Nutrition-lens investing: definitions, investor landscape, and opportunities for MA companies

Presentation for Manufacturing Africa (prepared by Wellspring Development under the FCDO-funded NASC programme)

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Agenda

1. Defining nutrition-lens investing
2. Examples of MA projects which qualify as “nutrition investments”
3. Landscape of nutrition-lens investors
4. Communicating impact to nutrition-lens investors

Defining nutrition and healthy diets

- **Poor quality diets are a key driver of all forms of malnutrition**, including stunting, wasting, and obesity
- A healthy diet is sufficient, safe, diverse, and proportionate, contains a diversity of nutritious foods (e.g. fruits and vegetables, wholegrains, legumes, animal source foods), and is limited in unhealthy fats, sugars, salt, and ultra-processed foods.
- Nutrition objectives are related to food security and concern the **availability** and **affordability** of food – but pay greater attention to what that food is and how it links to health.

What does this have to do with the private sector?

- **Poor quality diets are linked to underinvestment in production and processing of nutritious foods, post harvest storage, appropriate transport and distribution channels (e.g. cold chain) etc.**
- Malnutrition comes at a high cost to livelihoods, business, and economies – the cost of undernutrition to the private sector in low – and middle-income countries is estimated at $265bn per annum

What are some of the trends in nutrition financing?

- **The Tokyo 2021 Nutrition for Growth Summit** resulted in a funding commitment of > USD 27 billion from governments and donors. The upcoming 2025 summit in Paris is expected to have private sector engagement as one of its focal points, meaning that there is likely to be increased DFI/IFI focus on nutrition.
- FCDO has committed to spending £1.5 billion between 2022 – 2030 on nutrition objectives

We have developed a tool to give investors a common definition of nutrition investing and help them to screen for relevant investments

Objective

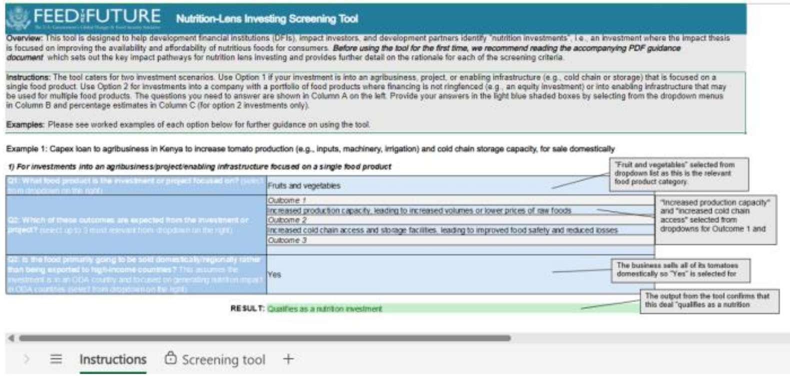
Enable greater quality and volume of nutrition impact generated by the DFI and impact investment community by providing guidance on what constitutes a nutrition investment and helping funders evaluate opportunities for nutrition impact when investing in private sector firms.

Key components

- A **Theory of Change**, outlining the main impact pathways that lead from investment in private sector companies and the availability, accessibility, affordability and desirability of nutritious foods
- A **deal screening tool**, which enables investment officers to quickly screen their pipeline and identify qualifying nutrition investments
- **Guidance** on how to apply the tool in different contexts (e.g. across financial instruments)

Adoption

The tool is currently being used by USDFC to screen for nutrition investments and has also been adopted by Aceli Africa. We have also shared it with other DFIs and impact investors who have shown interest.



Access the tool here

MA's can deliver nutrition impact through facilitating investment into agri-processors producing nutritious foods, or manufacturers of cold chain and storage facilities

Impact

Improved Nutrition for All

Improvement in nutrition indicators (e.g., decreased % of children underweight, decreased % of women and children with zinc, vitamin A, iron deficiencies, decreased % of population obese).

Improved Diets for All

Adequate intake of essential micro- and macro- nutrients through nutritious, sustainable, safe, and equitable diets, leading to reduced diet-related morbidity and mortality.

