



Demand is rising...

In July of 2015, the Earth's population exceeded 7.3 billion and is expected to keep growing at a fast pace. United Nations base case forecast is for 8.1 billion people inhabiting the Earth by 2025 and 9.6 billion by

2050. Meanwhile, the arable land expansion seems to have plateaued (see figure 1), putting increasing strain on existing resources to deliver the nutrients necessary to sustain the growing population.

A number of competing demand drivers have gained primacy recently, being often cited as causes for the increased volatility in food prices and the overall higher level of the cost of food (see figure 2) and they include, beside the population growth, an increase in the emerging markets middle class demanding more protein rich nutrition, an increase in the use of biofuels as well as speculation.

Supply is tightening...

Adverse weather patterns such as 'La Nina' alongside the Americas and increased dryness and desertification in critical producing countries such as Russia and China have accentuated the supply driven shocks, driving higher the soft commodity pricing, while increasing volatility.

North America has experienced significant planting delays in most areas because of the unseasonably long and cold winter. Conditions elsewhere were closer to normal, though heavy rains in the increasingly important Latin America delayed harvesting and the planting of the second crop, while Europe experienced floods at its eastern end and drier than normal conditions on the Iberian Peninsula.

The challenge...

OECD projected in its 'OECD Environmental Outlook to 2030' that 'global agriculture will need to increase output by more than 50% in order to feed a population more than 27% larger and roughly 83% wealthier than today's' (see figure 3). The world needs to increase crop yields, while protecting them from pests and adverse weather, alongside the production and distribution chains, as well as enhancing the nutritive quality of the food reaching the end consumer. The various participants in this value chain include, besides the farmers; seeds suppliers, responsible for selection of varieties/hybrids; fertilizer makers, responsible for the plant nutrition; specialty chemicals companies, responsible for weed, insect and

disease control; agricultural equipment makers, responsible for planting, tillage, water and harvest management; as well as integrators, food processors and food retailers.

The opportunities...

Many of the above mentioned market players have seen improved fortunes. For example, as the soft commodities markets received a significant boost during the 2008 grains market shortage, exemplified here by historically low stock to use ratios (see figure 4), the farm economics improved in many corners of the globe, increasing the likelihood of significant increase in the application of fertilizers and crop protection products. After a brief respite, such pressures have been building up again recently.

At **Portland Investment Counsel Inc.**, we embrace the investment merits of agriculture and food, a prime example being our **Portland Global Dividend Fund** in which the theme is being given a substantial weight through investments in:

Companies at the fore-front of the improvements in agricultural productivity, such as **Syngenta AG**, the leading global agribusiness, the largest crop protection supplier and third largest quality seeds supplier, **Deere & Company**, the preeminent global supplier of agricultural equipment, and **BHP Billiton PLC**, as a future major supplier of potash, through its Jansen, Saskatchewan, project.

Companies leading the food processing industry, either through scope, such as **Nestle SA**, the largest food producer globally, offering a variety of foods from ready meals to chocolate and providing nutrition related innovation, or through technology, such as **GEA Group AG**, the German engineering group driving progress in milk farm technologies, refrigeration, process engineering and convenience-food technologies.

Other holdings such as **Barry Callebaut AG** and **Mondelez International Inc.** also compliment the merits of investing in the agriculture and food segment. Barry Callebaut AG produces cocoa, chocolate and confectionery products for industrial food manufacturers to artisanal users such as chocolatiers, pastry chefs and bakers. Its manufacturing process encompasses all stages of the cocoa and chocolate value chain. Mondelez International Inc. is a snack food and beverage company that manufactures and markets snack food and beverages to over 165 countries. It has a portfolio of around 58 brands, which primarily includes nine billion dollar brands.

