BETTING THE FARM:
Private Equity Buyouts in US Agriculture

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PRIVATE EQUITY STAKEHOLDER PROJECT

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Key Takeaways

I. Agriculture plays an important role in the US economy as both an employer, economic generator, and key part of the country's national security.

II. Private equity firms have acquired significant farm operations in the US, including significant percentages of key crop markets and appear poised to buy more.

III. In addition to traditional risks of extractive private equity investment strategies, agriculture brings additional risks to investors, consumers, and workers due to the industry's well documented labor rights violations.

IV. The often hidden workforce is made up of largely foreign migrant workers more susceptible to abuse due to exemptions to many labor laws and lax enforcement with roots in Jim Crow era legislation.

V. Given the Trump administration's focus on villainizing immigrants and carrying out mass deportations, the industry faces a risk of severe labor shortages.

VI. Private equity-owned farms have recently been involved in serious labor disputes, bankruptcies, and scandals that can harm workers, investors, and consumers.

VII. Private equity-owned Windmill Farms and Grimmway Farms have faced labor abuse allegations, while private equity-owned Prima Wawona and Trinitas Farming faced recent bankruptcies.

VIII. Traditional private equity strategies that rely on high levels of debt and quickly increasing profitability are ill-suited for an industry that already relies on debt and fluctuating inputs and profit margins.

IX. Continued consolidation of the US agricultural industry through private equity ownership poses a risk to consumers and the ability of the country to build a secure domestic supply chain.

X. The growth in private equity investment into such a crucial sector in the US should cause alarm for consumers, workers, and investors alike.

Introduction

The agricultural industry in the US plays an important role in the country's national security and economic well being, but is also notorious for its lax labor protections, a uniquely vulnerable migrant workforce, and profit margins that vary widely from year to year. It is therefore concerning that the private equity industry, which has its own track record of labor rights violations tied to extractive financial strategies, has set its sights on US agriculture.

Experts **report** a positive view on the future of private investments in agriculture, as "The world's population continues to expand, but the proportion of arable land needed to supply food remains basically flat, driving wagers on new farming technologies and methods that can boost food production."

Agricultural investments generally describe a broad sector, including not just traditional growing and harvesting of crops, but developing and selling seeds, fertilizers, technology, soil testing services, and other types of **businesses**. A smaller subset of these deals however, does involve acquisition of farms cultivating and harvesting crops in the United States. According to a PESP analysis of Pitchbook data, 129 private equity deals occurred in the five year period between January 2018 and December 2023 in the agricultural space dedicated specifically to horticulture and cultivation.[1]

The more than **2.6 million on-farm** workers in the US and the firms that employ them provide food security to the country and exports around the world, leading the federal government to **label** the domestic agricultural industry "critical infrastructure" and its workforce "essential."

Recent headlines about high-profile bankruptcies, labor abuses, and legal violations in agriculture have highlighted the risks to workers, investors, and consumers presented by traditional private equity tactics of high-debt deals that seek to quickly increase profits and cut costs, as applied to the agricultural sector.

Private equity and ongoing issues in agriculture

Private equity's presence in agriculture

In the five year period ending in 2023, traditional agriculture saw 129 private equity related deals in the United States. These include a broad sector of horticulture and cultivation, including companies active in at least 27 states, across crops including nurseries, carrots, rice, alfalfa, safflower, tomatoes, bell peppers, mushrooms, cannabis, cucumbers, and many more.[2]

Two deals highlight private equity's important role in US agriculture: Grimmway Farms, which was acquired by Teays River Investments in a leveraged buyout in 2021 and Bolthouse Farms, acquired by Butterfly Equity in 2019. Together, the two companies control a majority of fresh carrot production in the US as of 2023.

In 2019, the Ontario Teachers' Pension Plan acquired FirstFruits Farms, an orchard specializing in cherries, pears, and apples, that grows over 10,000 acres of apple orchards in Eastern Washington. As of the date of publishing, the farm states on its website that it accounts for "approximately 5% of all US apple production."

