

Trends in Australian Agricultural Investment

March 2020



Overview

1. Background
2. Landscape of Australian agriculture
3. Corporate agriculture – who is active
4. Benefits of foreign investment in agriculture
5. The role of technology in agricultural investment
6. Relevance of corporate agriculture to Nuffield Scholars

Careers in corporate agriculture – a personal case study

- Family farm at Nevertire, NSW
- Rural Financial Counsellor, then consulting
- Stanbroke Pastoral Company – Qld & NT
- Elders – feedlots, meat trading, live trade
- Clyde Agriculture – NSW & Qld
- Hassad Australia – Qld, NSW, Vic, SA & WA

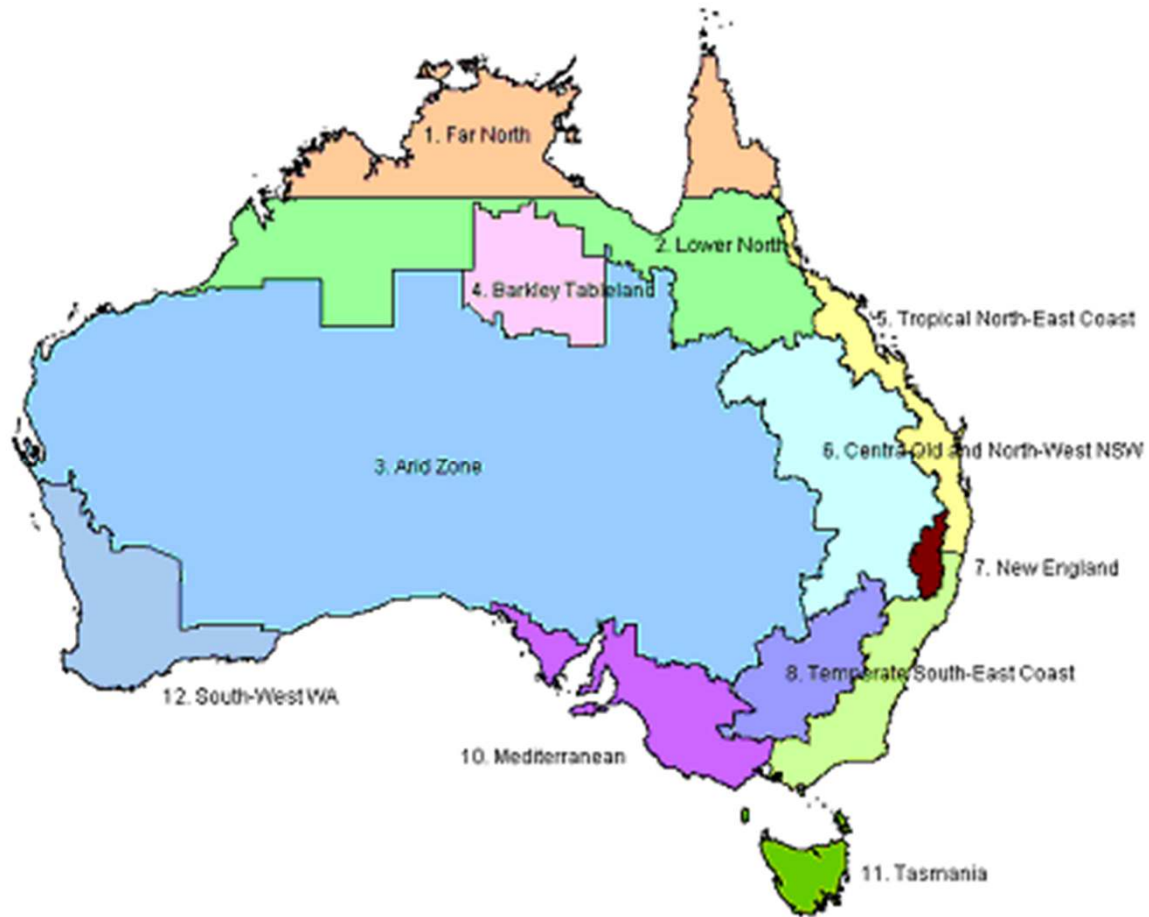
Stanbroke Pastoral Company in 2004

- 13.7m ha across 27 stations with feedlot and abattoir
- 520,000 head including 220,000 breeders
- Sales of 165,000 head per annum
- Sold in 2004 to Nebo Group for \$490m
- Menegazzo then sold 80% for ~\$600m
- AMP achieved ~24% internal rate of return over 39 years

Board Roles



Australian agricultural in context



Total Farm Businesses 2016 – 85,000

Size Group	Total Farms	% Farms	% Value
1. <\$500k	62,766	74%	22%
2. \$500k to \$1mill	11,722	14%	17%
3. \$1mill to \$5mill	9,608	11%	38%
4. >\$5mill	898	1%	23%

Total Farm Businesses 2006 – 2016

- Number of farm businesses has decreased from 153,000 to 85,000
- Businesses with turnover between \$1m & \$5m increased by 74%
- Businesses with turnover greater \$5m increased by 140%

Total Farm Businesses >\$5m revenue

Year	No. Farm	% Farms	% Production
2006	378	0.25%	11%
2011	579	0.43%	16%
2016	898	1.1%	23%
2020	???	3.0%?	30% ?

