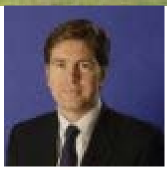

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Following

Why has agriculture become a investment destination for institutional capital?

Jan 19, 2015

Today, the imperative to invest into efficient large-scale food production has never been more pressing. This past year saw the birth of the 7th billion person on the planet and the global population is generally expected to exceed 9 billion people in 2050. According to the scientists, the world is currently sustainable with a population of somewhere between 300 million and 2 billion, depending on whose numbers you use. What is patently clear from all the scientific analysis however is that the growth rate of the world's population needs to radically decrease, as the planet simply cannot support the 7 billion people who currently inhabit it.

At Milltrust, we have entered into a 10 year billion dollar program to develop new or improved farms in the southern hemisphere which will produce rice, wheat, corn and barley, as well as new cash crops that will provide feedstock for animals, as protein consumption in the developing world balloons. We will farm cotton for clothing, and sugar cane for the cost-efficient production of green energy in the form of bio-fuel. Finally, we will produce grassfed beef and lamb, and grassfed dairy cattle to produce protein that can go directly to the markets of North Asia from the rainfed pasture-lands of Australasia.

Our commitment is to develop marginal land into higher grade farmland, enhancing yields and productivity through top tier agronomy and farming techniques, and to sell these assets for full value within this defined timeframe. We also anticipate listing the company to create the world's first diversified Agri-REIT.

Investors are looking to agricultural land prices to respond in the event that inflation manifests itself, and food commodity prices remain firm, but speculative assumptions aside, the real drivers of agricultural land prices historically have been improved yields or change of use. In the first instance, there is significant evidence that points to better farmers delivering substantially yields. The difference between the top decile of farmers and the next decile can be as much as 50 percent higher productivity in Australia for example, so the best famers will deliver the best value in terms of value creation.

The other key component of value creation is the capital uplift that comes from moving unproductive or poorly farmed land into more profitable agricultural production. Typically, this involves preparing the land, introducing irrigation, building storage facilities for the crop, and focusing on the most lucrative crop for the region, and given market conditions. The gain in value can be measured by looking at comparable land prices in areas which enjoy similar yields for the same crop.

With much of the output of Australia and New Zealand set to find its way into the Chinese marketplace, these two countries remain our preferred destinations, given the rule of law and the clearly defined ownership regime. However, we are looking at opportunities right across the value chain, including cold chain facilities, supply chain logistics, and branded food manufacturers.