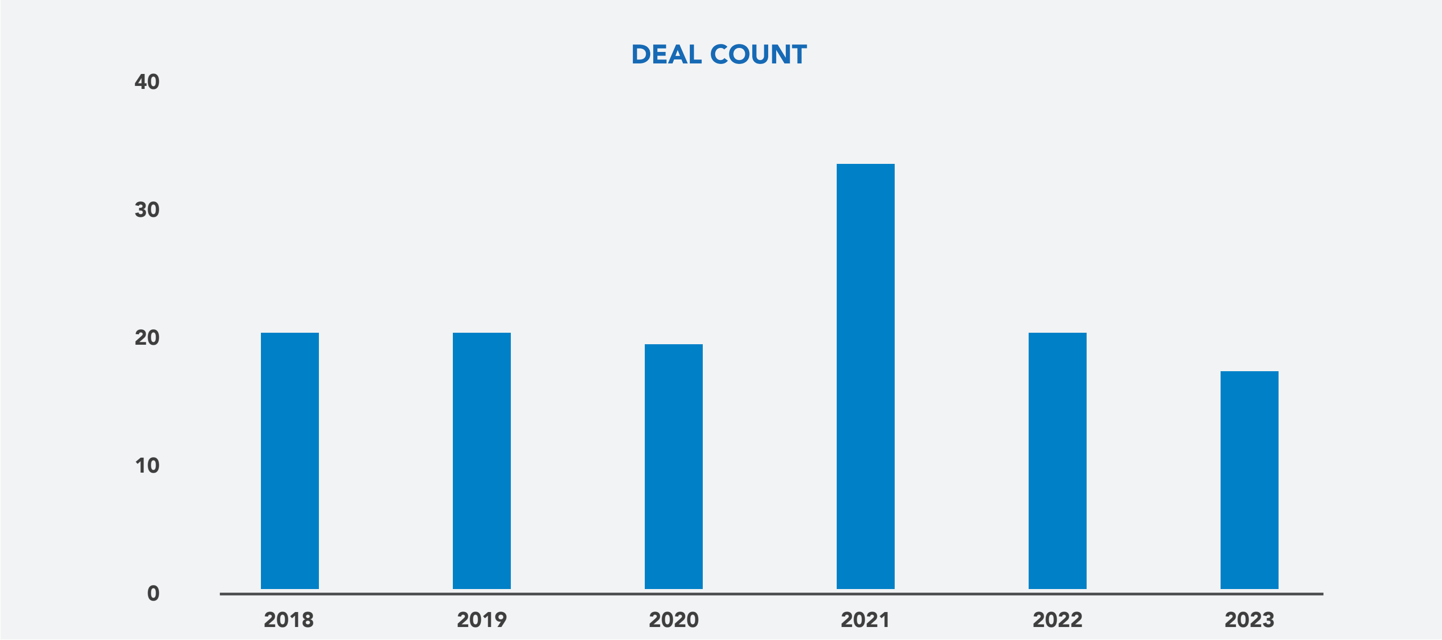
At least five other apple growing operations in Washington state have been involved in deals by private equity firms since 2019, including Auvil Fruit Company, Larson Fruit, Manson Growers, Stadelman Fruit Company, and Chelan Fruit.

Experts expect that private equity investment in agriculture will continue to grow in future years.

Private equity's unique risks to agricultural workers, consumers, and investors

Private equity firms generally raise money from institutional investors like endowments and pension funds to purchase companies by using large amounts of debt placed on the portfolio company. Driven by the promise of high returns for investors, firms attempt to quickly make a company more profitable before selling it in a relatively short period of time.

This business model can lead to worse working conditions for farmworkers, increased prices for consumers, and risky financial strategies that can heighten risk for bankruptcy and jeopardize institutional investors.



Institutional investors share the profits with the private equity owners and regularly pay the private equity firms additional **fees** that can dampen profits from these deals. When private equity deals do not generate a profit, public pension systems can suffer significantly. In one private equity controlled **bankruptcy** of an agricultural operation that occurred in 2023, the Maine Public Employee Retirement System's initial investment, which was originally valued at $15 million, plummeted to just $3,000 post-bankruptcy.

Cultivation of crops does not lend well to making a quick buck. Competing variables such as land, gas, fertilizer, water, commodity prices, and labor costs create **uncertainty** for growers' cash flows. Farm profits vary greatly from year to year and already depend on **debt** to get crops in and out of the ground before making profit at the end of a season or crop **cycle**.