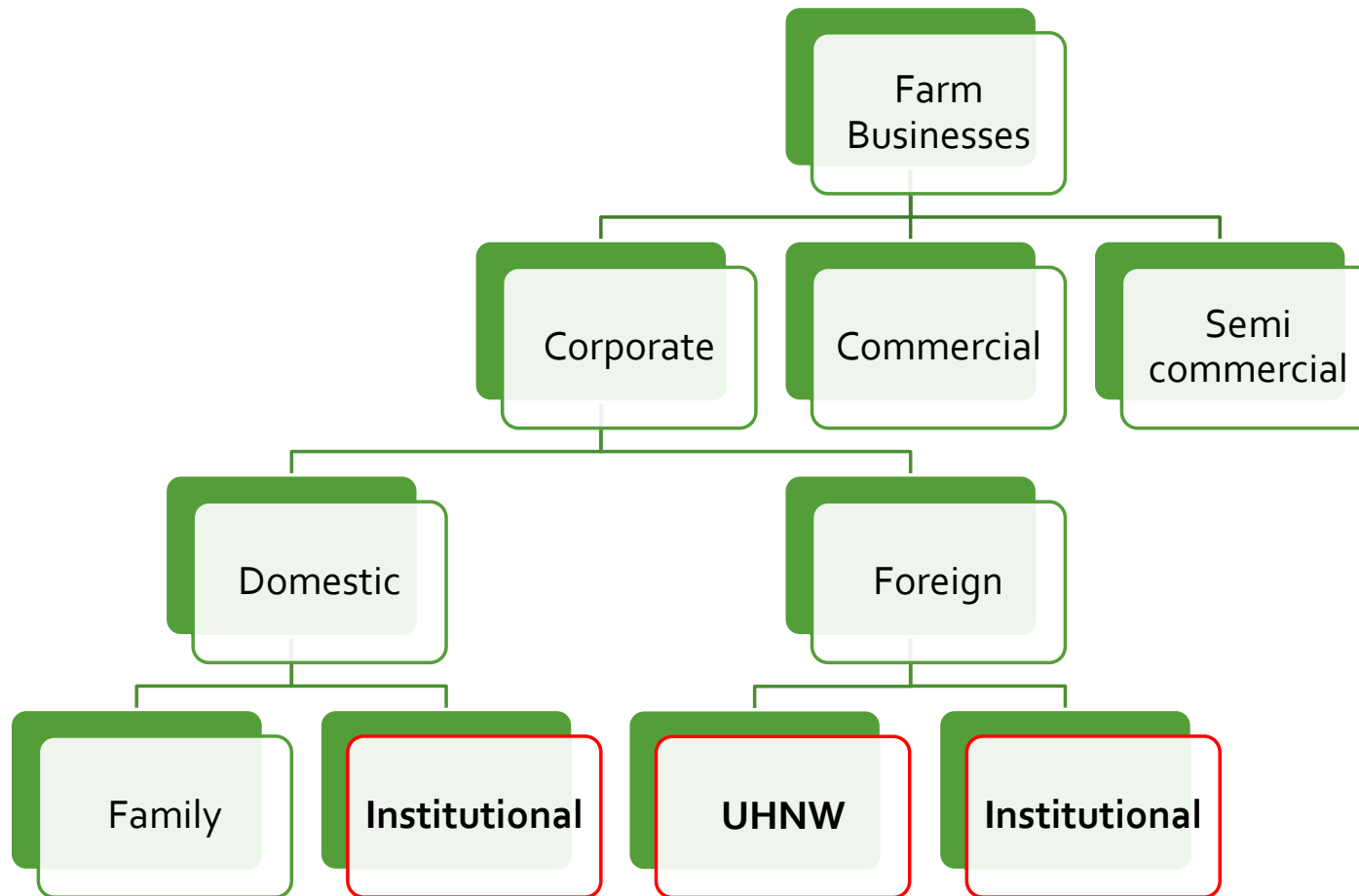
Total Farm Businesses 2016

Horticulture	24%
Cotton	19%
Grain	16%
Beef & Sheep	16%
Pigs & Poultry	15%

60% are family corporates

Unknown foreign investors

Corporate Agriculture



Who's in the market?

