A greater yield: Attracting investment into Australian agribusiness  
Allens Agribusiness Survey
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Foreword

Australia has pinned its post-mining boom economic hopes on agriculture sector. To turn this into a reality, the agribusiness sector needs to turn warm interest from domestic and foreign investors into capital investment.

In 2014, the Australian Government began a White Paper process to consult the industry on what reform is required to attract the investment necessary to fulfil the sector’s potential. This process has kicked off a wide ranging discussion. But that discussion has many industry stakeholders and the voice of one key group remains largely unheard — the views of investors, and in particular, foreign investors. Understanding what attracts investors to investing in Australian agriculture, and what the Government and the industry can do to increase this investment, is crucial to ensuring the industry can deliver on its potential.

Allens is an international law firm that regularly acts for domestic and foreign investors across many sectors. In recent years, we have increasingly advised on investments in Australian agriculture and are committed to assisting our clients, and other investors like them, to have a voice in the discussion. Our survey, conducted in conjunction with Remark brings to light some valuable perspectives that should inform the development of Australia’s long-term policies in this sector.

A snapshot of those perspectives follows:

- Proximity to markets was the main attraction for investing in Australian agriculture (favoured by 76 per cent of respondents), followed closely by the quality of infrastructure (67 per cent) and surplus production for export (61 per cent).
- Climate variability was the greatest disincentive for investing in Australian agriculture (identified by 72 per cent of respondents).
- Forty-seven per cent of respondents agreed that the family farm was an appropriate model for the future of Australian agriculture. The maintenance of strong rural communities, leveraging of local knowledge, and the strong work ethic and incentivisation of Australian farmers were all given as reasons in support.
- Ninety-nine per cent of respondents were aware of the Federal Government’s decision in 2013 to block Archer Daniels Midland from acquiring GrainCorp, although 60 per cent of respondents said the decision did not negatively impact on Australia’s reputation as an attractive place to invest in agriculture.
- In terms of Government spending priorities, 45 per cent of respondents said that research and development needed the most urgent government attention, followed by irrigation infrastructure (20 percent).

This report provides insight into the expectations and priorities of the investment community. It is supplemented by our commentary and is intended to guide regulatory reform and Government action to take advantage of the enormous interest in Australian agriculture and facilitate opportunities for the industry and investors alike. We hope you find our survey and this report to be a useful contribution to Australia’s discussion about agricultural competitiveness.

The Allens Agribusiness team
December 2014
Introduction

Australia’s agriculture sector has undergone extensive change in the past decade. This has led to intense foreign interest, coupled with a reprioritisation of investments by domestic operators.

Australia’s agriculture sector, like its mining industry, benefits immensely from investment interest. However, while Australia’s mining industry may be best served by attracting sweeping injections of domestic and foreign capital with a view to exploiting a set of finite resources, agriculture requires a more selective, forward-thinking strategy geared around sustainability and directed towards capitalising on Australia’s competitive advantages.

In recognition of these goals, in early 2014 the Australian Government commissioned “The Agricultural Competitiveness White Paper”. A taskforce was established to conduct consultation throughout 2014 and provide a White Paper in 2015 that identifies the policies that will ensure that Australia’s agriculture sector remains a significant long-term contributor to the economy. Throughout the consultation process surrounding the White Paper, the debate has often centred on the best way to capture investment interest for Australia’s agriculture sector whilst broadly accepting the crucial role it plays in boosting the productivity and profitability of the sector.

The views of a wide range of stakeholders, including farmers, traders, supply chain participants, local communities, and the Government, have all been canvassed in the debate. There has been, however, a critical voice missing, namely that of domestic and offshore financial investors, and those that advise them.

The perspective of domestic and offshore financial investors on issues such as the proposed changes to Australia’s foreign investment regulation and investors’ preferred funding models for the sector speaks directly to the current and future attractiveness of Australia’s agriculture sector as a place to invest.

Allens regularly advises foreign and domestic investors and, since our beginnings in 1822, our work in the agriculture sector has been an important part of our legal practice. We understand the legal, regulatory, policy and commercial issues particular to the sector.

As part of our proactive approach – one that sees us maintain a watching brief for our clients on key developments – Allens recently commissioned Remark, the publishing division of Mergermarket, to survey investment professionals across the globe with investment interests, or intentions of investing, in Australia’s agriculture sector.

The respondents to Allens’ survey include 75 Australian and offshore professionals from agribusiness corporations, fund managers (including private equity firms), sovereign wealth funds, banks and other lenders and service providers. The figures on page 4 set out the respondent mix and their respective country of origin.

Of those surveyed, 99 per cent said they had an interest in investing in Australian agriculture.

The purpose of the survey was to illuminate the key issues facing domestic and foreign investors in the sector and to gather their insights in order to assist the Government in determining policy to foster Australia’s competitive advantages.