As Kevin Day, a former adviser to the University of California's agricultural extension service in the Central Valley, said in a Wall Street Journal **article**: "With stone fruit, the way you prune, thin, water and all of those things affects quality, size, yield, color and post-harvest life. . . In contrast, Day said, private equity's approach to farming is: 'We will borrow money cheaper or figure out ways to save money.' That just does not work."

Consolidation by private equity firms may have impacts on prices for consumers. In the past five years, two large buyouts have placed at least 60% of the country's fresh **carrot** production in the hands of two private equity owned firms, Grimmway Farms, owned by Teays River Investments, and Bolthouse Farms, owned by Butterfly Equity. During that **period**, "carrot producer prices have increased more than 40%, compared with 22% inflation in the U.S. economy, " according to a *Forbes* analysis of data from the U.S. Bureau of Labor Statistics.

Quality concerns compound the price increases. For example, in November 2024, Grimmway Farms issued a **recall** of numerous carrot brands they produce due to an **E. coli outbreak** associated with 39 cases, 15 hospitalizations and one death across 18 states.

The agricultural industry has a long history of labor abuse, with roots in the **history** of slavery in the United States, that still plagues the industry today. Historical exclusions of the sector from traditional workplace protections that were passed in the Jim Crow era when agricultural workers were largely Black **continue** to this day, even as the workforce has changed significantly. Agricultural workers are **excluded** entirely from the main US labor law, the National Labor Relations Act, and have **exemptions** from the **Fair Labor Standards Act** and many state-level protections, such as workers' compensation **insurance**.

The results of such exclusions include poverty wages, dangerous worksites, little to no **benefits**, **child labor**, regular **violations** of federal law, and **conditions** viewed as a thing of the past in most other industries.

Labor issues are compounded by the unique legal status of most agricultural workers. While estimates vary due to an often hidden workforce, most estimates consider that the majority of farmworkers across the country are either undocumented or working under an H2A work visa.

Anti-immigrant policies of the new Trump administration create additional risks for agricultural investments. Farmers have expressed **concerns** about the Trump Administration's commitment to mass deportations and how it would affect a largely immigrant workforce and have asked for **exemptions** to deportation plans for farms, which they have not yet received. Brooke Rollins, President Trump's Secretary of Agriculture, who was confirmed by the Senate in February, **acknowledged** that mass deportations could lead to farm labor shortages, but pledged to listen to farmers and find ways to support them. At a February 28th USDA **meeting**, "Secretary of Agriculture Brooke Rollins has acknowledged the growing concerns over labor shortages in agriculture, stating that the issue has come up in nearly every conversation since she took office."

In addition to many federal and state policies that affect the profitability of farm operations, tariffs have become a particular concern given the **issues** that plagued the agricultural industry in the first Trump administration and create an ongoing **concern** for the agricultural community, unsure of what effect additional tariff fights may have on agricultural operations.

Given the significant private equity deals over the past five years and the expectation that private equity deals will pick up across industries in the coming years, farmers, regulators, investors, and farmworker advocates should familiarize themselves with examples highlighting risks associated with private equity investment in agriculture.

Case Studies: Private Equity Buyouts in Agriculture

Private equity dealmaking ends in bankruptcy and layoffs at Paine Schwartz Partners-owned Prima Wawona

Prima Wawona formed after private equity firm Paine Schwartz acquired and combined two of the country's largest stone fruit growers, Gerawan Farming and Wawona Packing in **2019**. By October 2023, the company **entered bankruptcy** and began the process of **laying off** between 5,000-10,000 employees.

Gerawan Farming leadership blamed the bankruptcy on the company's private equity ownership. A WSJ **article** on the bankruptcy noted that "Daniel Gerawan, a former Prima Wawona chief executive and a minority investor in the business, has sued the firm, alleging Paine Schwartz drained $24 million from company coffers by charging fees for itself and consulting firm McKinsey & Co. that weren't covered by contracts."

A lawyer for Prima Wawona creditors described the "value destruction" that allegedly followed the merger that formed Prima Wawona: "A 70-year-old-company and an 80-year-old company that had been profitable for decades ... that got bolted together, got loaded with debt and 3½ years later ended up in bankruptcy."

