



Rabo Farm

Investing in a fertile future

Why invest in farming?

The global population is expected to exceed nine billion by 2050. Diets will also change as people increasingly eat more protein. It will be an enormous challenge to meet the forecast demand for food, feed, fibre and fuel. In the next 40 years – with less access to scarce land, water and mineral resources – the agricultural sector will need to double agricultural production. Research has recently estimated that 70-100% more farmland will be needed in 2050 if we do not increase production per hectare on existing farmland.

Global demand fundamentals in agriculture are strong, while supply fundamentals are constrained due to limited resources. Following years of underinvestment there is now a huge need for investments in the agricultural sector with the particular aim of increasing productivity and efficiency on existing farmland to meet the ongoing growth in global demand. The Food and Agricultural Organization of the United Nations estimates that net investments in global agriculture must top USD 83 billion per year – up roughly 50 percent from current levels – to meet future demand.

Rabo Farm plays an active role in responding to the challenges that face global food security. Rabo Farm invests in order to enable productivity and the supply of agricultural products to grow with the farmer entrepreneur at the heart of our business. We focus on efficiency and a sustainable increase of production on existing farms. We act locally and have a long term investment horizon.

The advantage for investors is that primary agricultural production offers exposure to a tangible asset class with low or negative correlation to other financial assets. Investments in agriculture generate attractive risk-adjusted returns, portfolio

diversification and an inflation hedge. Many institutional investors are looking for responsible and sustainable investments as they believe that financial and social returns can be compatible objectives. Their investments should have a positive impact and improve environmental and social conditions as well as corporate governance. Investing in primary agricultural production is probably one of the most tangible ways of accomplishing these investment goals. Investing in enabling farmers to improve sustainable agricultural production will create long-term real economic value, add to global food security and aid local rural development.

Who we are?

Rabo Farm is part of the Rabobank Group, a Dutch cooperative financial services provider, established in 1898. In the Netherlands, Rabobank Group is a full-service market leader, while internationally, Rabobank is a leading food and agribusiness bank. Rabobank has a top rating for creditworthiness, awarded by Moody's, Standard & Poor's, Fitch and DBRS. Corporate Social Responsibility (CSR) has always been at the heart of Rabobank. As a cooperative, Rabobank works closely with customers and local communities on building a sustainable future. Rabobank supports business clients by assessing environmental, social and economic opportunities and risks.

Rabo Farm arranges non-listed investment vehicles that invest in farmers & rural resources (farms, farmland and farming infrastructure, including water management, storage, drainage and liming) and primary agricultural production (predominantly crops and livestock for food, feed, fuel and fibre). Our mission is to initiate, structure and manage these funds, providing our investors with the opportunity to invest profitably in funds that leverage

Rabo Farm: Investing in a fertile future

Rabobank's unique global food and agribusiness expertise. Our investments enable farmers and agricultural entrepreneurs to grow their businesses.

What we do?

Rabo Farm's focus is on increasing primary agricultural production by improving productivity and the efficiency of existing farms and rural regions. It is our aim to invest in closing the agricultural production gap between inefficient and efficient farms in a sustainable way. We invest in small and medium sized farms and agricultural entrepreneurs.

The Rabo Farm investment management cycle is divided into four phases: (1) portfolio construction, (2) investment phase, (3) management (upgrading and maintenance) and (4) the exit phase.

Our overall approach is centred on understanding and managing risks associated with investing in agriculture. Our process is consistent and incorporates strong CSR guidelines throughout the investment cycle. In the portfolio construction phase, besides analysing agricultural, country risks and enabling factors, we perform a CSR Country Quick Scan on a number of criteria which are supported by individual policy statements and relevant global guidelines (see figure 1). This gives us a good understanding of general risks in a country and provides additional focus during the investment phase. In the investment phase we conduct an intensive due diligence (DD) on sellers, farms, leaseholders and many other factors that are relevant for the transaction, before we acquire or invest in a farm. During the management upgrade and maintenance phase we monitor the lease agreement with the farmers, focusing especially on applying good agricultural practices. We seek alignment between the interests of both farmers and investors. We invest in upgrading the farms with the aim of increasing efficiency, productivity and sustainability, and in so doing, we prefer to involve local stakeholders.

Rabo Farm is currently going through this cycle with its Rabo Farm Europe Fund (RFEF). The RFEF currently invests directly in arable farms and related infrastructure within the EU-27, especially in the new member states. The purpose of RFEF's investments is to close the agricultural productivity gap with Western Europe and improve the efficiency of primary agricultural production.

Figure 1 Investment Management Cycle



Source: Rabo Farm

What is our aim?

We have learnt that agriculture is a non-institutionalised and a local sector that suffers from huge underinvestment and has a major impact on the environment. More and more institutional investors are looking for responsible and sustainable investments and agriculture is one of these categories. There is a natural alignment in combining financial and social returns for long term investors, as they believe these can be compatible objectives. Aligning the interests of all stakeholders is essential when investing in agriculture.

Rabo Farm aims to generate sound investor returns while increasing sustainable global food production in a non-speculative way. Rabo Farm believes that investing in farms with a potential to substantially increase per hectare production will provide good returns with acceptable risk. Our value-added strategy ensures that we avoid investment bubbles and enable farmers to grow and optimize their potential.

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