COVID-19 AND THE MIDWEST AGTECH ECOSYSTEM October 2020

Over the last two months, staff at the Daugherty Water for Food Global Institute and at Invest Nebraska have been working to understand how the climate for agtech entrepreneurship in the Midwest has been affected by COVID-19. We've reached out to several dozen agtech startup founders, investors, and others involved in the entrepreneurial ecosystem. Here's the summary of what we've found has changed over the last few months and why it matters:

It's become more difficult to start an agtech company.

Angel investors have cut back their investments almost entirely. The local ecosystem has fewer funders overall when compared to larger markets such as the coasts and Chicago. This has made early-stage funding harder to obtain. For startups that are able to weather the storm and make progress, this may mean that in a few years, there will be fewer similar companies looking for VC funding and relatively easier fundraising rounds.

Agtech startups with existing funding are reducing their expenses to extend their runways.

Companies are responding to COVID-19-related uncertainty by reducing hiring and marketing expenses. Cost-cutting is likely to be reflected in reduced traction and lower growth projections in the coming months and years. In turn, this may make future fundraising more difficult.

Farmers in the Midwest are warier of investing in new agricultural technologies.

With low crop prices and trade disputes, the rural economy was already down before COVID-19. In the last few months, impacts have expanded to include regional food and agricultural sectors such as livestock and meatpacking. Demonstrating strong value propositions and cost-effectiveness for new technologies is a tough task for startups at the moment.

There are some bright spots.

Agtech startups have more clarity on real customer pain points.

As a result of COVID-19, the difficulty of negotiating field trials with farmers and ranchers has increased enormously. While this might sound like a problem, the additional friction in working in the field to test and validate technology has clarified the difference between customers' real pain and "Nebraska Nice". Startups that have managed to keep fieldwork going have learned valuable insights about what their customers really care about.

Customer discovery for agtech startups has become easier.

The increased acceptability of remote meetings has reduced the travel needed to talk with customers and potential partners, from the farm to the board room, and made it easier for founders to make new connections. While trips along rural roads with no cell reception to talk to producers are a rite of passage for agtech startups, this is a pain point in terms of time and cost. As Emmet Storer, CEO of Platform Cattle, puts it, "At first I was a little hesitant to try and set up some important introductory meetings over Zoom, but over time I think it has turned into an advantage for our company as there seems to be a high willingness to take the introductory meeting remotely."

And finally, some important trends have continued to build support despite challenges in food and agriculture.

Regional interest in regenerative agriculture and data-driven partnerships that span value chains continues.

New initiatives include collaborations between farmers, corporations, and non-profits around carbon storage and regenerative soil health (e.g. The Nature Conservancy, McDonald's, Cargill, Target, and Farmers Business Network in August 2020) and between agtech startups and larger corporations around smart irrigation scheduling (e.g. Reinke Irrigation and CropX in August 2020). These kinds of partnerships, focused on Midwest commodity crops, should offer opportunities for both learning and new business development for entrepreneurs in the coming years.

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Contact: *Kate Gibson | kgibson@nebraska.edu*

waterforfood.nebraska.edu | nebraskacombine.com

the combine

Water*for*Food
DAUGHERTY GLOBAL INSTITUTE
at the University of Nebraska