- Pension Funds:
 - Major source of foreign investment capital worldwide
 - Typically take a long term view
- Example:
 - TIAA-CREF (invest in Australia through Westchester)
 - TIAA-CREF is a >\$500 billion US Pension Fund which has pioneered direct farmland investment.
 - Hold substantial investments in Australia
 - Speaker here tomorrow

Who is in the market?

- Sovereign Wealth Funds:
 - Major source of foreign investment capital worldwide
 - Typically take a long term view but not always
- Example:
 - Qatar Investment Authority created Hassad Australia ~A\$500m
 - Food security was the focused
 - Exited after 8 years

Who is in the market?

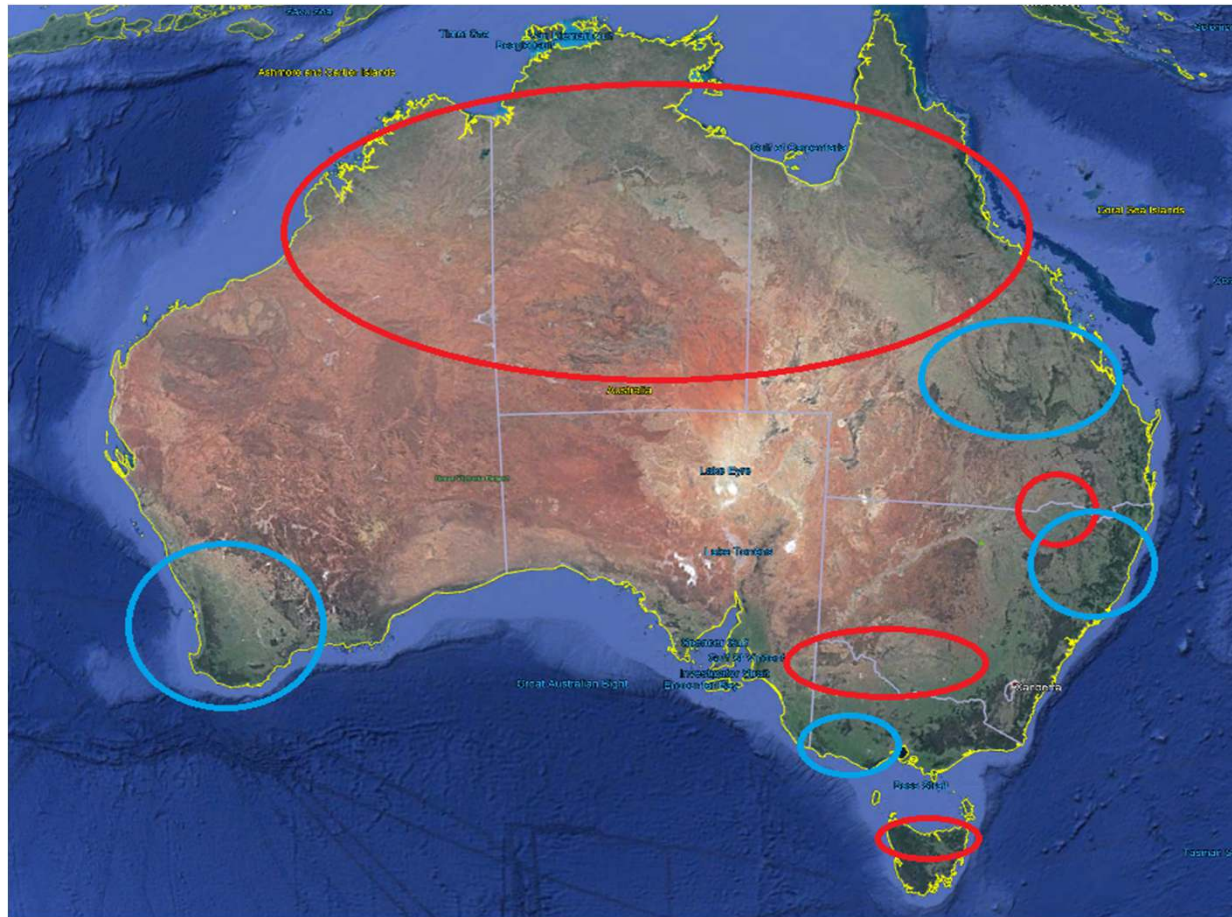
- UHNWs / Family Offices:
 - Motivations are often around preservation of capital / defensive investment
 - Examples:
 - Sir Michael Hintze
 - Rausing Family
 - John Swire & Sons
- Trading Houses / Corporates:
 - Examples:
 - OLAM with almonds and cotton
 - Shandong RuYi with Cubbie Cotton
 - Marubeni with Rangers Valley Beef

What are they looking for?

