflation and a tightening of supply.

**Corn:** Dry weather-driven planting delays during peak growing season in the U.S., weather-related problems in South America, and strains in Ukraine's production are reducing the global corn supply. As we were going to print at the tail end of the planting season, there was growing concern that farmers would be opting to take "prevent plant" insurance payments as a last resort, particularly in the eastern Dakotas and western Minnesota.



# Commodities

## (from page 2)

**Soybeans:** High demand continues for U.S. soybean exports. The USDA's May report indicated that in addition to increased domestic soybean use, exports are anticipated to surpass the 2021-22 estimate by 60 million bushels. While gross soybean crush margins are projected to cool in 2022-23, they still remain strong by historical standards. The USDA is expected to lower its outlook for U.S. soybean stocks in its June report.



**Pork:** Following a year of strong profitability for pork production, diseases including PRRS and PED, as well as labor problems and expansion costs, are limiting production right now, according to Farm Journal. Largely as a result of a slowdown in purchases from China, pork exports are also trailing those of last year. U.S. Meat Export Federation Chair-Elect Dean Meyer says China has nearly rebuilt its herd after African Swine Fever had devastated their stock. (Some welcome news: As this newsletter was due to be published, Bloomberg reported that a collaboration between the U.S. and Vietnam has led to the world's first commercially viable vaccine against the disease.)

**Beef:** Based on anticipated tight supplies of cattle next year, 2023 beef production is expected to decline 6.8 percent, according to the USDA. Drought is playing a significant role in the cattle cycle, deteriorating pasture and forage conditions in the past two years. This is pushing calves into the feedlots at a faster pace, which will likely quicken the pace of fed cattle slaughter in 2022, leaving fewer supplies of cattle available for slaughter in late 2022 and 2023. Cattle prices in 2023 are expected to increase close to record highs. Despite cattle prices that are currently higher than those of last year, inflation and higher input costs could make profits elusive this year. AgWeb reports that the strength of the U.S. dollar, along with Covid lockdowns and shipping obstacles, have all been headwinds for red meat exports.



# OUTLOOK

Q3/2022

## Agrifood (from page 1)

the world through the diversity of startups raising growth- and late-stage investment rounds during the year.

So what's in the pipeline as a result? While the largest area of investment, according to the report, was eGrocery (online stores and marketplaces for the sale and delivery of processed and unprocessed agricultural products to consumers), investment

directed at farms and their management was significant too.

Farm Management Software companies (which comprise agriculture data capturing devices, decision support software, and data analytics) accounted for 9.6 percent of deals in 2021 – an increase of 29 percent from 2020. Further, investment rounds got bigger in 2021 for Novel

Farming Systems companies (which comprise indoor farms, aquaculture, insect and algae production). They raised about 45 percent more capital in 2021 than in 2020.

While it's hard to say how quickly innovations will happen, it's safe to say that how we grow, transport and manage our food supply will look a lot different in the years ahead. Perhaps the current convergence of extreme challenges has the power to force the kind of action that ushers in important sustainable improvements.



## The Big Picture

Here are some high-level trends Datassential expects in 2022:

- Menu prices are climbing...but a tipping point is coming
- Consumers are ordering food from a wider range of sources
- Plant-based foods are surpassing all other diet trends on menus
- People are choosing foods that support mental health
- Investors are expecting big things from the Metaverse
- Automation is continuing to evolve
- Consumers are becoming more adventurous eaters.