	Production Pathway	Processing and Packaging Pathway	Storage, Distribution and Marketing Pathway
Long-term outcomes	Increased availability (quantity and quality) and affordability of nutritious foods produced within a climate resilient and sustainable food system.	Improved availability and affordability of nutritious processed foods (including fortified foods), packaged and labelled to increase desirability and improved consumer choice.	Improved availability and accessibility of nutritious foods through reduced losses along the supply chain and increased volumes transported to market and sold.
Medium-term outcomes (screening criteria)	1. Increased production capacity	2. Increased processing capacity	5. Efficient distribution
		3. Improved product composition (including fortified foods)	6. Increased cold chain and storage facilities
		4. Improved packaging and labelling	7. Modern and accessible retail

Cross-cutting

Gender and inclusivity	Women, girls, youth, and vulnerable groups prioritized throughout the food system to promote equity and due to their essential role in family's health.
Agri-food policy	Regulatory agencies set evidence-based standards and enforceable guidelines while directing agricultural subsidies toward nutritious food production.
Access to finance	Patient capital helps catalyze and scale innovative nutrition-positive businesses, as well as increased lending from domestic banks and funds.
Climate adaptation and mitigation	Regenerative systems of production, processing, trade and consumption must collectively work toward carbon neutrality to ensure a safe future for all.

Stage 1 screening: does the investment qualify as a nutritious food?

	Description	Example foods
NUTRITIOUS FOODS		
Nutrient-dense foods, fortified foods, nutritional supplements, and foods for which negative health risks have been minimized	**Inherently nutritious**: foods which contain essential elements of a healthy diet (e.g., micro-nutrients, dietary fiber, high quality protein, essential fats), and are minimally or unprocessed.	Fruits and vegetables, legumes, nuts and seeds, unsweetened dairy products, eggs, fish and seafood (including canned or dried), Organ meats, Insect & novel proteins.
	Fortified foods: foods which are made more nutritious through the addition of nutrients or changes to processing procedures.	Fortified wheat or maize flour, fortified rice, iodized salt; fortified cooking oil; Fortified Bouillon cubes
	Biofortified foods: foods which were bred to have higher nutritional content than traditional varieties.	Zinc wheat, Vitamin A maize, Zinc rice, High iron beans, Vitamin A cassava, Iron pearl millet
	A **nutritional supplement** intended for consumption by high-risk or vulnerable populations (e.g. pregnant women, young children).	Micronutrient powders (MNPs); Lipid- based nutrient supplements (LNS)
	Foods with some inherent nutritional value for which **potentially harmful elements have been minimized.**	Minimally sweetened dairy products; Low- sodium and minimally processed poultry and fish; Nutrient-dense whole grains (e.g., teff, millet, sorghum, fonio)
NEUTRAL or FOODS OF MILD POTENTIAL HARM		
Neutral foods or foods of little or no nutritional value	**Neutral foods:** those that have limited nutritional value but no harmful ingredients or processing modes.	Unfortified cereals, roots, and tubers and products made from them (e.g., pasta); Spices and herbs (intended for consumption in small quantities); Minimally processed red meat; Low-salt condiments
	Limited nutritional value and potentially harmful ingredients or processing.	Processed foods with little fiber and considerable salt, sugar, or fat; Sweetened beverages with some nutritional value (e.g., juice, dairy); Sweeteners; Processed cheese
NON-QUALIFYING FOODS		
Foods which are inherently low in nutrition and harmful to public health	All foods in this category are ineligible for investment. Companies whose portfolio is dominated by these products may be deemed ineligible unless the investment is clearly targeted to nutritional products or services.	Breastmilk substitutes; Hydrogenated oils; Highly sweetened beverages of little or no nutritional value (e.g., soda); Highly processed meat/ fish/poultry

Source: Simplified from the GAIN N3F Fund deal screening guidance, which is also being adopted by Rockefeller Foundation’s Good Food Innovation Fund.

Stage 2 screening: does the investment align with one of these criteria (only criteria relevant to MA have been included here)

Criteria	Definition	Example Investments
1) Increased volumes or reduced prices of nutritious processed foods	Investment increases or sustains volumes[1] AND/OR materially lowers or sustains price of nutritious processed foods[2] while utilizing safe food transformation processes AND food will primarily be sold domestically or regionally (Y/N)	• Capex into dairy company constructing new milk processing factory • Working capital finance to poultry processor to increase sourcing from smallholder broiler producers
2) Improved product composition (including fortified foods)	Investment or company a) improves the nutrient profile of processed foods e.g. eliminating transfats, decreasing sugar/sodium/additives, or b) directly or indirectly increases the domestic or regional capacity for fortification of staple foods (Y/N)	• Canned fish producer investing in equipment enabling it to reduce salt content of food • Working capital finance to fortified wheat flour producer
3) Improved packaging and labelling	Investment or company improves a) packaging practices to increase attractiveness, nutrient profile or affordability of nutritious foods, and/or b) and/or labelling practices with accurate nutritional information which meets or exceeds national standards (Y/N)	• Fortified wheat flour producer rolling out a new packaging size focused on BoP consumers • Instant noodle producer which has committed to improve nutritional labelling
4) Increased cold chain access and storage facilities	Investment or company develops or upgrades a) cold chain facilities which meet global food safety standards and best practices b) storage facilities which meet national standards, contribute to improved food safety and reduce post-harvest losses	• Manufacturer and distributor of off-grid solar cold rooms for fruits and vegetables

If capex loans or project finance, screening can take place at the project/deal level. If working capital loans or equity, screening should take place at the company/portfolio level – in this case a sensible threshold would be >51% of the product portfolio comprising nutritious food products.