To that end, the survey examines:

- the particular subsectors and commodities in which the investors had invested or have intentions of investing and why those subsectors are attractive;

- funding models for farming, including the challenges associated with particular models;
• Australia’s regulation of foreign investment in the sector, including the implications of recent Government decisions and proposed changes to the regulatory regime; and

• opportunities for investment in infrastructure and innovation.

In this report, we explore the reasons the sector remains so attractive, including current opportunities for investors. We also review the specific concerns raised by our survey’s respondents and we offer our insights into potential solutions to overcome the challenges identified.

Our observations come at an important time when the Australian agriculture industry is receiving considerable attention. The recent announcement of the China-Australia Free Trade Agreement in November 2014 follows similar agreements with Japan and Korea. Negotiations with India are expected to commence in 2015. These agreements feed healthy optimism that the facilitation of agricultural trade will enable Australia to realise its export potential.

This report also follows the recent release of the Government’s Agricultural Competitiveness Green Paper, the final stage in the formal consultation process for the White Paper review. The Green Paper provides some definition and detail to the likely recommendations that the 2015 White Paper will make as to changes the Government should adopt to agricultural policy. It highlights a wide range of policy areas that may be affected, including infrastructure, State and Territory engagement, competition and regulation, business structures and finance, taxation, foreign investment regulation, education and labour, water and natural resource management, research and development, biosecurity, and international trade.
The investor view:

Australia’s competitive advantages

The Government’s Green Paper, released in October 2014, makes clear that the Government’s role is to set the policy environment to enable farmers to make business decisions that will make them profitable and competitive.

The Government believes that if this objective is achieved then investment in Australian agriculture will follow. Investors’ attitudes to Australian agriculture will no doubt turn on the overall profitability and competitiveness of the sector. However, investors’ attitudes and their decisions are rarely without nuance.

For that reason, we enquired of our survey respondents what they considered were the reasons to invest in Australia’s agriculture sector (Figure 3).

Proximity to markets emerged as the most attractive reason to invest, with one Singaporean respondent saying, “Its closeness to markets like China, India, and Japan is a big advantage for Australia in leading food exports to these countries. Also the infrastructure in Australia is very advanced and reliable and this will attract foreign investors.”

That respondent also identified the second most attractive reason to invest: the quality and extent of Australia’s infrastructure.

Figure 3: What makes Australia an attractive place to invest in agriculture?
Those sentiments were echoed by a Norwegian respondent, who said, “Australia attracts investors mainly due to its impressive infrastructure and the surplus production that is available for exports, with maximum wheat being produced in terms of area and value to the Australian economy. Also, the economy at this time is really the icing on the cake making Australia an attractive target market for investors.”

Crucially, the Green Paper, too, touts the attractiveness of the Australian agriculture sector on account of many of the factors identified in our survey. It also highlights the role overseas markets have played in the development of the sector.

The Green Paper identifies that “agriculture continues to be substantially export-oriented” given production and domestic consumption levels. At present Australia feeds approximately 60 million people globally – more than double Australia’s

What makes Australia an attractive place to invest in agriculture?

“Australia offers abundant scale that few other countries can achieve, which in turn offers strategic opportunities for assuring growth and security. Australia is well positioned to help address the growing concerns of global food security and by the global standards investing in Australian agriculture is generally considered to be very safe.”

Head of Agribusiness, Agribusiness corporation, India

“Australia attracts investors mainly due to its impressive infrastructure and the surplus production that is available for exports, with maximum wheat being produced in terms of area and value to the Australian economy. Also, the economy at this time is really the icing on the cake, making Australia an attractive target market for investors.”

Director for Investment (Agribusiness), Private equity firm, Norway

“Australian yields are typically high by international standards and their production technology is world-class. Also the role of government in Australian agriculture is limited. There are few regulatory constraints on production or prices and few barriers to international trade. Australia is regarded as one of the most open agricultural sectors in the world.”

Head of M&A, Bank, United States

“Australia is in a strong position to sell itself as a supplier of safe, environmentally sustainable food, which fetches a premium price on global markets.”

Director of Strategy and Planning, Agribusiness corporation, United States

“Its closeness to markets like China, India, and Japan is a big advantage for Australia in leading food exports to these countries. Also the infrastructure in Australia is very advanced and reliable and this will attract foreign investors.”

Partner, Private equity firm, Singapore
The investor view: Australia’s competitive advantages

Australia’s current competitive advantages are not necessarily permanent and need to be leveraged in a sustainable and responsible manner. Indeed, that is the purpose of the White Paper. As we identify above, the partnership between investors and the agriculture industry will be critical to achieving continued success. With that in mind, we asked survey respondents what they considered were deterrents to investing in Australia (Figure 4).

Although the Green Paper identifies broader, macroeconomic issues such as the high value of the Australian dollar as one of the challenges of maintaining the competitiveness of the export industry, the results of our survey reveal that the greatest impediments to investment may be environmental influences and not economic factors.

Specifically, variability in Australia’s climate led our respondents’ concerns. A German respondent said, “The problem with Australia is climate-related volatility. You have volatile prices that you multiply with volatile yields due to the climate. So the volatility of returns in Australia is larger than anywhere else.”

