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Paine Schwartz Partners settles into food chain niche as LPs take notice

November 8, 2019 By [Justin Mitchell](#)

- Paine Schwartz saw increased institutional investor interest in funds IV and V
- Firm's main themes are "productivity" and "health and wellness"
- **AUM:** \$3.5 billion

Paine Schwartz Partners has found an idiosyncratic niche for itself with its focus on "sustainable food chain investing."



Schwartz

It recently closed its fifth fund above its hard cap, as *Buyouts* [reported](#), spurred by increased LP interest in the sector.

"Agriculture's in my blood, it's what put bread on the table for me growing up," chief executive officer **Kevin Schwartz** told *Buyouts*.

Both Schwartz and the firm have taken a long road to get here.

He grew up in Moline, Illinois, home of **Deere & Company**, responsible for the **John Deere** brand of agricultural machinery. His father, uncle and grandfather all worked for the company. But Schwartz went in a different direction, graduating from the **University of Illinois Urbana-Champaign** with a degree in accountancy. He then worked as an investment banker at **Goldman Sachs**, often for private equity firms. They caught his attention.

"What my clients were doing...was deploying capital and working very closely with companies to transform them and create value," he told *Buyouts*.

Schwartz joined what became Paine Schwartz in 2001. Originally founded in the 90s as **Fox Paine** by **Saul Fox** and **Dexter Paine**, the firm underwent a [messy split](#) in the mid-2000s over its third fund. Fox kept the Fox Paine name while Paine [spun off with the old staff](#), including Schwartz, as **Paine & Partners**.

Paine & Partners had already dedicated about a third of Fund II to agribusiness. That went up to two-thirds of Fund III and 100 percent in Fund IV.

In 2017, Paine & Partners [changed its name](#) to Paine Schwartz Partners and Schwartz was named CEO. The firm now has \$3.5 billion in assets under management, offices in San Mateo, California, and New York, and more than 45 employees.

Food chain investing

Schwartz breaks the firm's overall investment philosophy into two themes: productivity and health and wellness. "There's a real need to increase productivity of agricultural production globally," Schwartz said, adding that the agricultural system uses a massive amount of resources. "Many of them are scarce, some are finite, and there are more and more people on the planet consuming more and more calories."

Health and wellness is focused on people in more developed markets like the U.S., Europe, Australia and New Zealand "putting calories in their bodies that increase their health and their wellness."

"The types of investments we make are actually quite flexible," he said. "We focus predominantly on those family-owned or privately-held companies where there's a significant opportunity for growth and business transformation."

Recently, Paine Schwartz has attracted talent from the food services industry. Its operating directors include longtime entrepreneur **Richard Shuler**, former **Cargill** executive **Peter Hawthorne**, former **Sunrise Growers** CEO **Ed Haft** and ex-Monsanto executive **Steve Bierschenk**.

"We're passionate about agriculture and we built the team that way," Schwartz said. "We spend a lot more time in boots than we do in dress shoes."

Interest from LPs

Schwartz said many institutional investors recognize the "positive macro dynamics" of agriculture, but usually have limited options as most of the sector's investment is in farmland.

"There's just not many firms doing what we do," he said. "We're doing private equity that's sector-focused, that's high-touch, value-add business transformation with a much higher return profile."

Funds IV and V drew commitments from U.S. pensions including **Teacher Retirement System of Texas, Maine Public Employees Retirement System, Minnesota State Board of Investment, Sacramento County Employees' Retirement System** and **Rhode Island State Treasury**, according to data from sister publication *Private Equity International*.

Schwartz recently [told sister publication Agri Investor](#) that new LPs in Fund V also came calling from Canada, Asia and the Middle East.

"With Fund V, we've increased the diversification of our LP base internationally, bringing in new capital from countries like China and Japan, among others," Schwartz told *Buyouts*. "Our LP base ranges from family offices, pension funds and endowments to sovereign wealth funds."

Rhode Island spokesman **Evan England** said its decision was part of the state's plan to increase its PE allocation, but the sector also mattered.

"It was an opportunity to increase diversification within that portion of the portfolio," he said.

Sacramento's pension system likes the focus on "the lower middle-market segment, targeting agriculture inputs, input supply and distribution, production...and value-add processing."

"These are areas that are less sensitive to economic conditions, highly fragmented and under-capitalized, and critical to the food value chain," said investment officer **JR Pearce** through a spokesman.

"We looked more at where we can invest and get at opportunities in the sector, but maybe not based on the real estate price and that is where we looked at agribusiness," **Carolyn Hansard**, Texas Teachers' senior investment manager for energy, natural resources and infrastructure, [told Agri Investor](#).

Paine Schwartz has already closed [two investments](#) from Fund V, and plans to deploy the rest over the next three to four years.

Action Item: read Rhode Island's presentation on Fund V [here](#).

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