Agtech Innovation in South America Likely to Come from Local and Foreign Entrepreneurs

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There is a slowly growing ecosystem of agriculture technology startups across South America. A new report about the region has identified over 60 companies, concentrated in Argentina, Brazil, and Chile. And an agtech accelerator dedicated to the region, NXTP Labs, identified 53 in Argentina alone.

There are other resources cropping up to offer support to this new wave of startups in the agriculture sector in the region such as Microsoft's accelerator fund with Monsanto and other strategic partners. There have also been some successful agtech exits, such as the acquisition of two sugarcane-focused biotech startups CanaVialis and Alellyx by Monsanto for $290 million in 2008. The companies were part-owned by Votorantim Novos Negocios (VNN), the venture arm of industrial Brazilian conglomerate Votorantim.

While growth in local innovation is a positive trend, the South American agtech market is likely to grow as much from homegrown startups in the space as from adopted ag technologies from overseas, according to Roberto Vitón, founder of Valoral Advisors, the South American agribusiness investment consultancy.

"Over the last few months, several US and European agtech companies have started doing exploration trips to Brazil, Argentina, Uruguay, Peru and more," he told *AgFunderNews*. "There is a good number of local teams that have attractive plans, access to local industry networks and a greater understanding of how the industry works in each location, from agronomical challenges, through the idiosyncrasies of the local farmers to the various regulations in place, but there have been some amazing tech developments in the US and Europe so it's not always necessary for local startups to reinvent the wheel. I think the discussion of whether to bring existing tech and how to adopt it in the local market will become more relevant as the regional agtech sector grows, potentially in areas like robotics, automation, and IoT."

Vitón recently co-authored a report entitled Fields of Promise: the untapped investment potential of the South American agtech space with another local advisory firm called Quarterra.

Deploying agtech into new regions is no small feat and there are challenges to adoption in each country of Latin America. But there are some low-hanging fruits, according to Vitón.

Precision agriculture as a concept generally still has some way to go across the region with many farmers still not mapping their fields, sampling soils, using variable rate application technology, and monitoring and analyzing yields.

“Simple precision ag technologies can make an obvious impact, and that makes adoption much easier,” he said. “There may be some need for farmers to update their machinery with new sensors and improve connectivity to be able to take advantage of existing technologies, but they will see the results immediately.”

Irrigation innovation is also relatively low-hanging fruit in the Andean region – Colombia, Ecuador, and Peru – where farmers are growing high value plantations, such as grapes, avocados, asparagus, cocoa and flowers. And the size of the cattle herd on the Atlantic side — Brazil, Paraguay, Uruguay and Argentina — make agtech companies focused on livestock solutions increasingly attractive; Vitón says he is seeing companies from Australia and New Zealand scouting the region.

In the report, Vitón and co-author Monica Ganley recommend that foreign agtech companies looking to deploy their wares in South America should make local partnerships to ensure they’re aware of each local markets’ attractiveness, idiosyncrasies, challenges, and risks. They might also consider local acquisitions too.

While some of these challenges are specific to foreign companies, the report largely argues that the challenges faced by local agtech entrepreneurs are similar to those faced by their American counterparts. This can provide an advantage to local agtech companies that can learn from the mistakes and past experiences of their US and EU-based peers. But equally, companies exporting their tech to South America will have experience on their side.

There are four key challenges, according to the report:

1. How can agtech startups gain traction in this emerging space?

Many young AgTech companies in the region lack the required resources to speed up their R&D and business development.

2. How can agtech applications and platforms be built with the potential to make a meaningful difference to farmers’ profitability and sustainability?

Experience shows that the critical first step is to have a clearly defined market and communicate a simple and effective value proposition.

3. How should the commercial distribution network of these agtech innovations be built? How can they get in front of farmers and how can they be monetized?

To overcome this challenge, it is worth working on the design of effective business models, pursuing partnerships, and proactively reshaping the marketplace.

4. Where will agtech value creation come from? Where will the exits materialize for VC investors?

Though some exit questions persist, the existence of a large, established agribusiness market means that these new agtech developments should have healthy demand. Argentina and Brazil, in particular, have large domestic agribusiness industries with enough scale to sustain local companies.

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