



FOOD FOR THOUGHT

It's a waste to throw it out: Circular Food Economy as an Investment Opportunity

Over 2 billion tons of food is expected to be lost or wasted by 2030¹. According to the World Food Program, this “lost” food would be sufficient to feed over 2 billion people - more than twice the number of undernourished people across the globe². Today, the Food and Agriculture Organization (FAO) estimates that there are 828 million hungry people³, yet we produce enough food to feed 1.5x the global population⁴.

How is this possible?

Our inability to feed the entirety of the world's population is mostly due to food waste. Globally, 30–40% of all food is wasted⁵, worth about 1.2 trillion USD per year.⁶

We can work to fix this by reducing the amount of waste from food production and consumption and turning it into a circular system – where valuable nutrients are recovered from waste and re-inserted into the food value chain.

Reducing food waste – paying dividends in the long run

Reducing food waste has typically been described as a “triple win” – for



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the economy, for food security, and for the environment. But with respect to the wide-ranging implications of food waste for

companies, we should consider adding a fourth “win” as investors can draw financial benefits from helping companies to curtail food spoilage, ultimately helping them to reduce costs and increasing production optimisation.

World Resources Institute (WRI) recently released a study showing that there is an overwhelming financial incentive to tackle food waste. In the 700 companies analysed, for every 1 USD invested in food-waste reduction, the median company realised a 14 USD return on investment.⁷

Policy tailwinds: Food waste moving up the political agenda

Globally, more and more governments are implementing mandatory food waste regulation around collection and disclosure.

For example, the UK government is implementing a compulsory food waste collection and disclosure – meaning that food

will not be allowed to be set to landfill or incineration.

In the US, several states and municipalities have organic waste bans or mandatory organics recycling laws in place.

Already in 2016, France passed a law that obliges grocery stores to donate food that approaches sell-by date to charities and food banks instead of throwing it away.

These incoming or already existing regulations induce broad impacts for businesses may it be through taxes or additional capital expenditures. Companies that are prepared to meet these requirements are positioned to benefit in the long term.

Companies reimagining by-products

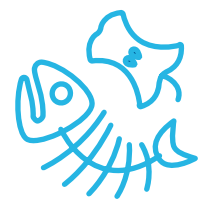
There has been a surge of innovation in food waste upcycling over the past 18 months. Some initiatives focus on

the use of by-products to create new foods or functional ingredients or on the treatment of by-products of plant-based milk production such as soybean pulp, oat pulp and almond pulp, to make high fiber, gluten-free flours. Others look at the conversion of food waste into biodegradable and carbon neutral fabrics or into entirely new commodities such as converting animal fat into biofuel.

There are many ways we can make a difference. AllianzGI Food Security Fund invests in companies positioned to benefit from these regulatory tailwinds. We identify companies that offer solutions for more sustainable food production, investing all along the supply chain and aiming to reduce waste through supporting long-term solutions – such as upcycling. We are of the view that by upcycling these nutritious by-products, companies can lower their costs and improve the resiliency of their supply chains, both of which contribute to improved long-term returns profiles.

BE A PART OF THE SOLUTION

By identifying innovators in the field of sustainable food production, waste prevention and upcycling, we not only offer attractive angles for investors to participate in the growth opportunities along the how value chain of this future-oriented sector but also help to address pressing challenges related to food security and waste management.



¹ <https://www.bcg.com/featured-insights/closing-the-gap/food-waste>

² <https://www.wfp.org/stories/5-facts-about-food-waste-and-hunger>

³ <https://www.fao.org/hunger/en/>

⁴ https://www.researchgate.net/publication/241746569_We_Already_Grow_Enough_Food_for_10_Billion_People_and_Still_Can't_End_Hunger

⁵ https://www.researchgate.net/publication/41173771_Food_Security_The_Challenge_of_Feeding_9_Billion_People

⁶ <https://www.bcg.com/publications/2018/tackling-1.6-billion-ton-food-loss-and-waste-crisis>

⁷ <https://www.wri.org/news/release-new-research-finds-companies-saved-14-every-1-invested-reducing-food-waste>

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