The point is reinforced by a Singaporean respondent who said, “Variable climate has already started to affect the agriculture business in some parts of Australia and is emerging as the biggest threat for the sector. If unchecked soon Australia will be vulnerable to natural calamities and could lose its reputation as a favourable destination for investment in agriculture.”

That climate variability, and consequential volatility of returns, emerged as respondents’ leading concern is, perhaps, indicative of the nature of the respondents’ business. It should also highlight the importance of that consideration in the policy analysis. That is, while both trade buyers and investment funds – the two principal sources of investment in Australian agriculture – would measure the attractiveness of an investment from a yield perspective, the relative importance of rates of return to each of them differ.

Funds, in our experience, place far greater emphasis on returns. They are often constrained by investment mandates and guidelines which are in large part premised on rates of return. Trade buyers, on the other hand, tend to measure the attractiveness of their investment not only by reference to rates of return but also by operational and financial synergies obtained through investment and supply diversification strategies. Like many industries, agriculture on a global scale is aided by vertical integration and these
other synergistic benefits may, in many respects, outweigh concerns about yield volatility. In addition, global agricultural businesses can manage yield volatility better by spreading risk across a range of continents and business lines.

Our respondents were next concerned by high input costs and taxes. A Hong Kong respondent said, “There is some concern regarding tax in Australia as there is uncertainty regarding the tax slabs and components. Also the rising wages and high cost of machinery and technology poses a serious challenge.”

Respondents also cited Government decisions as a disincentive to invest. A Malaysian respondent, for instance, said, “Some Government decisions, such as blocking ADM’s acquisition of GrainCorp, have disappointed many potential investors and this will have a negative impact on Australia’s attractiveness as a place to invest. Changes in the climate have already started affecting the yields and any further instability will have a considerable impact on the sector.”

In the Green Paper and elsewhere the Government has reaffirmed its openness to foreign investment in agriculture. We address foreign investment regulation in more detail later in this report.

The concern least cited by our respondents was lack of investment opportunities. In our view, this is attributable to the fact that the Australian agricultural industry is extremely diverse and scalable. It is comprised of interrelated sub-sectors spanning grain and oilseeds, protein, dairy, cotton, sugar and so on, and it is capable of strategic aggregation, disaggregation, and vertical integration so as to present funds and trade buyers with a variety of investment and structuring options to overcome many of the deterrents or disincentives identified.

Anecdotally, however, we believe that the scalability of investment opportunities in the sector can present difficulties for some fund investors. The size of investment opportunities in the sector in contrast to the resources required to execute them compares unfavourably with other sectors such as infrastructure and mining.

Figure 4: What hurts Australia’s reputation as an attractive place to invest in agriculture?
Put simply, it is far easier to buy an A$2 billion toll road than 200 A$10 million farms. We see an important role for specialist funds to pursue aggregation opportunities in the coming years in order to provide more scalable investment opportunities to the broader investment market including domestic superannuation funds.

The investor view:
Australia’s competitive advantages

What hurts Australia’s reputation as an attractive place to invest in agriculture?

“There is some concern regarding tax in Australia as there is uncertainty regarding the tax slabs and components. Also the rising wages and high cost of machinery and technology poses a serious challenge.”
Director of Development, Service provider, Hong Kong

“The impact of climate change is concerning in Australia, particularly potential declines in annual average rainfall in many regions of Australia, which has affected many farming business. Because of the rising urban demand, the availability of surface water for farming is constantly declining and arable land is shrinking.”
Company Secretary, Agribusiness corporation, Singapore

“For the Australian agricultural sector to take full advantage of the benefits of foreign investment, it is critically important that weaknesses in public policy are addressed. Weaknesses in public policy surrounding foreign investment in Australian agriculture have exacerbated public concerns about issues such as the market power of industry monopolies, lack of market transparency, the potential for tax avoidance, and the potential for foreign government investors to flout Australian laws.”
Head of Portfolio for global agribusiness fund, Private equity firm, United States

“More than a million hectares of arable land are being lost per year due to urbanization, climate change and lack of water for irrigation. Also farmland is increasingly used to produce commodities for biofuel production which consumes more than 10% of global grain produce.”
Head of Agribusiness, Bank, Malaysia

“Some government decisions, such as blocking ADM’s acquisition of GrainCorp, have disappointed many potential investors and this will have a negative impact on Australia’s attractiveness as a place to invest. Changes in the climate have already started affecting the yields and any further instability will have a considerable impact on the sector.”
Head of Technology Ventures, Agribusiness corporation, Malaysia

“Variable climate has already started to affect the agriculture business in some parts of Australia and is emerging as the biggest threat for the sector. If unchecked soon Australia will be vulnerable to natural calamities and could lose its reputation as a favourable destination for investment in agriculture.”
Director, Private equity firm, Singapore
Funding models: The search for solutions

One of the policy imperatives identified in the Government’s Green Paper is the maintenance of the family farm at the production level of Australian agriculture.