Examples of MA projects that would qualify as nutrition investments

Example 1: Project Cereal

The manufacturer supported supplies fortified infant food for mild malnutrition (e.g. via WFP) and fortified porridge for the commercial market. MA supported the company in their preparation for a $30m capital raise to support the acquisition and expansion of an existing child porridge supplier in Ethiopia, which will enable them to increase volumes sold in country.

Example 2: Project Maziwa

MA supported an impact investor seeking to develop a East-Africa wide dairy business through combining two existing dairy businesses and acquiring new assets. The team prepared an IM to support additional capital raising and recommendations around potential operating models. This deals qualifies as it would improve quality and reduce price of milk across all customer segments.

Example 3: Project Epa

The company is a peanut butter manufacturing and distribution company in Nigeria. MA provided the company with support on business case development, financial modelling, and investor outreach to raise £73m to establish a greenfield factory to produce Ready-To-Use Therapeutic Food (RUTF). The factory will have the capacity to produce 3,120 MT of peanut paste per month.

Example 4: Project Saturn

MA provided a Kenyan company which produces healthy dried fruit snacks through dehydrating mango, pineapple, banana and other fruits with no added sugar. The company's products are sold in regionally, including Kenya, Uganda, and Tanzania. The company is seeking to raise $4m to expand operations – MA provided support on financial modelling and investor outreach.

The nutrition investor landscape

DFIs and IFIs	Impact funds and facilities	ESG funds
DFC U.S. International Development Finance Corporation	pymwymic	Credit Suisse
African Development Bank / African Development Fund	ACELI Africa	J.P.Morgan
British International Investment	N3F Nutritious Foods Financing Facility	BlackRock
IFC	AgDevCo	Pictet 1805 Pictet Group Foundation
GAFSP global agriculture & food security program	idh Farmfit Fund	
IFAD Investing in rural people	GoodFood Innovation Fund	
ADB		

More relevant for MA companies

Definition of nutrition impact by different investors

Currently nutrition-focused investors define impact in different ways, although there are several key recurring concepts

Investor / fund	Intrinsic nutritional value of certain foods	Exclusion of undesired foods	Fortification, nutrients and vitamins	Food availability (incl. through better processing and storage)	Food safety	No specific definition/ case-by-case basis
N3F	✓	✓	✓	✓	✓	
Good Food Innovation Fund	✓		✓	✓		
DFC	✓	✓	✓	✓	✓	
IFC	✓	✓	✓		✓	
FarmFit						✓
GAFSP Private Sector Window	✓		✓	✓		
Pymwymic Healthy Food Systems Impact Fund	✓			✓		

Nutrition focused investors span a range of instruments and ticket sizes

Good Food Innovation Fund

- Repayable grants to SMEs in the range of **USD 50-200k**

GAIN Nutritious Foods Financing Facility (N3F)

- Loans of **USD 0.5m – USD 1m** in local currency

Pynwymic Healthy Foods Fund

- Equity and quasi-equity in the range of **EUR 750k – EUR 5M**

IDH Farmfit Fund

- Equity, loans, mezzanine financing, and guarantees. Ticket size typically **$1-5m** (preferably in USD or EUR)

US Development Finance Corporation (USDFC)

- Equity, loans, and guarantees. Loans typically range from **USD 5-50m**

Ticket size

Examples of metrics which can be used to communicate nutrition impact to potential investors

Measuring what people eat is typically very difficult and costly, and therefore proxy metrics are used to demonstrate nutrition impact (improved availability, affordability, accessibility) of investments.

- **MT or % increase in nutritious food produced / processed and sold to consumers**
- **# of portions of nutritious foods sold over period**
- **$ or % decrease in cost per kg / pack of nutritious food**
- **MT or % decrease in food loss in nutritious food value chains**
- **% decrease in salt / sugar / saturated fat content**
- **% of customers reached in low-income segments**

Questions?

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