

## Brett Brohl of Bread & Butter Ventures

**Speaker1:** [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating \$100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website.

**Speaker2:** [00:00:44] Hello, this is Hall Martin with Investor Connect Day were here with Brett Brohl , managing partner at Bread and Butter Ventures. Bread and Butter Ventures is an early stage VC firm based in Minnesota. The bread and butter state, investing globally while leveraging the state and region, is unparalleled access to strong corporate connections, commercial opportunities and industry expertise for the benefit of their founders. Brett, thank you for joining us.

Me, it's fun to be here.

Right, so tell us more about your background, what did you do before investing in early stage companies?

I was an early stage entrepreneur, so it was most of my career. I was a startup CEO, never actually thought I'd get into the investing side of the world. I ran several companies, both venture backing and bootstrapped, so I kind of did it both ways. I've had a few successes, but also ran a company, ran into a brick wall and so kind of have experienced a broad array of the entrepreneurial experience.

Great. And so what excites you right now?

I mean, from an investment. I mean, I love entrepreneurship in general. Entrepreneurship is what gets me going and what makes me wake up and have fun every day. I love the entrepreneurial journey. I love everything about entrepreneurship, specifically from an

investment perspective. I lead the food tech practice for our fund. I love food tech, the food tech space. I also built the food tech practice at Techstars for, if you're familiar, Techstars. And so I built our food tech practice and have been investing for Techstars again for our fund in the food tech space for about five years now.

Wow. Great. So what's your advice for people investing in startups, say the food tech space?

If you're sexy, interesting world specifically, because it's very new, it's a very new venture backed space, the, you know, the modern age of food tech, as I call it, really is about a decade old and kind of started. The venture capitalist eyes opened up when Climate Corp. got acquired by Monsanto for about a billion dollars, and you showed that you could have venture style returns in food tech. And it's really come a long way since then. And so food tech is much broader. It's on farm, which is ag tech. People think about adding tech, but to me, like, let me let me talk about food tech. I always say like full stop food from on farm supply chain manufacturing, logistics following the future of food retail. And there's like so much opportunity in it. I think, like for people are thinking about investing in the food tech world. They're depending on where you're investing in that stack. There are some nuances to it that might not come with other verticals like on farm. It's cyclical. And if you're trying to pilot a product or pilots and technology that is dependent upon a growing season, you get one of those a year, maybe two and silliness, maybe three.

And so it's not like a pilot, a retail tech platform where there's always retail happening and you can go in and try to iterate quickly. Food tech, you might go in and be able to do one pilot a year and and so you can't iterate as quickly. And so you have to be ready to finance a company for longer periods of time. In some cases, it might take a little bit longer to get make progress, but it still can work. So the plan for it from a financial perspective, right?

Then on the other side of the table, what's your advice for people running startups in the food tech sector?

I mean, one, I'll change that around a little bit for people that are thinking about starting a company in the food tech sector. Just do it. I mean, it is an awesome time. Like a lot of people talk about how market timing is just as important as how good your team or how good your idea is. Right now, it is a very good time to be building a food tech startup and or investing

into tech startups. There is a tremendous amount of visibility on sustainability, and we think about sustainability. One of the biggest contributors to carbon is the food system. And so when you think about sustainability, oftentimes those the solutions live in food or a lot of solutions to help move to carbon neutral or even carbon positive is live in food.

And so it's hot right there. The pandemic created an increased some increased visibility to the food system as well. And so enterprises are adopting technology in the food space much faster than they ever have historically. So if you're trying to do enterprise sales and food, it's a great time. More and more funds are starting to invest in the food system, so there's more capital than there's ever been for food tech founders. So if you're a founder in the space like we're thinking about becoming a founder to start your company, get out there and make it happen. Start trying to build something because there's a lot of opportunities in the food system. It's still relevant. It's still very antiquated. So go build it.

Let's talk about the state of investing in the food tech sector. How do you see it evolving from here?

I mean, what we've seen over the last year or two is there was a small handful of funds that were had specific pieces or a specific piece around food tech and what you're seeing right now and it will continue for the next year or two years is some of the generalist funds and some of the really big generalist funds are starting to create a food tech, you know, as a thesis area or an area that they're investing in.