Indeed, this has been a foundation on which much of the analysis and consultation has proceeded. The Green Paper recognises that “family farmers represent some of Australia’s best examples of outstanding environment stewardship” and signals that any appropriate policy settings for the sector “extends beyond the economics of yields, productivity and prices; it also encompasses the issue of the ownership of the nation by the people in the most seminal and tangible form.”

The Green Paper also recognises the challenges associated with the family farm model, prime among which is that the future of Australian agriculture depends largely on the ability of farmers and food producers to access capital. By some estimates, the sector faces an A$500 billion funding gap if the country is to seize upon a possible export opportunity worth more than A$1 trillion by 2050.

Almost 99 per cent of farms in the country are family owned and operated. The smaller of them lack the scale necessary to meet their immediate cash needs, let alone expand operations to keep up with inflation or compete with larger corporates. Research from the Australian Farm Institute found that in Victoria in 2012, only 28 per cent of family farms had the scale and profitability to remain self-sufficient, and only half were deemed likely to maintain this level of success in the future. As illustrated in the Green Paper, the Government faces the challenge of attempting to assist the local market to resolve a constraint limiting the country from capitalising on growing demand.

**Equity: The joint venture solution to the family farm challenge**

Our survey demonstrates that foreign investors are divided on the question of whether the family farm has an ongoing role in the future of Australian agriculture. In total, 53 per cent of respondents disagreed with the proposition that the family farm was an appropriate model for Australian agriculture for various reasons (Figure 5). Yet we were surprised how many respondents (47 per cent) were supportive of the family farm model.

Those that agreed referred to benefits that local knowledge and strong communities can provide to efficient farming. Those benefits are not insignificant. Also of significance is the social value of the family farming model. The Australian farming population is ageing. According to the Australian Bureau of Statistics, the age profile of Australian farmers has changed markedly between 1981 and 2011. Over that 30-year span, the median age of farmers increased by nine years. Over the same period, the proportion of farmers aged 55 years and over increased from 26 per cent to 47 per cent, while those aged less than 35 years fell from 28 per cent to just 13 per cent. However, as mentioned above, the economics of the model places the notion of maintaining farms within a family under considerable pressure. All of

3 The Agricultural Competitiveness Green Paper, page x, released October 2014.
4 The Australian, Global Food Forum, Melbourne, April 2013.
Figure 5: Is the traditional family farm an appropriate model for Australian agriculture?

Examples of why you may agree:
- Maintains strong rural communities: 49%
- Leverages local knowledge: 40%
- Strong work ethic / incentivisation: 11%

Examples of why you may disagree:
- Too dependent on debt funding: 18%
- Lack of scale because of capital and manpower constraints: 56%
- Income instability: 21%
- Poor governance: 5%

47% Agree 53% Disagree
this makes new investment into Australian agriculture incredibly important.

As the director at a New Zealand private equity fund said, “In the coming years the demand for farmland and farming commodities will exceed that of any other period in history. Given its unique position, I feel Australia will lead this trend. The agriculture sector provides an enormous opportunity for investors, both in terms of sheer untapped scale and the returns we are likely to realise in the coming years.”

But which investment model should investors use? Our survey showed that investors support a range of alternatives when making an investment (Figure 6).

There are significant positives in corporate farming. A corporate investor has the financial and business knowledge to aggregate farm holdings, invest in innovation and infrastructure, and access national and international markets. Corporate owners are also more likely to diversify farm production, thus insuring against poor seasons in particular geographic areas or price drops for certain commodities.

On the other hand, corporate investors will need to contend with the fact that farming is labour intensive and that large turnover in transient workforces is a major issue. Stemming from that, taking families off a farm and replacing them with seasonal

Figure 6: What funding and ownership models are attractive to investors (by investor type)?

<table>
<thead>
<tr>
<th>Financing model</th>
<th>Australian</th>
<th>Offshore</th>
</tr>
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<tbody>
<tr>
<td>Corporate farming model</td>
<td>59%</td>
<td>27%</td>
</tr>
<tr>
<td>Joint venture model</td>
<td>41%</td>
<td>48%</td>
</tr>
<tr>
<td>Leasing model</td>
<td>10%</td>
<td>41%</td>
</tr>
<tr>
<td>Sharecropping model</td>
<td>10%</td>
<td>19%</td>
</tr>
<tr>
<td>Financing model</td>
<td>56%</td>
<td>60%</td>
</tr>
<tr>
<td>Investment in non-farm agribusinesses</td>
<td>52%</td>
<td>40%</td>
</tr>
<tr>
<td>Indirect investment</td>
<td>19%</td>
<td>19%</td>
</tr>
</tbody>
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Glossary for chart terms:
- Corporate farming model: 100% interest with farms operated by employees or contractors.
- Joint venture model: less than 100% interest with equity held by farm operators.
- Leasing model: 100% interest with farms leased to independent operators in return for a fixed return.
- Sharecropping model: 100% interest with farms leased to independent operators in return for a share of production (or dollar equivalent).
- Financing model: lending or equipment/livestock leasing.
- Investment in non-farm agribusinesses: commodity trading, logistics, water rights, etc.
- Indirect investment: investment through a fund or company that makes one of the above investments.
workers, for instance, has significant implications for the social cohesion of regional centres and towns. According to our survey, there are numerous models that are either being used already by corporate investors or would be of interest to those looking to invest.