- Data Rich Assets – long run production AND financial records
- Scale Assets
- High quality properties that do not require further development capital
- Sound counterparties (lessees or co-investors)
- Experienced Country Managers

- If seeking production exposure;
 - investors are drawn to experienced management and stable workforces
 - properties that enjoy strong paths to market (i.e. contracts with processors or supermarkets)

Who is active in large scale investments?



Northern Pastoral & CQ Beef

- Hancock Agriculture (including S Kidman and Co. JV with Shanghai CRED)
- Paraway Pastoral Company (a MIRA Fund)
- North Australian Pastoral Company (QIC manage a controlling interest)
- Hewitt Cattle Australia (backed by PSPIB)
- Rural Funds Group (ASX:RFF)
- Australian Country Choice (Lee Family)
- Gunn Agri Partners (Gunn Agri Cattle Fund)
- HNWI – Stokes, Forest, Blundy
- Family Corporates – Hughes, Gibson et al



Northern Rivers NSW & Qld

- Warakirri Asset Management (DIRT and Daybreak/PSPIB)
- One Tree Ag (A Proterra backed Partnership)
- MH Premium Farms
- Australian Food and Fibre (in JV with PSPIB)
- Lawson Grains (a MIRA Fund)
- Viridis (a MIRA Fund)
- Hancock Natural Resources Group
- CS Agriculture
- Union Agriculture
- Large Families – Morella Ag, Cleveland Ag, Reardon Farms



Riverina Permanent Plantings

- CK Group
- Ontario Teachers Pension Plan
- Webster Limited – sale to PSP
- Select Harvests Limited (ASX:SHV)
- Optifarm (Dutch PE)
- Hancock Natural Resources Group
- International Farming Corporation (IFC)
- goFARM Australia
- Rural Funds Group (ASX:RFF)
- Harvard Management Company



Southern NSW, SA & WA Cropping

- Duxton Broadacre Farms (ASX:DBF)
- Optifarm (Dutch PE)
- Daybreak Cropping (Warakirri Asset Management / PSP)
- Warakirri Asset Management (DIRT and Daybreak/PSP/IB)
- WGIM/Nuveen as asset manager for several funds
- Viridis (a MIRA Fund)
- SALIC
- CK Life



Tasmanian Dairy

- Farm Right (on behalf of PSPIB)
- Laguna Bay Pastoral Company
- Compass Ag (New Zealand PE)
- Dutch Mill (Thailand)



Specialised assets

POULTRY

- ProTen (ROC for First State Super)
- Southern Cross Poultry Fund (AAMIG)
- Rural Funds Group (ASX:RFF)
- Arrow Funds
- Processors
 - Inghams
 - Baiada

WATER

- Duxton Water Ltd (ASX:D20)
- Riparian Partners
- Kilter Rural



Capital appreciation of farmland

CAGR of Australian farmland was 4.7% between 1980 and 2014

Increases in value is not consistent so timing of entry and exit is vital

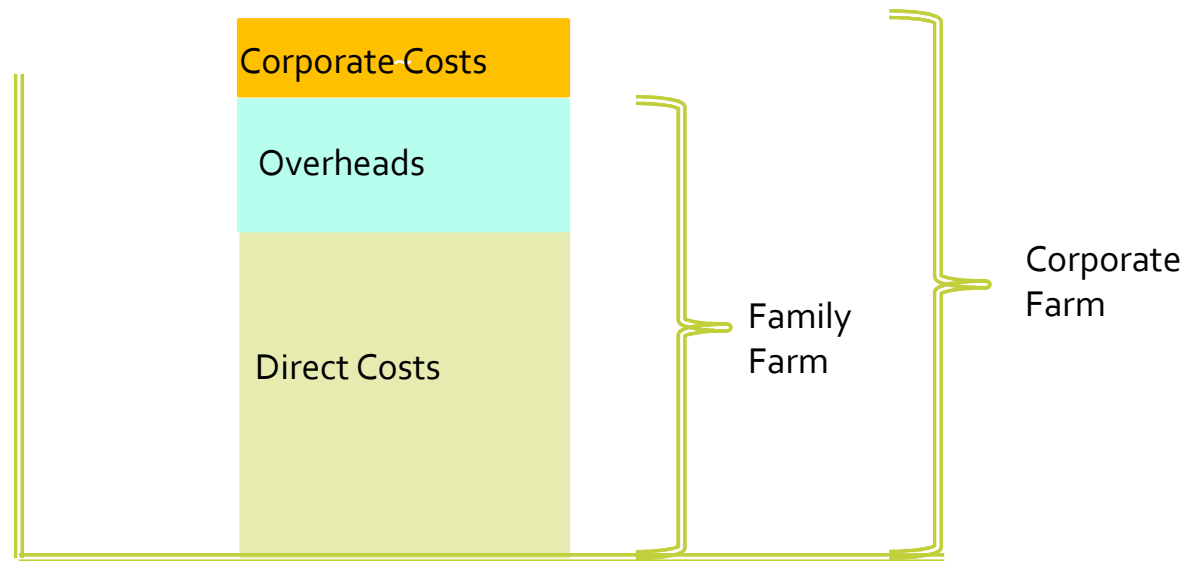
1980 – 1988	+14.2% CAGR
1998 – 1999	-3.9% CAGR
1999 – 2008	+15.1% CAGR
2008 – 2014	-5.2% CAGR

