



**Agri Investor**  
**Paine & Partners eyes processors for Fund IV – exclusive**  
**By Chuck Stanley**  
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Agri-focused US private equity firm Paine & Partners (P&P) has spent 20 percent of its \$893 million Fund IV to add three portfolio companies since reaching a final close in January 2014.

P&P has paid about \$180 million to buy biological pest control producer AgBiTech; Spearhead International, which supplies PepsiCo and Danone; and speciality vegetable seeds producer and distributor Suba.

The firm also thinks it could take advantage of lower US food prices to make well-priced long-term bets in companies in the agri sector, P&P partner Andrew Freeman told Agri Investor. He said that the biggest agri-focused private equity fund to date is on pace to reach full deployment by the end of 2018, and is likely to make three to four investments this year.

Freeman is bullish that global population growth will drive demand in the agri sector: “As long as we continue to believe in that fundamental thesis, I think this is a better time to be buying businesses off of somewhat lower earnings than the kind of revenues they were bringing in 2013 and 2014,” he said. “We’re still going to pay fair values for businesses and recognize the true value of businesses.”

He said processors now appear to be using money saved on lower-cost inputs to build profits rather than competitively lower food prices further. “The price that I pay as a consumer for products on the shelf hasn’t really gone down, even if the input price for that processor’s products have gone down,” he said.

Freeman is confident that the dip in food prices is cyclical rather than secular and exacerbated by a temporary boost in supply. He said that could make processing and mid-stream investments more attractive.

“We’ll still be looking at the same types of businesses but maybe opening up to further downstream businesses as well,” he said. “[We’re] a little more focused on some companies that we’re seeing on the processing side.”

“We still have a long-return view of the market with deploying new capital. The stock to use ratios are high. We have had some good weather. That’s not going to last forever,” Freeman said. “The demand part of the equation is still there.”

P&P Fund IV was oversubscribed by nearly \$100 million, while P&P Capital Fund III closed with \$1.2 billion in 2007. Previously known as Fox Paine & Company, the firm has managed over \$3.6 billion to date, according to its website.