One of those is the leasing model, in which a company buys a 100 per cent stake and then leases the farm to independent operators in return for a minimum fixed return. This model has particular appeal for foreign investors or those without a firm knowledge of the agricultural sector. The main problem with this model is that it is disguised debt, as the operator is taking on all the risk and the landlord gets a fixed return. In turn, the operator has less incentive to grow more or better commodities.

A variation on the leasing model is the sharecropping model. In this model, a company buys a 100 per cent stake and then leases the farm back to an independent operator in return for a share of production.

There is also the option for companies to invest indirectly through a non-farming investment. This means companies invest in agricultural assets that are not farmland, such as water rights, logistics and commodity trading. Investors are increasingly looking to invest in non-farmland assets in Australia as part of that investor’s chain of production.

The joint venture (JV) model
In our view, it marries the best qualities of the family farm model with those of the corporate investment model. Under this model, the investor owns less than 100 per cent of the farm, with the remaining equity held by the farm operators.

This view was supported by the survey responses:

48% of foreign investors see JVs as a favourable funding model

Of those that chose the JV model, 65% would not require majority ownership

Likewise, 87% would prefer an earn-in incentive for the farm operator

The strength of the JV model is that it combines the interests of Australia’s farmers with agri-focussed investors. From the farmer comes dedication and local knowledge and from the investor comes good governance models, patient but disciplined capital, and off-farm expertise in finance, product marketing and risk management.

The family farm model is holding some of Australia’s best farmers back because of the capital constraints that arise from an over-reliance on debt and retained earnings to fund expansion. It also creates a barrier to entry for our young farmers. The JV model overcomes these constraints, yet retains the basic concept of family farming and the farmer as an owner.

A JV model is not without its difficulties. Farmers need to adjust to the dynamics of partnering with an off-farm investor which requires joint decision-making and complex reporting and other governance requirements. Investors need to invest...
and maintain confidence in the farmer as operator. Divorce is always difficult.

Our role as lawyers often comes towards the beginning of a JV where we help negotiate the legal framework. This is a vital time for the farmer and the investor as often they are still getting to know each other and understand the possibilities that a JV between them can unlock. In contrast to a traditional buy/sell deal, JV negotiations can never be approached as zero-sum game because of the need to build a healthy long-term relationship. Often, this will require both sides to exercise much more restraint and understanding of the other's perspective than in other types of business relationships.

Currently, we think there is a knowledge gap among many farmers about JV arrangements: how JVs work, what are investors’ expectations and how farmers can maintain and build equity within a JV structure. This knowledge gap, when coupled with an often limited capacity to source expensive professional advice, can discourage farmers from exploring the possibilities of a JV or lead them to being out-gunned in JV negotiations. While this may seem good for investors, who secure themselves a more advantageous deal, it isn’t because the future success of the JV is put at risk by the inequity of the farmer’s position. A related constraint is that JV negotiations are usually approached as bespoke arrangements – inevitably time consuming and expensive to negotiate. In the family farm sector, where scalability is an issue, this is a barrier to investment.

Industry stakeholders (including the Government, investor and farmer organisations, and advisors) can help overcome these disadvantages through a whole-of-industry approach through which programmes are developed to educate farmers about JVs and model JV agreements are prepared to help guide negotiations.

We think we are aligned with the Government in saying that we don’t see Government’s role as favouring one investment model over another – farmers and investors should be free to find their way to the arrangements that best suit them. However, it is important that Government work to ensure that its tax and other policies do not have an unintended consequence of discouraging particular ownership models. In this regard, we think Australia’s stamp duty laws are in urgent need of reform, particularly the landholder duties that are imposed on changes in ownership interests of companies and trusts. Although landholder duty is a general disincentive for investors, it is particularly unfavourable for JV structures as it discourages fluctuations in equity ownership such as may occur when additional investments are made to fund capital improvements and new acquisitions or when earn-in incentives vest.

**Debt: How bankable supply contracts can drive development**

This report has focused on ways to attract and maintain investment from both foreign and domestic sources, from the private and public sectors. While much of this focus has been on forms of equity investment, increased availability of debt is also critical. Traditionally, the sector has relied heavily on conventional bank finance provided principally by Australian banks, creating capacity limits on how much finance is available to the sector, particularly to individuals and small businesses.

Continued efforts are required to attract a broader range of domestic and international finance providers and expand the availability of more capital efficient finance products. For example, there are signs that financiers are starting to find ways to link the increase in demand for Australian agricultural exports to the capacity to provide more affordable finance. The “bankability” of supply chains...
will be a key feature to improve the availability of finance as financiers take advantage of the credit enhancement provided by long-term supply contracts to well-established, long-term buyers.