Portland Global Dividend Fund¹ Agriculture and Food – Perennial Investment Ideas



FIGURE 1 – PERCENT OF ARABLE LAND GLOBALLY

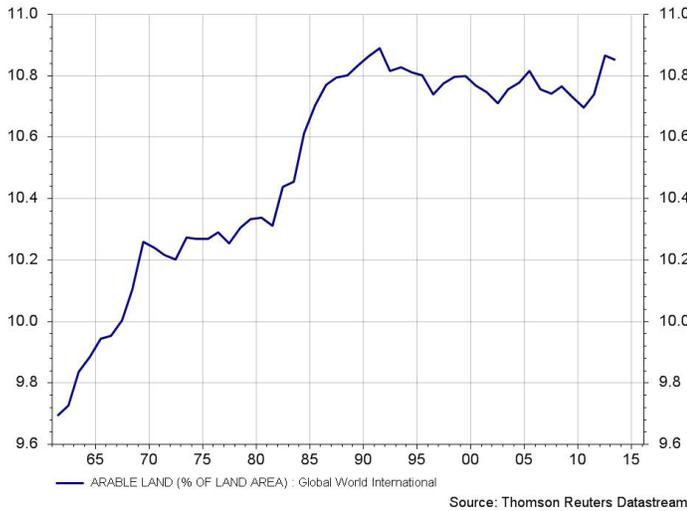


FIGURE 3 – EXPECTED GROWTH OF WORLD POPULATION, GDP PER CAPITA, AGRICULTURAL PRODUCTION AND AGRICULTURAL LAND USE (PERCENTAGE CHANGE FROM 2005 – 2030)*

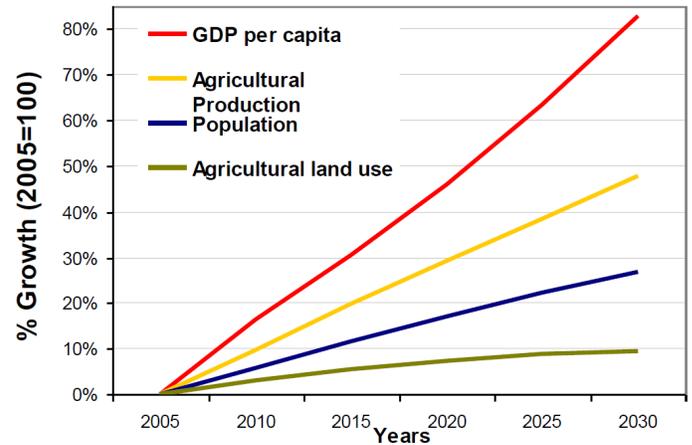


FIGURE 2 – IMF FOOD COMMODITY INDEX

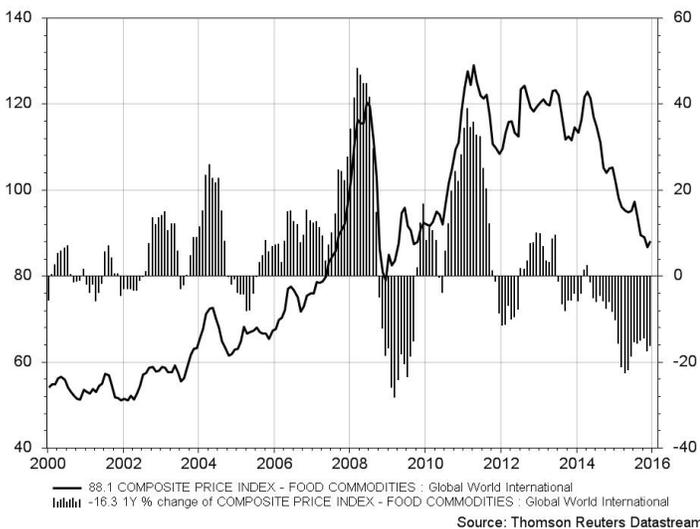
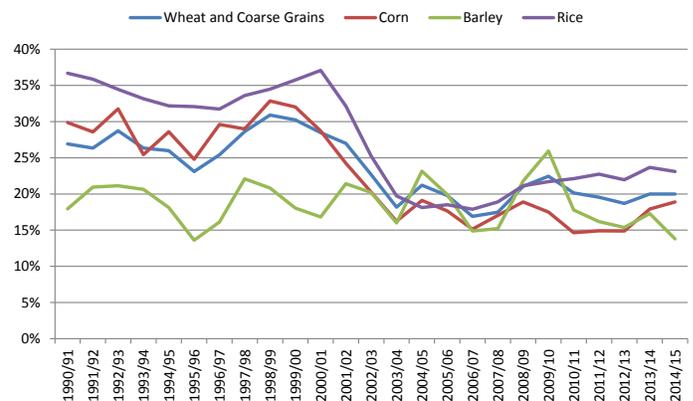


FIGURE 4 – GLOBAL GRAIN STOCKS-TO-USE RATIOS**



*'Agriculture & Environment: OECD Environmental Outlook to 2030', OECD, 2009

**US Department of Agriculture, Foreign Agricultural Service, 2014

¹ Effective May 23, 2014, the name "Copernican International Premium Dividend Fund" was changed to "Portland Global Dividend Fund". Prior to this date, the Fund was a closed-end investment fund under a prospectus dated May 16, 2007. The Units outstanding prior to the conversion of the Fund were automatically converted to Series A2 Units upon the conversion. 1 old unit was converted for 0.638547 units of the Fund.

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