Such bankruptcies have a broader community effect. An analyst for the UC Merced Community and Labor Center told **Fresnoland**: "The harvest season in the summer and fall brings in up to 5,000 additional workers who aren't hired by Wawona directly…but through farm labor contractors…. These contracted farmworkers will also lose months of work and pay they once depended on – and compound the number of jobs on the line to as much as 10,000."

The laid off employees did not have the benefit of a union thanks to a decades long dispute between the United

Farm Workers (UFW) and Gerawan leadership that saw workers vote for a union in 1992 and decertify that union almost thirty years later without having reached a first collective bargaining agreement.

A UFW representative said the lack of union representation eliminates some of the protections that workers would have enjoyed otherwise. "We would be negotiating severance pay. We would have our lawyers looking at extracting as much as possible from the company," he said. "Instead, what you're having is … these workers really just be discarded."

Another bankruptcy at Trinitas Partners-owned Trinitas Farming

Trinitas Farming was founded by California-based private equity firm Trinitas Partners after the firm bought thousands of acres of farmland and created an almond growing business. At the time, local farmers were concerned about the firm using up significant ground water and flipping farmland when it increased in value.

In 2014, a Trinitas spokesperson said, "We're not flippers. Nothing we have is for sale."

By February 2024, the firm declared Chapter 11 bankruptcy, planning to sell the almond orchards and citing "sustained record low almond prices and rising interest rates as driving factors," in yet another example of the dangers of highly leveraged operations that are typical in private equity deals. The firm cited high borrowing costs as partly responsible for the bankruptcy, as the company was saddled with $188 million in debt by the private equity owners.

Instar-owned Windmill Farms

In February 2023, Toronto based private equity firm Instar Asset Management acquired what became Windmill Farms, a major mushroom producer, through one of its portfolio companies.[3] At the time, the Washington State Attorney General was already investigating the company for poor labor practices, including allegedly "discriminating against U.S. residents and women, and retaliating against workers who spoke out." The Attorney General investigation was later settled when the farm agreed to pay $3.4 million for violating the civil rights of its workers. The Department of Labor also fined the company in November 2022 for "working conditions [that] left employees susceptible to injuries that could hospitalize them or cause partial disabilities."

Post-acquisition, farmworkers have alleged Instar management required employees to reapply for their jobs and required them to sign binding arbitration agreements as a condition of employment.

In August 2023, the U.S. Department of Labor (DOL) found that Windmill Farms "failed to pay farmworkers the required wage rate, did not provide cooking facilities or three meals per day, all violations of the H-2A temporary agricultural program." The US DOL fined the company $59,850 in unpaid wages for 62 employees and $74,642 in civil money penalties

In September 2023, more than 250 Windmill Farms workers signed a petition demanding the right to negotiate pay and production quotas as well as for Windmill to recognize their union.

Two months later, "a half–dozen Washington–state agricultural workers filed a lawsuit against their mushroom farm's Canadian owners, saying employees attempting to organize a union there have been harassed, singled out for mistreatment and in some cases terminated." In a June 2024 ruling, the judge in the case "split the lawsuit into two pieces, sending workers' grievance to arbitration . . . and keeping UFW's lawsuit in court." There has been no public information about these cases since the June hearing.

Throughout 2024, organizations wrote letters encouraging Instar to engage with farmworkers, including: 11 Washington State Legislators, Unite Here Local 8, Earth Justice, Renton Education Association, Private Equity Stakeholder Project, Stand.Earth, National Farmworker Ministry, two Illinois State Representatives, US Faith-Labor Solidarity Committee, and Adrian Dominican Sisters. As of this report's writing, Instar has not responded to any of the letters.

As workers at the farm continued to grow frustrated by the company's poor labor practices, workers launched a public boycott of Windmill mushrooms in December 2024.

A dangerous workplace at Grimmway Farms

Grimmway Farms is the largest carrot grower in the world. It was **acquired** by private equity firm Teays River Investments in early 2021 and continues to grow by **acquiring smaller** carrot operations.

The farm **settled** a **lawsuit** accusing its social responsibility report of false advertising in 2023.