There is an increasing trend towards the formation of long-term partnerships in the agribusiness sector, creating greater certainty in long-term sustainability of trade relationships. A notable example is Andrew Forrest’s efforts to broker a 100-year food partnership with China. In November, members of the Australia-Sino Hundred Year Agricultural and Food Safety Partnership (ASA 100) announced a number of marketing and cooperation initiatives.

This is more than just a strategic branding concept and a forum for cooperation under the backdrop of the progress towards the long-awaited China-Australia Free Trade Agreement. The ASA 100 represents a landmark form of cooperation and we think is the type of agreement and cooperation between agricultural producers and major customers that could help to support greater financing solutions. In many cases, increased long-term demand will be supported by contractual arrangements that will enable agricultural producers to develop their output, processing capability or supply-chain infrastructure to increase capacity and market goods more efficiently. Much has been made of the parallels between the goals of the ASA 100 and the way that long-term resource supply contracts facilitated growth in the Australian mining and oil and gas sectors.

As buyers seek to secure sustainable supplies and protect their margins, long-term supply contracts with established, quality government or private sector buyers can provide suppliers with important credit enhancement. The contracts often directly positively impact some of the key risks to financiers, namely security of supply, price volatility and sustainability.

By their nature, these supply contracts improve the suppliers’ resilience to price shocks through more stable and certain pricing arrangements, provide long-term demand certainty and can produce a more predictable cash-flow.

We think that long-term supply contracts can underpin growth in the agricultural sector. Australian banks and other financiers are showing increasing interest in providing finance to support producers needing to invest to increase production to meet the needs of supply contracts. For example, in beef and dairy cattle farming, we have seen an uplift in finance activity off the back of growing demand from Asia and the Middle East supported by long-term contracts for live cattle exports. Likewise, in dairy and food production, we have seen increased innovation to help fund new CAPEX on the plant and machinery required to meet demands of domestic retail and export supply contracts.

Many of these arrangements are alternative finance products such as operating leases, “cow-banks” (under which the cattle and supply contract are collateralised), and commodity forward sales arrangements. Although such products are not new to finance providers, we think they are heavily underutilised in the agriculture sector.

Increased use of alternative finance products, such as leasing products, receivables finance and commodity forward sales, is also key. These products can have balance sheet and other benefits for customers. They can also provide financiers with increased security through non-traditional forms of collateral, often reducing capital allocation requirements and therefore funding costs. Information about these products should be more readily available to customers.

Funding models: The search for solutions
Regulation and policy:

Domestic concerns and foreign investment

There is a perception that prospective foreign investors are especially sensitive to adverse foreign investment rulings by the Government. To some extent this is borne out in our survey.

Thirty-seven per cent of respondents cited Government decisions as an issue that hurts Australia’s reputation as an attractive place to invest in agriculture. Other related detractors included an aversion to taxes (44 per cent) and regulation (28 per cent).

In contrast, individual survey responses highlighted Australia’s reputation as a “safe” investment destination with sound rule of law and limited government interference and a clear majority of foreign investors did not cite Government decisions, regulation or taxes as detractors. Investors tell us that they are willing to increase their investment allocations to Australia and accept lower returns on those investments than higher-risk jurisdictions because of the reduced level of sovereign risk.

Having gained a reputation for low sovereign risk, it is perhaps inevitable that Australia will be marked harder by investors when the Government makes decisions that adversely impact investment.

Ruinous decisions overseas such as Argentina’s 2008 farm crisis over export taxes on soybeans, regular Russian and Ukrainian wheat export bans, and Thailand’s attempt to corner the international rice market have not generated much surprise because those countries have less favourable reputations for sovereign risk. In contrast, Australian Government decisions such as the 2011 suspension of Australia’s live cattle export trade to Indonesia and the 2013 decision to block Archer Daniels Midland’s takeover bid for GrainCorp have elicited concern precisely because they are not the decisions that foreign investors are accustomed to seeing made in Australia.

GrainCorp decision in context

The decision to block the takeover bid for GrainCorp was made by the Treasurer using powers afforded to him under the Foreign Acquisitions and Takeovers Act based on his assessment that the takeover would be contrary to Australia’s national interest. At the time, the Treasurer gave two reasons for his decision. The first was that it was not the right time for a 100 per cent foreign acquisition of GrainCorp based on the still-emerging state of competition in the Australian grains industry. The second was that the takeover attracted a high level of concern from stakeholders and the broader community. This meant that allowing it to proceed could risk undermining public support for the foreign investment regime and ongoing foreign investment more generally.

The GrainCorp decision represented only the third rejection of a major foreign investment proposal by an Australian Treasurer since 2001 and the first such rejection of a major agricultural investment. The decision attracted significant publicity as reflected by the 99 per cent of survey respondents who

5 Media Release by The Hon. Joe Hockey MP on 29 November 2013
were aware of the decision.

A majority of respondents said that they did not think the decision negatively affects Australia’s reputation as an attractive place for investment in agriculture, but a significant minority (40 per cent) were concerned.

