

# Covid-19

## **How the crisis is affecting the food system of the future**

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**AGFO** insight



# Investments

Investments in all sectors globally are down 10% in the first quarter of this year compared with the same period in 2019 and the Covid-19 crisis has been highlighted as the reason. Within food tech and agtech, there are indications that investments haven't been affected as much. In the first quarter, Indigo Ag and Impossible Foods have received significant investment money. Startups in Sweden however are describing investors as cautious and holding off on investments for the time being.

Of the investors we spoke to, a number have responded saying that they are likely to make fewer but larger investments. In the long-term, it's hard to know how the investment climate will be affected but most believe that investments will increase within food, production and agricultural land.

New York-based incubator Food-X has so far brought in eight start-ups to direct tackle weaknesses in the food system that have arisen due to this crisis.

*See the chapter on innovation for specific future business opportunities.*

Analysis by AGFO based on interviews with Marthas Explorer and Global AgInvesting. Also CB Insight report, Moneytree report Q1, news articles and questions to Gullspång Invest, GU Ventures och Kale United as well as survey answers from start-ups.

## Short-term effect:

- Fewer new investments but more follow-up investments in existing portfolio companies and financier's backing out.
- Harder for untested start-ups to find capital. Investment processes taking longer as people can't meet physically.

## Insights so far:

- The importance of a plan-B even if a start-up has a clear business model.
- As a start-up, it's important to differentiate between what is related to the current societal shut-down, what systemic changes will take place long-term and how the customer's needs will change as a result.
- The narrative created in the aftermath of the crisis can set the tone for what people perceive to be relevant in the future.

## Long-term effect:

- A more risk-aware market, the price of risk will rise.
- Increased investments in the food sector.
- AI and supply chain tech on the rise.





"Volatility on the financial markets should increase the interest for investments in agriculture and food; something fundamental and not a part of the gig economy. We believe the crisis will accelerate investments in the sector. New technologies such as gene-editing, AI and robots within fruit and veg are interesting as well as the demand for locally-produced food. Risks for more zoonoses\* will probably accelerate investments in new proteins, plant-based and cultivated meat. We continue to monitor how the political arena manages problems with food safety and how they affect trade-flows."

*Philippe de Lapérouse*  
Managing Director, HighQuest Partners, running  
Global AgInvesting



"We see that our investment strategy is relevant in spite of the pandemic and we continue to focus on early investments in the Nordics and how we can contribute to faster developing a sustainable food system. Globalization is going to slow down and that will lead to an increased focus in locally-produced food. People will be less likely to create complex supply chains. The potential for domestic production is large. The companies that have come furthest with digitalisation and that can make swift structural change will be the ones that come out of this best."

*Carolina Sachs*  
Investor and founder, Marthas Explorer

"It's clear that the quarantine is fueling e-commerce within food to record levels and my guess is that a lot of people will continue to purchase online even after the quarantine is lifted. The shift from physical stores to e-commerce will quite simply accelerate. This shift is relevant for all companies in the food sector."

*Gustaf Brandberg*  
Founder, Gullspång Invest



"The desire to invest is likely to increase. Food tech has become a hot topic amongst investors. The interesting segments to invest in could be smart and effective production systems; intelligent and eco-friendly packaging; anything to do with the protein shift; new and cultivated crops, eg. wheat that can be grown in soil that consists of more salt."

*Tore Sveälv*  
Business Development Manager, GU Ventures



"Investors unfortunately have a tendency to follow the herd. We're already hearing that investments have been put on hold or won't go ahead now and a lot of startups are without any capital. Investors will end up investing more in projects that are going well despite the crisis. This doesn't change Kale United's plan or investment policy. But it's possible that we do fewer but larger investments so that the projects we invest in, have more capital but also that we will want to know what crisis-management plans they have."

*Måns Ullerstam*  
Founder, Kale United



\* A zoonosis is an infectious disease that can spread naturally between animals and people.