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Crop growers turn to Brazilian stock exchange

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Sao Paulo, 7 October (Argus) — A growing number of soybean and corn crop growers are turning to Brazil's stock market to raise capital, as rising agricultural commodity prices and Brazil's favorable growing conditions spur growth.

Agribusiness accounts for almost 27pc of Brazil's gross domestic product (GDP), but on the stock exchange it accounts for just 4pc of total market value, reinforcing expectations for growth in the coming years.

At the start of 2021 only two companies linked to grain production were listed on the Brazilian stock exchange B3 — SLC and BrasilAgro. SLC, which in the 2020-21 crop year planted 470,000 hectares (ha), recently acquired Terra Santa, another large B3-listed company focused on grain production. This combination will help SLC reach 660,000 ha of crops, mainly soy, corn and cotton, in the 2021-22 cycle.

When the company decided to go public 14 years ago, it was worth R490mn (\$234mn at that era's exchange rate) and currently it is valued at R8.5bn (\$1.5bn), following growth in Brazilian grain production and higher prices.

B3-listed BrasilAgro was initially focused exclusively on the rural property market — the buying and selling of farms — but over time began to invest in the cultivation of products such as soy, corn, and sugarcane. The company has at least 161,000 ha of its properties occupied by crops. BrasilAgro has been listed on the stock exchange since its founding in 2006.

The controlling shareholders of BrasilAgro were familiar with capital market and knew that going public would be a success, as the company hit its business targets in just five years, the company said. When BrasilAgro was listed on the stock exchange it was valued at R580mn and today its valued at R3bn.

Newcomers to the stock market

The strongest growth in new publicly traded companies this year has been among those that support soy and corn cultivation — businesses that do not have their own acreage, but work in partnership with farmers for activities such as seed processing, production storage and crop commercialization.

The most recent initial public offering (IPO) of this type was from AgroGalaxy at the end of July. The company operates a network of retail stores for pesticides and fertilizers, but it also buys grains from producers, stocks grains and sells to trading companies. In the IPO the company raised R350mn and in September its market value was estimated at R1.5bn. The company's goal now is to keep making new acquisitions and grow twice as fast as the market average, said operations director Marco Teixeira.

In July the Brazilian stock exchange also saw the debut of 3Tentos Agroindustrial, with operations similar to AgroGalaxy's, but with a focus on southern Brazil. The IPO raised R1.3bn, the largest sum raised by a new agro businesses in 2021. The company also has factories that produce soy meal, soy oil and biodiesel. The IPO was done to finance the company's expansion to the Central West region of the country, which leads national grains production.

Another IPO linked to grain production this year is Boa Safra Sementes, which focuses on soybean seed production and processing. The IPO fulfilled the dream of chief executive Marino Colpo, the son of a farmer who went to the US to study economics. There were 17,000 shareholders right after the IPO and now there are 40,000, Colpo said.

Companies closest to agricultural production will continue to turn to public equity markets, says Júlio Toledo Piza, the former president of BrasilAgro and current partner at Demeter Capital. What were once smaller family farming groups are today large, sophisticated companies able to enter the public markets. While capital markets were unaware of the agricultural business in the past its presence will continue to grow.

By Alessandra Mello

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