



## GAI Insight: ACM, Paine & Partners Oversubscribed Status Confirms Interest in Food and Ag Space

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By: Gerelyn Terzo

Institutional investors have been flocking to agricultural funds, evidenced by hundreds of millions of dollars being raised and the oversubscribed status of recently closed funds. In some cases, capital has been turned away.

Paine & Partners Capital Fund IV, L.P. reached final financial close with USD 893m in commitments. Private equity firm Paine & Partners made the announcement on Jan. 6, but Fund IV formally reached final close at year-end following first financial close in July 2014.

Equilibrium Capital's ACM Permanent Crops, LLC fund reached final financial close with USD 250m in commitments. ACM went through a series of financial closes in 2014, public filings indicate, and reached final close at year-end, Global AgInvesting has learned.

Paine & Partners Capital Fund IV had an early target size of USD 800m, while ACM Permanent Crops had a hard cap at USD 250m, Global AgInvesting has learned. Both funds were oversubscribed.

Investors are comprised of public pensions, endowments and family offices. Paine & Partners also received a maiden allocation from an investor in the Middle East region.

### **Institutional Interest**

Maine Public Employees Retirement System (MainPERS) committed to both funds, including USD 50m allocated to Paine & Partners Capital Fund IV in December. The pension similarly authorized a USD 50m investment in the ACM Permanent Crops fund, but the commitment was slashed to USD 35m due to the fund being oversubscribed, according to Andrew Sawyer, MainePERS Chief Investment Officer. The ACM allocation will be made from public market equity.

"We will in all likelihood make other investments to get towards our target of 5% in natural resources," said Sawyer.

In addition, Washington State Investment Board committed USD 50m to ACM Permanent Crops, Global AgInvesting has learned.

Kevin Schwartz, President and a Founding Partner of Paine & Partners, attributes the robust interest in a space he says has been underserved by private equity to macro dynamics. “A growing global population with more affluence has increased the demand for efficient and sustainable protein sources,” Schwartz told Global AgInvesting. “At the same time, there is a constrained supply, creating a significant opportunity for investment.”

## **Fund Strategy**

While both Paine & Partners Capital Fund IV and ACM Permanent Crops invest in agriculture, the funds take different tacks.

Paine & Partners, which says Fund IV is the largest dedicated food and agribusiness private equity fund, invests along the food and agribusiness value chain, including upstream and downstream assets. Fund IV specializes in a swath of opportunities across IP/genetics, seed, fertilizer, water, feed, animal health products, crop production, aquaculture, wild, primary processing, value-added processing, contract manufacturing, food ingredients and functional foods.

“Part of what differentiates Paine & Partners is its ability to partner with management teams to unlock growth and enable companies to fulfill their potential,” said Schwartz, noting the firm’s blend of investment and operating professionals with successful careers in the agriculture industry.

“These professionals work extensively with the management teams of the companies we invest in and utilize their expertise to drive growth and create value. Paine & Partners...is involved in every step of this process,” he added.

Meanwhile, ACM Permanent Crops, which is currently active in the market, targets permanent cropland in the produce segment -- such as table grapes, blueberries and citrus -- as well as related midstream assets across California, Oregon and Washington, for instance. Rob Hurlbut, Principal at Equilibrium Capital and head of the firm’s Sustainable Agriculture Strategies, pegs the fund’s IRR at 12% - 14%.

Permanent crops offer a two-pronged return scenario comprised of capital appreciation plus income generated from yearly crop sales. According to Maine PERS documents, investment opportunities are a function of “generational succession, capital constraints and industry modernization.”

The National Council of Real Estate Investment Fiduciaries (NCREIF) on Jan. 20 revealed that the NCREIF Farmland Index generated returns of 12.63% in 2014, falling short of the 21% returns generated in the prior year. Permanent cropland, however, far outpaced annual cropland led by performance in almonds and pistachios. In the fourth quarter, permanent cropland -- whose returns favored income over capital appreciation -- delivered total returns of 14.4% versus 0.62% for annual cropland.

As for strategy, ACM has taken an owner/operator approach. The firm will rely on its own talent and expertise to manage all of its own assets, which it expects will drive sustainable alpha over the 10-year life of the fund.

“We believe that management is critical to success in the category and have built our team with that in mind,” said Hurlbut.

## **In the Market**

According to public filings, financial services firm TIAA-Cref raised USD 1.4bn for TIAA-CREF Global Agriculture II LLC, as of August 2014. A TIAA-Cref spokesperson declined to comment. In 2012, TIAA-CREF Global Agriculture LLC, a company designed to invest in farmland across the U.S., Australia and Brazil, reached final financial close with USD 2bn in commitments.