- Source: Herron Todd White – Grazing Values Index

What benefits does foreign investment bring?

Challenge for Corporate Agriculture


Creating more value from scale than we destroy with overheads



Farm Enterprise

- 151,874 ha over 9 farms
- 72,000 ha of winter crop
- ~\$60m in sales from farms
- 90 employees on farms
- Operational office in Dubbo
- Head office in Melbourne



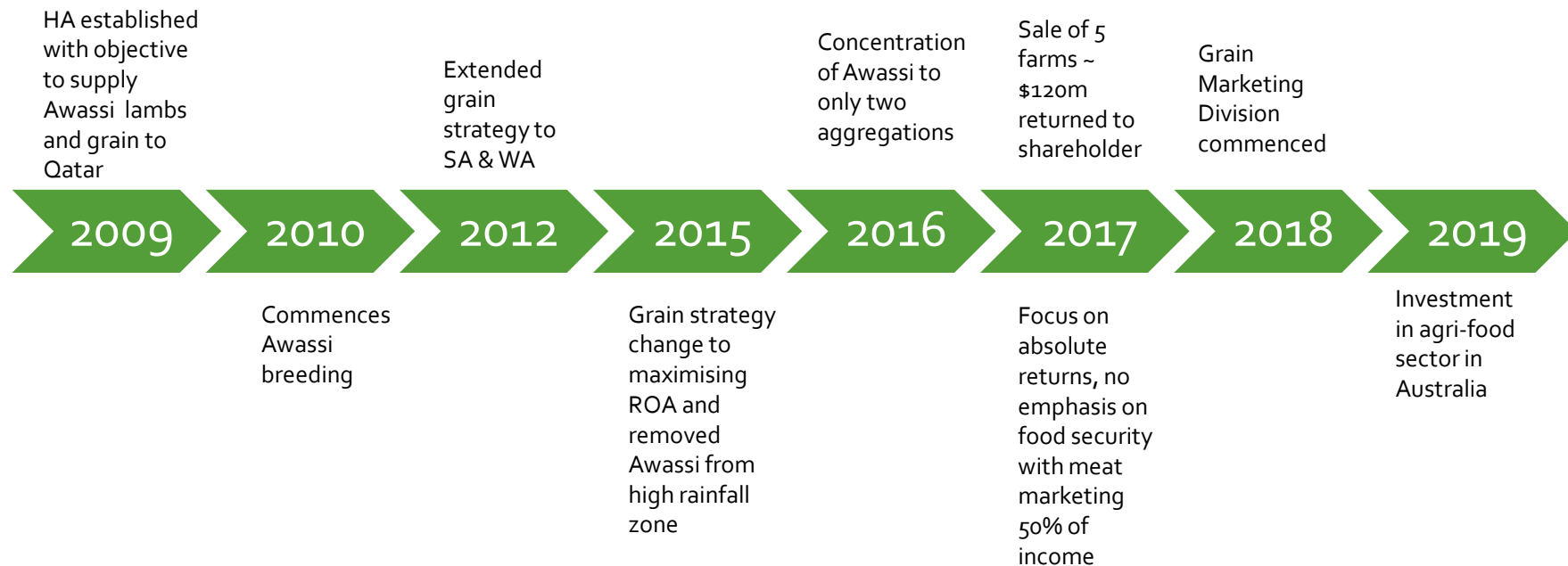

130,000
TONNES OF GRAIN
AND OILSEEDS


20,000
TONNES OF PULSES
(BY 2019)


