AgTech Enters the SPAC Space

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PRACTICES Food, Beverage and Restaurant, Corporate, Capital Markets and Securities, Agriculture Technology, Mergers and Acquisitions

By now everyone has heard of the use of SPACS to access the public markets. A SPAC, or special purpose acquisition company, is a company that raises money to acquire a private company. Since the SPAC has no financial history, early investors do not know in advance what company they will be investing in, but usually expect that the target will be in a specific industry.

Recently, several large food and ag companies have found liquidity through SPAC vehicles, including AeroFarms, AppHarvest, Ginkgo Bioworks and Benson Hill. A SPAC may be a good option for a controlled environment ag, indoor grow operations or synthetic biology or genomics because they are capital intensive businesses and the market for food and ag is huge.

The pace of SPACs has been increasing. In 2020, $83 billion of funding was raised through SPACs. The first quarter of FY2021 already raised $78 billion. So far, 2021 volume has exceeded $100 billion. However, the SEC is considering new regulation of SPACS. Recently, the SEC issued guidance that would categorize SPAC warrants as liabilities, which might affect SPAC volume. Some commentators believe that the IRS may also view certain aspects of SPACs as taxable to promoters, which could further dampen interest.

With the scrutiny, it has been reported that SPAC volume has fallen sharply and stock prices are down. How the market finally responds to these developments remains to be seen.

You can find out more about SPACs and other financing options from the Haynes Boone Capital Markets Team.