

# MARKET SIGHT LINES



## Securing Strategic Resources: Food and Water

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One challenge for investors is to keep a long-term focus while being inundated with news and data so focused on the short term. Some say the short term is where the action is, like how stocks are performing today, where rates or spreads are going, or how inflation, Federal Reserve (Fed) policy, or the economy are changing. But wise investors anchor on the long-term and related tenants of investing, like diversification, asset allocation, and keeping composure through market volatility. We also focus on the long term in: [From Vision to Value: Our Long-Term Investment Themes](#). This report covers our major investment themes, which are five interrelated megatrends that are likely to influence the direction of the economy and markets longer term. These themes impact all aspects of our world, including shaping the way we live, interact with each other, and consume goods and services.

In this Sight|Lines, we go a little deeper into our long-term subthemes: *Securing Strategic Resources – Food and Water Security*.

### **THE TAKEAWAY: AS OUR POPULATION GROWS, RESOURCES LIKE FOOD AND WATER ARE IMPORTANT.**

*Securing Strategic Resources*: Companies and governments will increasingly prioritize the development and protection of certain resources, like food and water, for example. In summary:

- The global population is estimated to grow by almost 2 billion people by 2050, so more food and water will be needed.
- Geopolitical risks and the pandemic have highlighted the fragility and vulnerabilities of the global food supply chain.
- There will be an increasing focus on food production productivity and clean water.
- Food is traded globally, but there is increasing focus on securing and protecting food- and water-related value chains.
- Investment opportunities include precision agriculture, water technology, and related infrastructure.

Often as investors it is important to focus on how companies work to satisfy basic human needs, and food and water are good examples.

## **IN DEPTH: AS OUR POPULATION GROWS AND RESOURCES ARE DEPLETED, MAINTAINING AND REPLENISHING THESE RESOURCES, LIKE FOOD AND WATER, IS – AND WILL BE – IMPORTANT.**

So, what do we mean by *Securing Strategic Resources*? We see companies and governments prioritizing the development and protection of critical industries, resources, and services. This is particularly true for food and water. Going deeper:

- The global population is estimated to grow by almost 2 billion people by 2050. It is estimated that will result in 60% more food demand and 19% more agricultural water demand.
  - The potentially arable land, which could be used for growing crops, is approximately 24% of the ice-free land on the planet. This figure has been declining over time.
  - Roughly 56% of this land is not farmed because of inherent soil and man-induced issues.
  - The majority of arable land per capita is concentrated in Oceania and the Americas, while the majority of the world's population lives in Asia.
  - Despite producing one-fourth of the world's grains, China has been:
    - a net importer of agricultural products since 2004; and
    - slowly buying up U.S. agricultural land, now owning over 300,000 acres, or about 1% of all foreign-owned U.S. agricultural land.
  - U.S. lawmakers are starting to introduce legislation to ban or limit foreign ownership of farmland, warning it could threaten U.S. food security and national security.
  - The U.S., on the other hand, is largely self-sufficient in basic food production – close to 90% of the food and beverage products consumed in America were produced in the U.S.
- Here are two areas of related investment opportunities:
  - Precision agriculture – taking technology like GPS, sensors, data analysis, and AI to optimize farming and irrigation, increasing productivity and crop yield, and reducing water waste.
  - Water technology and infrastructure – improving water supplies with technologies like smart irrigation systems, desalination plants, water filtration systems, and water monitoring solutions.

### **CONCLUSION**

Investors are well served by focusing on the long term, even as we are inundated with news and data so focused on the short term. Key tenants of investing are focused on the long term, like diversification, asset allocation, and maintaining composure through market volatility. [Our long-term investment themes](#), five interrelated megatrends influencing the direction of the economy and markets over time, help us keep focused on the long term. And with a growing population, a focus on *Securing Strategic Resources* will help with the fundamental needs of human beings, like food and water. These trends often create meaningful investment opportunities.

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