160,000
SHEEP


152,000
HECTARES OF LAND

Hassad Australia's journey



Awassi

- Fat-tail breed
- 40 micron “hair” = \$0/kg
- 75% lamb marking
- Requires US\$300/hd for lambs
- Passion, not economics



Telopea Downs, VIC

- 47,500 ha
- Aggregation of 10 farms – 5 permanent residents
- Clayed 10,000 ha at \$400/ha
- 12,000 ha Lucerne
- 80,000 DSE
- Sold to Australian family



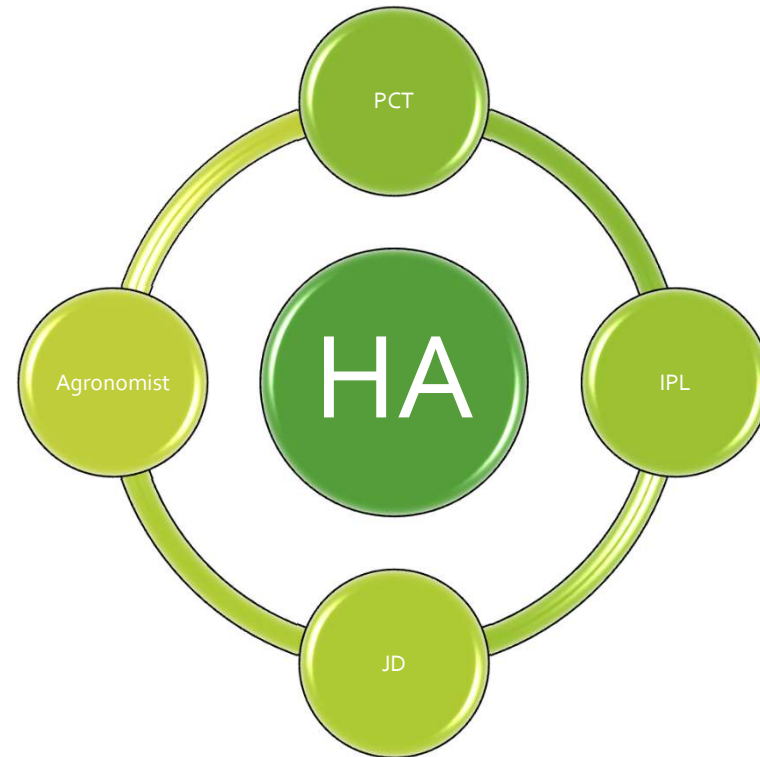
Total Factor Productivity – 1978 to 2015

1. Dairy	1.5%	1.0% last 15 years
2. Beef	1.3%	0.5% last 15 years
3. Sheep	0.3%	2.7% last 15 years
4. Cropping	1.5%	2.1% last 15 years

Corporate efficiencies example

People - Linkages to:

