

## PSP Investments: Hawaii cropping plan reflects ag strategy's growth

Head of natural resources Marc Drouin tells Agri Investor his unit would have been unlikely to take on such a complex agricultural investment three years ago.

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Although Hawaii is part of a broader US market that is among PSP Investments' target geographies for ag investment, the process that preceded its [Mahi Pono](#) joint venture with Trinitas Partners there was similar to that which comes before entering a new market, according to the head of the pension's natural resources unit.

Marc Drouin, managing director and head of the [C\\$153.09 billion](#) (\$115.5 billion; €100.1 billion) pension's natural resources team, told Agri Investor that plans for the 41,000 acre Maui property that its Pomona Farming joint venture acquired late last year include development of coffee, citrus and livestock on the property.

Local consumption dynamics in Hawaii played a part in making the deal attractive for PSP, according to Drouin, as did a suite of wetland and irrigation assets that the seller, Hawaiian real estate company Alexander & Baldwin, had maintained as part of its previous operation of a sugar business on the property.

[“If we didn't have the irrigation assets and the associated water licenses, we wouldn't be able to undertake the cropping plan that we have here, it's all very integrated,”](#) said Drouin.

[“Three years ago, we probably wouldn't have made this investment because of the geography, because it was not an operating asset and because we had less experience across the crops we're currently thinking of growing. Today, we just have a broader base of expertise, understanding and comfort, so we are able to take on something that is a little bit more complex.”](#)

PSP's first investment in agriculture came about five years ago, but Drouin said it had been over the past three years that his unit has focused on expanding exposure to the sector.

With 15-20 executives – some of which have responsibilities involving both timber and ag – Drouin said PSP's natural resources team begins with an analysis of long-term supply and demand fundamentals of specific agricultural commodities. Before investing

in any particular region PSP also undertakes a study that includes consideration of how the area's current access to water is likely to be impacted by climate change.

PSP's agricultural strategy has focused largely on Australasia and North America, which account for about 80 percent of investment from the natural resource portfolio as it builds toward 5 percent of overall AUM over the long-term, said Drouin.

The pension also has agricultural investments in Brazil and Chile, with Peru among countries Drouin expects the firm to consider in meeting the 20 percent of its agricultural strategy currently earmarked for investments outside of North American and Australasia.

"All geographies are on a spectrum," he said. "We're looking for geographies where the rule of law prevails; where there's an abundance of opportunities to invest in the agricultural assets that we are looking for; where we can have access to a high number of potential partners who have the same investment horizon as us, but also the same investment philosophy."

Because many transactions in the ag market are below the scale threshold that PSP would generally look to achieve in its investments, [Drouin said, it has looked to form long-term partnerships with like-minded operators capable of managing ESG-related risks.](#)

"It will take us a while to help them get to a stage where we can give them more autonomy. There is a spectrum of responsibility that evolves over time. We delegate a lot of the day-to-day to our partners and if they haven't got the ability to do that, they wouldn't meet the filter to be our partners in the first place."

Drouin said PSP has no target number of platforms it is looking to create in agriculture, adding that it will create new partnerships where appropriate.

"We'll need more capital out there," Drouin said. "From a scalability perspective, we can't keep adding new partners at the same rate as PSP grows. We'll be looking to fine-tune the strategy and be very thoughtful about how we add new partners."