

FOOD & AG LEADER SERIES



LIOS Partners is a thematically focused private equity firm, supporting the sustainability transformation occurring within our food system. The firm invests in mid-market companies across the food value chain, who are well positioned to prioritize and accelerate this change.



JONATHAN BELAIR, FOUNDER & MANAGING PARTNER, LIOS PARTNERS

Food & Ag Leader Interview Series – LIOS Partners

Origin Merchant Partners: Let's start with your path to LIOS Partners, and specifically your time at McCain Foods. What was your focus there?

Jonathan Belair: At McCain Foods, I led Global Corporate Development, Corporate Strategy and Venture Investing and I had global oversight over the company's Sustainability function. In that regard, I focused on defining and leading the sustainability strategy, particularly from a regenerative agriculture perspective. McCain has made substantial commitments to the adoption of regenerative farming practices, and I spent considerable time with the Agriculture team developing a playbook for implementing regen ag practices in commercial-sized farms, and communicating the benefits of these practices, such as soil health and improved crop yields, to our growers and the broader eco-system.

OMP: Regen ag has been in the limelight of late – large CPG companies like Pepsi and Nestle are making significant commitments to the practices. Can we talk about what's driving this?

JB: Sure. Firstly, current conventional agriculture practices are at a point of inflection. We are seeing crop yields which have historically increased year over year - a necessary building block for farmers and for the industry - either peak or decrease in certain regions.







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Secondly, climate volatility is increasing, leading to greater swings in temperature and precipitation. California is dealing with extreme droughts, Western Europe has had catastrophic flooding, and the town of Lytton, British Columbia was destroyed by wildfires, and the list goes on. While some may not want to draw a direct link between these events and climate change, it's fair to say that there is an important relationship which needs to be observed and further understood.

If we don't address these challenges and the impact climate is having on our food supply, it will be very difficult to effectively meet future food demand. Regenerative agriculture practices are an important part of the solution, leading to greater soil biodiversity, improved water resilience, and sequestration of carbon.

That being said, the biggest driver of this change by large CPG companies is consumer demand. Consumers, now more than ever, want to consume food which is sustainably sourced, and aligns with their environmental and social values; this new dynamic has an impact on the entire value chain.

OMP: What does this mean for investors in the food & ag space?

JB: Business as usual is not a long-term solution. We are seeing large CPG companies beginning to shift their operating practices and revise their selection criteria of partners through the value chain in favour of sustainability.

Like many other industries, the scrutiny on Boards and companies to act on positive sustainable change will continue, and capital flows will follow. Value creation within this new environment will require proactive engagement on the sustainability issues which are of highest priority to key stakeholders, including consumers and employees. Anyone responsible for capital allocation should be evaluating the risks associated with our changing climate. As it relates to primary agriculture production, regenerative agriculture offers an important alternative to conventional practices, building greater resilience into our food system.







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Most significantly from an investor perspective is the surge in consumer demand driving the path to change. Consumers want something different, and the gap between what they want and what is currently offered is significant. As a result of these challenges, there is a wealth of opportunity which will be seized by new entrants or existing companies that successfully transition.

OMP: Was that part of the impetus in founding LIOS Partners?

JB: Definitely. Over the past few years, we have developed an investment strategy in direct support of the sustainability transformation occurring within our food system. We are seeing meaningful opportunities to invest in mid-market food and agriculture companies across the value chain.

Many companies within the food & ag space are still looking at sustainability reactively, for example, as a compliance issue, and failing to understand that the consumer truly wants a different offering. The competitive landscape is changing, and those that continue to simply react to sustainability requirements will get displaced by those that proactively engage in it. That's where we believe the opportunity lies for LIOS Partners.