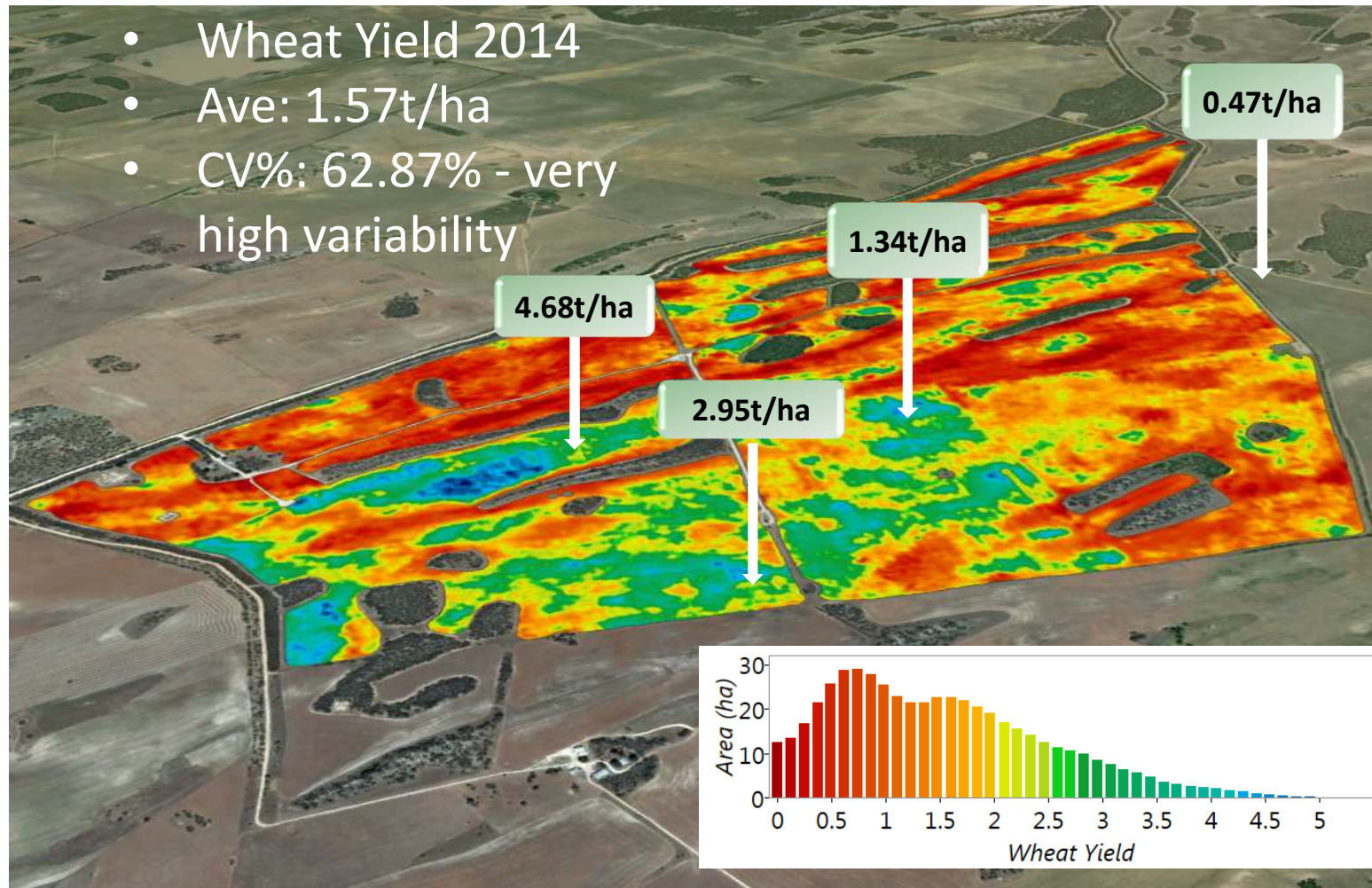
- Partnerships
- Communication
- Planning
- Integration



