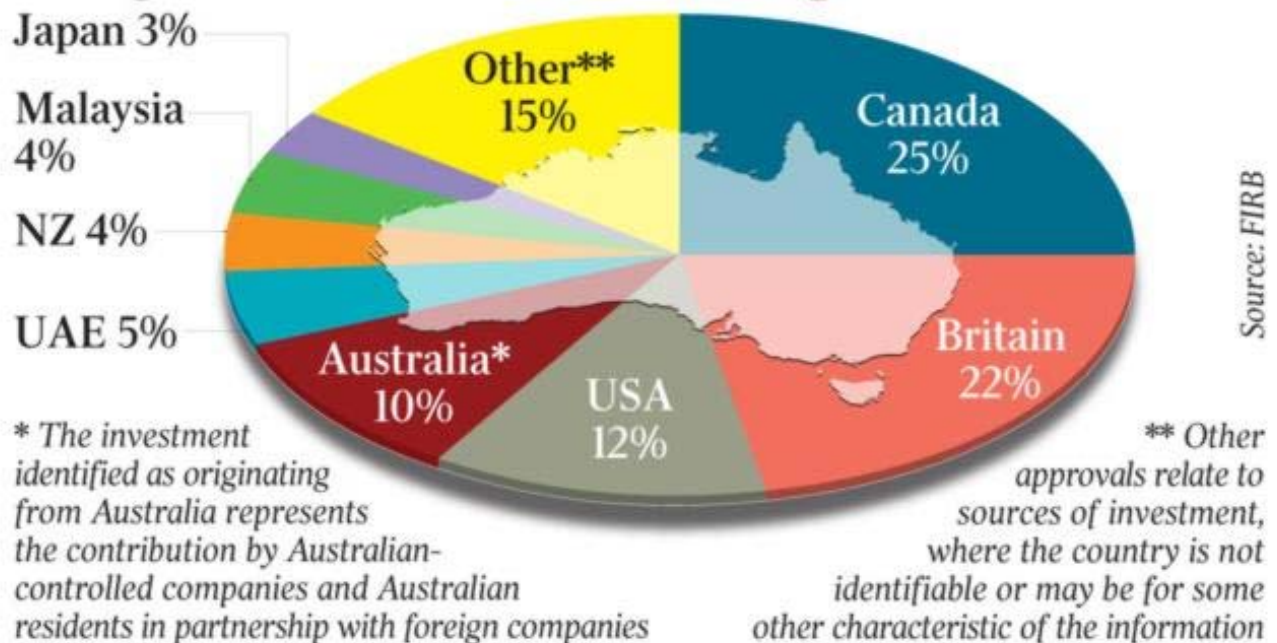


New deal taps global wealth for farmland

DAMON KITNEY THE AUSTRALIAN JUNE 07, 2014 12:00AM

Foreign investment in Australian agriculture



Foreign investment in agriculture. Source: TheAustralian

ONE of the world's most powerful asset managers is teaming up with a key Australian farmland operator to help sovereign wealth funds, international institutional investors and high-net-worth individuals plough billions of dollars into the Australian agricultural sector.

UBS Global Asset Management, a group with a long history of managing farmland in the US, has joined with Bydand Global Agriculture, a company backed by BRW Rich List member Mike Gordon and linked with the Qatar Investment Authority, to establish an Australian and New Zealand farmland investment offering.

The venture will offer investors either directly owned and operated Australian farmland, or directly owned farmland operated by leading Australian farmers.

The initial investment will be worth \$200 million and focused on the sheep, meat and grain sectors, but this is expected to grow dramatically with the backing of international and local capital, including some of the nation's wealthiest private families and individuals.

“Our thesis is that this is a very scaleable model,” said Trevor Cooke, UBS Global Asset Management’s head of global real estate for APAC. “Within the Australian marketplace, our business plan is to be managing several billion dollars within the first five years.

“We feel that our ability to deploy capital into this market would allow us to reach those targets comfortably. We are aware of investors that have multi-billion-dollar programs they want to roll out over the coming years and Australia will be a focus.”

He said demand was coming from sovereign wealth funds interested in food security, especially in North Asia and the Middle East, and from others that were interested in partnering with farmers through a co-investment.

The move comes after UBS Global Asset Management and the nation’s largest private developer, Grocon, teamed up last year to target Australian real estate investment opportunities.

The venture highlights the increasing attraction of Australian farmland to international investors at a time when capital is desperately needed to deal with the excessive levels of debt in the still largely family-owned farm sector.

Swedish pension funds known as AP-fonden, the Michigan Municipal Employees’ Retirement System and US-based fund manager TIAA-CREF have all been buying up Australian farmland.