Since acquisition by Teays River, the company has been fined **over $59,000** in Federal OSHA fines over seven violations, including at least three involving a worker death. Two of those seven violations have been contested and the cases remain open as of December 2024.

In 2023, farm laborer Rosa Sanchez **died on the job** after "Employees were permitted to perform work functions, such as harvesting operations in close proximity to a Commercial Truck being driven in an unsafe manner. . . . Witnesses said they became further incensed when they were told to get back to work while Sanchez's body lay in the field under a yellow covering while awaiting an ambulance."

In addition to the safety hazards and workers deaths, Grimmway has attracted more recent scrutiny for its role in the outsized **increase** in carrot prices, as well as a national E. coli **outbreak** with at least 39 cases, 15 hospitalizations, and one death across 18 states.

Labor issues continue to plague the agricultural industry

Unfortunately, the examples cited above are not isolated incidents. Workers across the agricultural industry face poor working conditions that may be exacerbated by the private equity strategy of short term cost cutting and supercharged profits as agricultural operations are bought and sold or are taken into bankruptcy within a decade.

A 2020 **study** by the Economic Policy Institute (EPI) that looked into federal investigations of agricultural worksites found that: "The vast majority (over 70%) of federal labor standards investigations of farms conducted by the . . . U.S. Department of Labor detect violations—things like wage theft and inadequate housing, as well as other violations of laws designed to protect farmworkers."

The EPI report notes that "Investigations . . . detect millions in wage theft every year and lead to millions in civil money penalties against agricultural employers." Despite that, "There is a very low probability—1.1%—that any farm employer will be investigated by WHD in any given year." This means that any federal statistic on the prevalence of violations is likely an undercount, as workers with precarious legal status are less likely to complain to government agencies or file legal claims in state/federal courts compared to US citizens.

A 2019 **survey** by the advocacy organization Centro de Derechos del Migrante (CDM) found that there is a large power imbalance between H2A guest workers and their employers because the visas are tied to a single employer. Employers control which workers can enter the US and if workers are fired or quit, they can lose their housing and ability to remain in the US, leading many to feel that they must remain in abusive working conditions.

The Fair Labor Standards Act (FLSA) prohibits children under 14 from most **jobs** and includes restrictions on the hours that can be worked; **however**, "due to a carveout with origins in the Jim Crow South, children can be hired to work on farms starting at age 12, for any number of hours as long as they don't miss school," along with significant other exemptions around child labor in agriculture. According to the **National Children's Center for Rural and Agricultural Health and Safety**, "From 2001 to 2015, 48% of all fatal injuries to young workers occurred in agriculture."

Another challenge in the enforcement of labor rights in agriculture is the regular and growing use of Farm Labor Contractors (FLCs) as subcontractors in a "**fissured workplace**" that is often difficult for the federal government to regulate. USDA **data** shows that "the number of FLC worksites requesting H-2A workers increased the most—around 780 percent between 2010 and 2019. By comparison, the number of individual employers requesting H-2A workers increased by around 121 percent."

Conclusion

The growth in private equity investment into such a crucial sector in the US should cause alarm for consumers, workers, and investors alike. The investment model that many private equity firms follow—using large amounts of debt to flip companies short term for a profit–does not square well with the realities of the traditional agricultural industry. Those realities, combined with the unique risks involving labor issues, commodity prices, and government regulation make the large-scale entry of private equity into the industry a risk for the farmworkers, farm owners, consumers, food independence, and national security of the country. Where private equity investments are growing, they should be scrutinized by investors, worker advocates, and regulators to ensure they are not introducing unacceptable levels of risk.

References

1 Pitchbook search for completed US deals involving private equity buyouts/growth in horticulture and cultivation between 1/1/2018-12/31/2023.

2 PESP reviewed a Pitchbook search of agricultural deals from 2018-2023 to identify crops grown at the farms involved in the deals listed in the farms' descriptions.

3 In 2022, Instar acquired Windmill Farms, a mushroom operation based in Ashburn Ontario and later purchased Sunnyside, Washington based Ostrom Mushroom Farm in February 2023. Instar management began operating Ostrom Mushroom Farm under the name Windmill Farms. For this reason, all references to Windmill Farms are referring to the operation formerly named Ostrom Mushroom Farm.