One of the problems with Australia’s foreign investment approval regime is that it is largely reactive – specific decisions being made in response to specific proposals. The Government has struggled to signal advance warnings of policy concerns to the foreign investment community with the result that there is real uncertainty as to the likely outcome of the Government’s decision-making processes.

Concern among foreign investors about the GrainCorp decision is understandable given the global context of nations – such as Argentina, Brazil, Georgia and South Africa, some Canadian provinces and some US states – considering or implementing prohibitions or restrictions on foreign investment in agriculture, particularly agricultural land.

Given the global context and the absence of broader policy guidance against which to judge the GrainCorp decision, there was a real concern about whether Australia was in the process of turning away from foreign investment in agriculture. It was an issue of particular concern to fund allocators who had previously been increasing investment in Australia in response to the prohibitions and restrictions that were cropping up elsewhere.

However, this concern has not materialised. The current Treasurer has now had an opportunity to consider many new foreign investment proposals in Australian agriculture in the year since the GrainCorp decision was made. In our experience, decision making has been both timely and supportive of foreign investment in this sector. Even before he made the GrainCorp decision, the Treasurer unconditionally approved the bid by Canada’s Saputo for Warrnambool Cheese & Butter.

With the passage of time, the GrainCorp decision is now easier to explain to foreign investors as a special one-off case than an indication of broader Government policy. Nevertheless, the Government’s White Paper presents an opportunity for it to reassure the foreign investment community that Australia welcomes foreign investment in agriculture while also giving clearer policy guidance. Particularly around those foreign investment proposals that may risk being considered to be contrary to the national interest.

Proposed rule changes

While a specific regime exists for regulating foreign investment in Australian urban land, foreign investment in Australian rural land is only regulated if the value of the land, and associated business assets, exceeds A$248 million or, in the case of Chilean, New Zealand, and US investors, A$1.1 billion. No special rules have governed foreign investment in agriculture since 2000, when the lower thresholds that applied at the time to the acquisition of businesses with rural land holdings were aligned with the thresholds that applied to all others.

One notable exception is for foreign government investors where all direct investment proposals require notification and approval. This is applicable regardless of the amount involved.

In August 2012, the current Government (while in opposition) released a discussion paper on foreign investment in Australian agricultural land and agribusiness. It opened with the statement that the “Coalition unambiguously welcomes and supports foreign investment” but highlighted “growing community and industry concern” and said that a strengthening of regulations may be advantageous. Specific concerns
included a lack of reliable data on the extent of foreign ownership and a perception that the foreign investment thresholds are too high for the agriculture sector.

The discussion paper announced a number of proposals for public discussion, including:

- lowering the approval threshold for foreign investment in agricultural land from A$248 million for individual purchases to A$15 million for accumulated purchases, subject to Australia’s treaty obligations with Chile, New Zealand, and the United States;
- retaining the current approval threshold for foreign investment in agribusiness of A$248 million based on the total value of the business and introducing a new threshold of A$53 million based on the value of the investment; and
- establishing two national registers of foreign ownership: one for real property and one for businesses valued above an appropriate threshold.

While these proposals have never been formally adopted as Government policy, a sense of inevitability has developed concerning their implementation particularly since the right to impose them was reserved in the recent free trade agreement negotiations with China, Japan, and Korea.

Do you think the Government’s blocking of the proposal by Archer Daniels Midland to acquire GrainCorp negatively affects Australia’s reputation as an attractive place for investment?

“I don’t think the Australian agriculture sector can be defined by this one deal and its outcome. There are far more opportunities and foreign companies shouldn’t be deterred by this one deal when looking to invest in the country.”

Head Agribusiness, Agribusiness corporation, India

“The reason his deal fell apart was, in my opinion, due to internal issues within the government at the time, and overall this will not affect Australia’s reputation as an attractive place to invest.”

Director Agribusiness Investment, Private equity firm, Norway

“Australia is an open market for foreign investors. Even now, investing in Australian agriculture is easy and the market has maintained its attractiveness, especially due to the number of valuable opportunities.”

Chief Financial Officer, Agribusiness corporation, China

“This decision was certainly unexpected, and while an isolated incident, I think it will have a profound impact on foreign investor sentiment toward Australia and may even have some of them reconsidering their investment strategies for the country.”

General Manager, Agribusiness corporation, Japan

“Now may not be the right time for a 100 per cent foreign acquisition in this key industry. The Australian agribusiness space is going through a transition and it may be best for foreign investors to take a ‘wait and see’ approach before entering the market.”

Head of Portfolio Global Agribusiness Fund, Private equity firm, United States

“Australia has traditionally been hailed as a free market open to investors and with few interferences from the Government. This decision will not be taken lightly and could deter future investment from foreigners.”