And that's just great news for everybody because it brings more money into the system, it's easier to get follow on raises. So I think that that you'll see that trend continue. The other recent trend for tech is a lot of the majority of the large enterprises in the space are setting up CBDCs or corporate venture capital funds in the. And so you'll see more corporate venture capital come in, and that tends to be cyclical. But over the next couple of years, I think we'll see more of that from a financing perspective. And I think you'll see it get more, more and more acquisitive as these big enterprises start to adopt technology at a more rapid pace, which is what we've seen over the last 18 months kind of in line with the pandemic. Once they start adopting this technology, they get more comfortable with it and start seeing more acquisitions come down through the pipeline over the next two to three years. It'll be interesting to see where the acquisition path comes from. Is it like traditional tech giants like Google, who's very interested in the food space or is it coming from the legacy food system companies like General

Mills or like a Cargill or some of those big enterprises? And just by a combination of both. But that'll be something that I'll be curious to see.

**Speaker2:** [00:06:41] Right. And so what you think is the biggest change we'll see in the next 12 to twenty four months?

Biggest change next 12 to 24 months. I think next 12 to 24 months. Well, it's a good question. What I'm most curious to see, and I don't know the answer is actually where the future of food retail lands over the next 12 to 24 months with again with the pandemic shutting down restaurants and changing the way we shop online for food delivery, which has been one of the slowest or the slowest areas to adopt last mile delivery and online shopping. It's growing really quickly, but it's still a really small percentage of food food items purchased or online. What ends up happening there? Like do restaurants come back to the way they were? Is it something in between? What's the future of food? Retail is probably the most interesting space to me over the next 12 months that in robots. Robots. Also, you see an intersection between food tech and climate change in the near future. I mean, I think we're seeing that. I mean, that is like, I mean, the one of the primary places to invest if you are a climate tech investor is into food tech startups. If you're a food tech startup, even if you don't have, even if you're not mission driven or mountain climate because you're making the food system more sustainable, you are also having an effect on the planet.

And if you're making it more sustainable, more efficient, you're having a positive effect on the planet. And so you can make a sustainability argument for almost every food tech startup out there just on the maybe not so like, especially if you're in that supply chain like on farm manufacturing, logistics place space, part of the food system. All of those are sustainability. We just invested in a company that's out of San Francisco called Dispatch Goods, and they're doing they're trying to remove single use plastics for food takeaway and food takeout by using reasonable. They call themselves like the reverse Amazon. And really, what they are is their logistics company that's able to go out and collect and wash and reuse these containers that you can use for your food. And so there's a tremendous amount of overlap between sustainability and food. It's a great place to be investing if you're interested in climate change, right?

So tell us more about your investment thesis for this sector. What exactly is it and what's your criteria for investing?

Yeah, we do. We're a precede seed stage fund so precedes you stage fund. We usually write about half a million dollar checks into into round will. Lead rounds will also follow in syndicate with other larger investors. Depending on how big the round is and what the company's needs are.

We do. We will invest pre-revenue but not pre product. So product in market users, people hitting it. Most of our investments do have some revenue, but small amounts of revenue at the time are investment. And again, it's really across the entire food system from on farm supply chain manufacturing and logistics all the way to future food retail. The one thing that we don't invest in is consumer products, so we're not investing in the next CPG product, whether it's an oat milk or a granola bar. We're not investing in the next round of CPG buys.

Hey, can you talk about one or two startups that you funded that fit that thesis?

Yeah. What would you talk about? Dispatch goods a little bit. What is one recent investment that we've made another company that we've made an investment company called Tris? And what they're doing is they're they're fintech startup is focused on the agricultural. Agricultural world, specifically in Latin America to start with, they're making access to capital a lot more efficient and effective for large medium farms in Brazil to start, there'll be in the United States, probably by the end of twenty twenty two. And really what they're doing is they're pulling in a tremendous amount of data and helping and making better credit decisions. The future state of the company is to become the lender themselves and become a bank themselves. Really interesting.

They're performing quite well. It's a huge problem. Just there's just so much inequity in capital markets for poor farmers because lenders don't have good data, they don't understand how to make a good credit system, right?

Well, you see a lot of startups and investors in this space. What are the challenges in this space for the startup in the food tech sector?

I think that's still like relative to other sectors, there's still less capital than many others, like if you look at the interest of investing in fintech versus interest in investing in fintech has significantly more capital available to those founders than the fintech world has. And so access to capital still can be difficult. And then I think that the other, you know, touched on at the very beginning, but depending on where you sit in the food cycle in the food system, it can be tougher to iterate just because of production cycles, planting cycles, seasons so it can take you longer to build and scale than it might where you can really rapidly iterate just because you don't have the opportunity to get clients to use it, you know, bring it back and then use it again because you have to wait until another growing season starts. And so that can be a real, real challenge for fintech founders. And I think just visibility, you know, again, it is a rising sector. It is a up and coming sector, but still not one that everybody talks about and everybody invests in.