In 2012 TIAA-CREF partnered with pension funds including British Columbia Investment Management Corporation and AP2 to create a \$2 billion investment vehicle to buy farmland around the world. The powerful Canada Pension Plan Investment Board has expressed interest in buying Australian farmland, while German alternative asset manager Aquila Capital has switched its focus for acquisitions to Australia from New Zealand.

Bydand aggregates beef and wool properties in Queensland and NSW and offers long-term leases on the properties to farmers. It also provides management services to the international agricultural investment sector and sovereign wealth funds and helped the Qatar Investment Authority establish its Hassad Australia agribusiness five years ago.

Hassad director John Corbett said at a forum this week that Australia’s “clean, green image” was a major factor in attracting the capital of sovereign wealth funds and institutional investors.

Bydand is run by Michael Gordon, who was valued on last year’s BRW Rich List at \$320m and built the ASX-listed Peppercorn Management childcare group before selling it to ABC Learning Centres.

“We sought a partner with deep agricultural expertise — in procurement, aggregation and operation of the agricultural assets. Also one that has worked with institutional capital and understands the demands of institutional capital. Bydand was at the top of the list,” Mr Cooke said.

“They are a significant agricultural player with a proven ability to acquire and create value for themselves over a period of time.”

Mr Gordon said Bydand’s ability to successfully identify, source and execute suitable farmland assets “dovetailed superbly with UBS’s client relationship, governance processes and fund-sourcing capability to provide investors with tailor-made farmland investment advice”.

But the track record of institutional investment in the Australian agricultural sector is mixed.

The most notable failure was listed corporate farm player PrimeAg, which was wound up last year. At the time, PrimeAg chairman Roger Corbett — who is also chairman of Fairfax Media — lamented that listed agricultural companies such as PrimeAg, AACo and Tandou had been consistently discounted to as little as 60 per cent of their net asset backing by the sharemarket.

“I would have hoped that some major institutions would have invested in these assets, but they don’t have a large income stream and that’s what the market looks for,” Mr Corbett said.

One fund manager, who declined to be named, said there had been very few successful ventures in marrying institutional capital with agriculture in Australia. “There are niches that can be successful — cotton and dairy are two that have worked. But there have been many failures,” he said.

This week, Macquarie Agricultural Funds Management’s \$150m cropping property company, Lawson Grains, reported a \$100,000 profit, up from a \$3m loss last year.

Macquarie Crop Partners is part of Macquarie Agriculture Funds Management, which is responsible for raising money from institutional investors looking to invest in agricultural land.

Asked how the UBS-Bydand venture could succeed where others had failed, Mr Cooke said: “We believe the focus on the underlying assets themselves and the operational expertise will be the difference. We have people who have kicked the dirt on the land. It is akin to what we have done with Grocon in the real estate space to be a completely vertically integrated funds-management capability that is able to originate, source and transact on pieces of land.”

Tony Eyres, head of Australian farmland operations with UBS Global Asset Management, said the venture would operate with the top 20 per cent of Australian farmers and others that had the potential to be in that group. “This is not just about picking the eyes out of the top end. It is bringing the others up into that top tier,” he said.

Foreign investment in Australian farmland has also been a major issue in recent years, prompting the federal government to lower the threshold for farm sales requiring Foreign Investment Review Board approval from the current \$248m to \$15m.

But Mr Cooke said the venture could be structured to ensure the land was not owned by sovereign wealth funds.

“One of the opportunities is with large food-security-driven investors who are ultimately concerned about the offtake produced by the land.

“At the same time, institutional investors are looking for the low volatility and long-term investor profile that agricultural land provides. There is an opportunity for those two to work together to partner.”

×

Share this story

Facebook ([http://facebook.com/sharer.php?u=http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story-e6frg8zx-1226946329952&t=New deal taps global wealth for farmland](http://facebook.com/sharer.php?u=http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story-e6frg8zx-1226946329952&t=New+deal+taps+global+wealth+for+farmland))

Twitter ([https://twitter.com/intent/tweet?url=http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story-e6frg8zx-1226946329952&text=New deal taps global wealth for farmland](https://twitter.com/intent/tweet?url=http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story-e6frg8zx-1226946329952&text=New+deal+taps+global+wealth+for+farmland))

LinkedIn (<http://www.linkedin.com/shareArticle?mini=true&url=http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story->

[e6frg8zx-1226946329952&title=New deal taps global wealth for farmland](http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story-e6frg8zx-1226946329952)

Google (<https://plus.google.com/share?url=http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story-e6frg8zx-1226946329952>)

Email ([mailto:?body=http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story-e6frg8zx-1226946329952&subject=New deal taps global wealth for farmland](mailto:?body=http://www.theaustralian.com.au/business/new-deal-taps-global-wealth-for-farmland/story-e6frg8zx-1226946329952&subject=New%20deal%20taps%20global%20wealth%20for%20farmland))