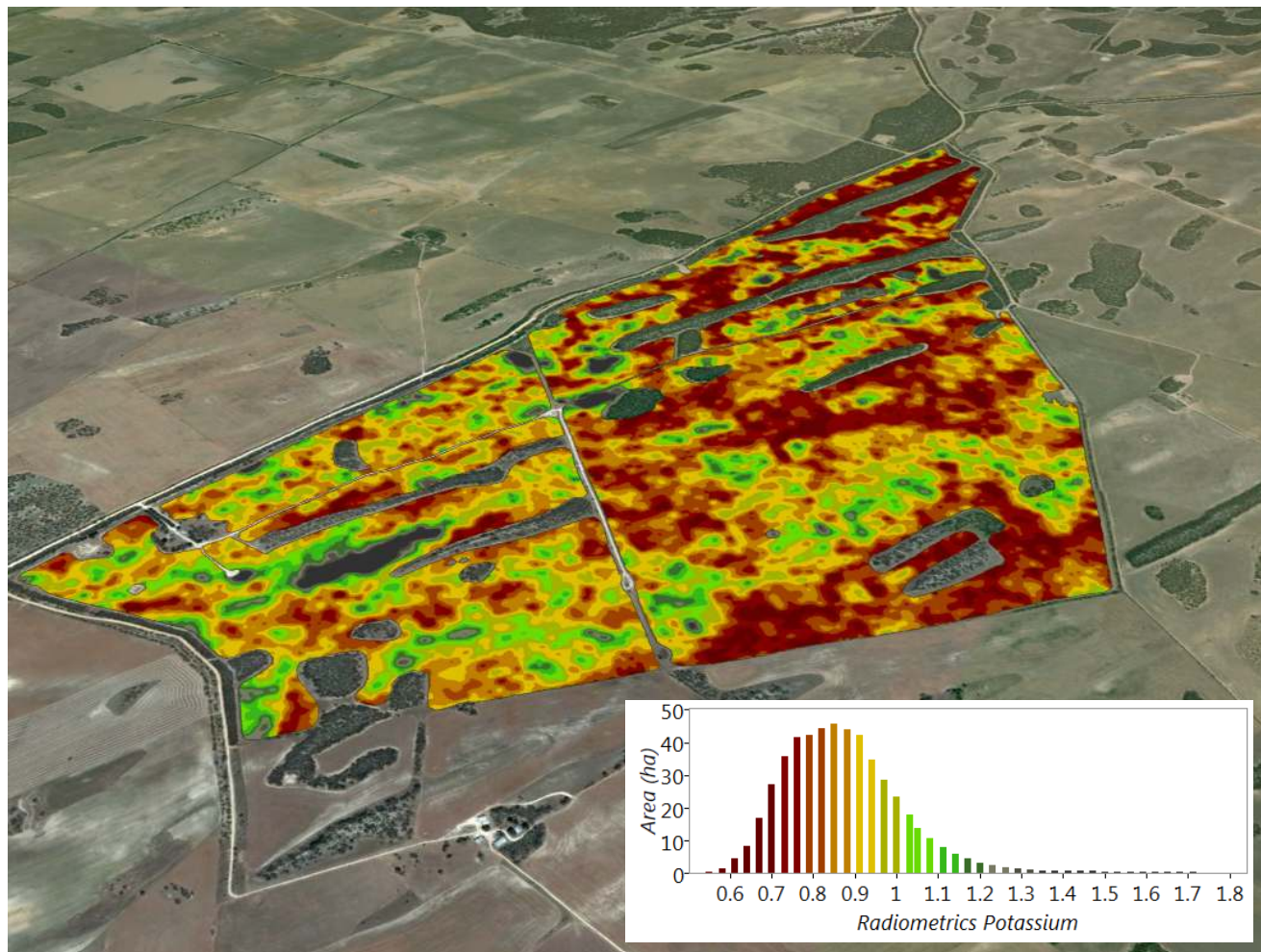
Precision Ag partners

Variations in Yield

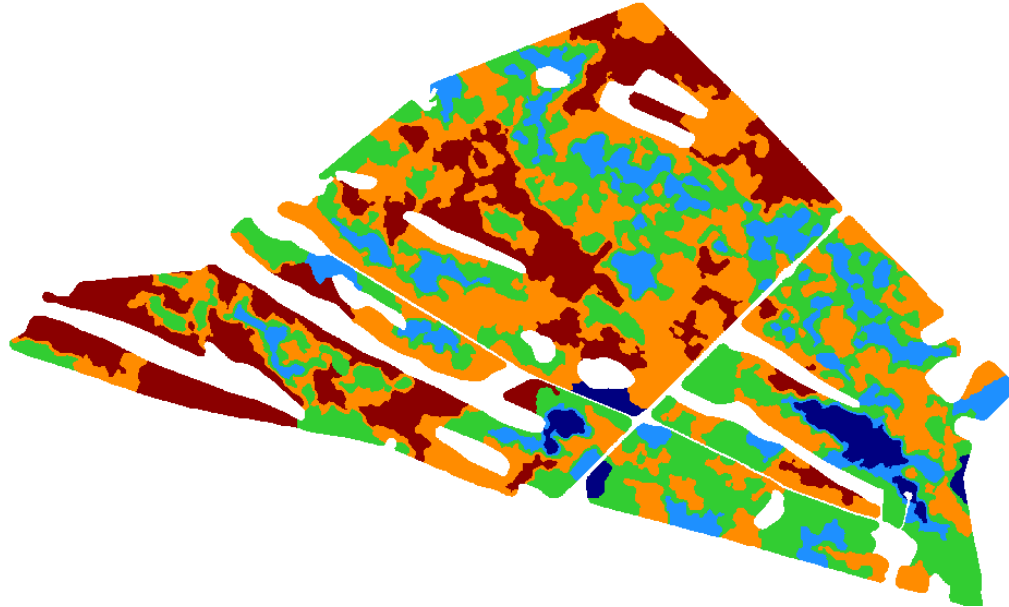
- Wheat Yield 2014
- Ave: 1.57t/ha
- CV%: 62.87% - very high variability



Radiometric Potassium zones



Variable Rate Lime



	Zone	Rate T/ha	Hectares	Tonnes	Traditional Tonnes @ 2.5T/ha	Savings = 123 Tonne @ \$30/T Spread
Multi Field		4.5	106.9	481.05		
		2.5	184.8	462		
		1.5	153.8	230.7		
		0	59.4	0		
		0	14	0		
Total			518.9	1173.75	1297.25	\$3,690

Emerging technology

- Hummingbird – weed detection and crop analysis by drone
- Ear tags – uses animals unique movement to calculate weight, disease etc
- Seaweed – Future Feed R&D estimates >90% reduction in methane

What is the relevance to this audience?

- As a career path
- Co-investment such as Proterra and PSP
- Leasing to expand
- Knowledge transfer of technology

May you live in interesting times

- Social license to operate
- Drought
- Bushfires
- Corona Virus

THANK YOU

Questions?

CBRE