**Speaker2:** [00:11:37] And then on the other side of that table, what's the main challenge you find investors face in the food tech space? You mentioned one before about time to fruition, but beyond that, what else do you see?

It's a lot of sense. I mean, for an early stage investor, I worry about where the follow on is going to come from. You know, our fund is a relatively small fund still, and we don't have enough capital. We don't have a billion dollars of assets under management. And so it's, you know, we can't fund a company round after round after round ourselves. And so we have to be great at helping our startups find that next round of capital. And so there is additional financing risk for us versus in some other verticals where there's plenty of capital as long as the company performs, like we have some companies that we feel like are performing and they struggle a bit more than in some other sectors to raise a Series A Series B C because there's not quite as much capital out there for it. And so we worry a little about the future financing risk on our side. The other piece is, you know, from a how do you exit in this world? There haven't been a lot of billion dollar plus exits in the food tech space yet.

Part of it's because it's a young, it's only 10 years old and it's a decade old, and it takes decades to build those types of companies. But part of it is because historically, the companies that are in the large enterprises, they're really old. They're they're generational companies still. And they're not they're not the valley based tech firms that are super acquisitive and will take companies out all the time. And so it'll be interesting to see how that changes over the next several years and where acquisitions come from and exits come from.

Right? Well, in the food tech space, there's different sectors and applications and subsectors. You had to pick one or two that you think are really good immediate opportunities for investors to pursue. What would you call out?

I love anything having to do with Labor right now. In labor, there's labor shortages everywhere, but uniquely affects food systems. A lot of what thinks that things that happen in food are manually done still. And so anything that touches labor and that could be a labor efficiency that's there could be efficiency tools that could be automation tools. It also leads to one of the other areas that we're really interested in food, which is robotics. So I love robotics right now. We invested. We've invested in multiple robotics companies, things that come in and will fill the seats of human beings that they just can't find. Like, you know, companies can't find human beings to do a thing. And so there's a real opportunity for robotics companies to play in the food space right now. That's super interesting to me. Obviously, everybody is like familiar with alternative proteins and with alternative protein SpaceX has done. We don't do as much investing in the biotech space as some other, some other funds might. But what we do look at where we have made a couple of investments in that world is what are the industries that are going to arise around alternative proteins. And so if you think about like the gold rush, the picks and shovels, you know, the Levi's jeans companies that really blew up because of the gold rush. So what are those companies that are going to rise and come out of what I believe is going to be a huge market, which is alternative protein? So what are the support industries that can also build multibillion dollar companies within because of alternative proteins? Interesting area, for sure.

When the last minutes that we have here, what else should we cover that we haven't?

I think we've got a pretty good job. Again, like, you know, my thing is always whenever I get stuff like this, I always like, try and tell audiences, if you think about starting a company, just do it. It's kind of fun. You'll learn way more trying to start a business than thinking about a business. And if you're not interested in entrepreneurship, everybody that's listening to this, I'm assuming it knows an entrepreneur. And if you know an entrepreneur, help them think about like, what can you do? How can you get first? Like, how can you go help them? You'll learn a lot that way, too, so give an entrepreneur a hand and help them through it. It's really, really hard being in

that founder seat. And it's it's an incredible journey, but it's very difficult. So the more help that we can give entrepreneurs, the better we'll all be.

Well, that's great advice, so how best will listeners get back in touch with you?

Yeah. I mean, I think all my contact info would be posted below. When this thing goes live, so please don't hesitate to check that out. And we also have if you're interested in the food tech space at all, we actually have a podcast focus specifically on food tech. So it's called full stack food, so you can check out the full stack food podcast. And we interview a lot of the founders that have made noise in the food tech space and really interested in learning more about it. That's a great place to check us out. Sounds great, we'll include those in the show notes, I want to thank you for joining us today. Hope to you that back for a follow up soon. That's all.

**Speaker3:** [00:15:56] Investor Connect helps investors interested in startup funding in this podcast series experience, investors share their experience and advice. You can learn more at Investor Connect. Talk All. Tim Martin is the director of Investor Connect, which is a 501c3 nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by host and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.