Head of Technology Ventures, Agribusiness corporation, Malaysia
Regulation and policy: Domestic concerns and foreign investment

We accept that there is a sensible case for filling the current regulatory gap which sees most foreign acquisitions of agricultural land left unregulated. However, based on our survey, the vast majority of foreign investors are unlikely to accept the rationale for lower approval thresholds in agriculture. When asked whether they believed it is appropriate for investments in agriculture to be subject to lower thresholds, 79 per cent of foreign investors disagreed.

Where our views do align with our respondents is the levels at which the new thresholds are to be set. Sixty-three per cent of respondents said they were too low.

We have previously considered a number of specific concerns about these proposals and their implementation. Further details can be found in our publication, Focus: Changes are expected to the rules governing foreign investment in Australian agriculture.6

The impact of lower investment thresholds can be mitigated by regulatory reforms, including:

- annual indexation of the new thresholds in the same way that existing thresholds are indexed;
- reconsideration of the new threshold levels; specifically, we think the A$15 million threshold proposal for agricultural land should be increased to A$54 million to align with the threshold for developed commercial real estate (particularly as an accumulation test is to be applied);
- promoting annual programmes whereby investors can obtain pre-clearance for future acquisitions (28 per cent of our survey’s respondents said they would use such programmes); and
- in light of the reduced thresholds, equal treatment for foreign government investors (which are currently required to seek clearance for all direct investments regardless of value).

Leaving specifics to one side, we think the most critical task for the Government is for it to explain the rationale behind these proposals to the foreign investment community. At present, 49 per cent of foreign investor respondents agreed that the new proposals would affect their decision to invest in Australian agriculture.

In this regard, messaging is critical and there are three key themes we think should be emphasised.

First, that Australia welcomes foreign investment in agriculture and supports the freedom of investors to determine the investment structures that best suit their investment objectives.

Second, an important point of difference between Australia’s foreign investment laws and those of many other countries is that Australia’s laws are directed at ensuring the Government can exercise (and can be seen to exercise) oversight of foreign investment rather than at prohibiting or restricting foreign investment. Australia’s governments have relied on foreign investment processes to secure broad, if at times somewhat grudging, community acceptance of foreign investment.

Third, that there will be adequate resourcing within The Treasury to consider and approve promptly the additional foreign investment proposals that will now need to be notified.

Changes to competition policy

Another important area of regulation and policy reform heralded by the Green Paper is competition. The major concerns about competition issues in the agribusiness sector arise where it is perceived there is an inequality of bargaining power at various stages of the supply chain, whether that occurs through:

- significant regional presence arising from previous monopolies;
- natural monopoly infrastructure; or
- the buying power of major acquirers of inputs.

In particular, the Green Paper mentions the perception of an imbalance of bargaining power when farmers are dealing with major acquirers of agricultural products. According to the Green Paper, Australia’s existing competition laws contain a number of provisions which address imbalances of bargaining power. For instance, the Competition and Consumer Act 2010:

- contains prohibitions on misuse of market power and unconscionable conduct;
- permits collective bargaining as a way of trying to provide smaller suppliers with greater bargaining power; and
- contains a prohibition on mergers that substantially lessen competition, which assists in preventing further imbalances of bargaining power.

General access regulation (including under Part IIIA of the Competition and Consumer Act 2010 and various state third party access regimes) provides a framework for regulation of important infrastructure, such as rail and port infrastructure. For example, many of the rail networks on which livestock or agricultural produce are transported are subject to some form of third party access regulation.

Those general competition law provisions are also supplemented by industry specific competition regulation. For example, the Competition and Consumer (Industry Code – Port Terminal Access (Bulk Wheat)) Regulation 2014 was recently introduced to regulate access to bulk wheat terminals, principally with a view to ensuring that owners/operators of bulk wheat terminals could not leverage any market power delivered by a port to create anti-competitive impacts in the market for acquisition of grain from growers.

The current access regime continues to be a point of discussion. In recent years, the competition issues surrounding the ownership and operation of crucial infrastructure has been the subject of a number of formal inquiries by the Australian Senate. There is also currently a Senate inquiry examining the competition constraints on grain and other infrastructure including transport, logistics and storage, and handling services, and which models will be most appropriate to unlock competitive constraints.

There is work to be done in understanding the implications of the current Senate inquiry for commodities companies. For those companies owning and operating grain handling infrastructure, it may mean adopting defensive measures to ensure that their competitive advantages are protected. For companies competing for access it will mean strategically positioning themselves to take advantage of opportunities for vertical integration, improved access, and related issues.

It is our view that the Government needs to be cautious in making changes to competition laws of general application that may have wide implications for Australia’s economy, and add to the regulatory and compliance burden of Australian businesses.

The Green Paper notes suggestions that the test for
Regulation and policy: Domestic concerns and foreign investment

misuse of market power should be altered to: refer to “a substantial share in a market” rather than “a substantial degree of market power”; or introduce an “effects” test.

Changes in order to address concerns in a particular agricultural sector run the risk of having unintended consequences in other sectors of the economy. Australia, compared to many more densely populated countries, has many markets with high degrees of concentration that involve firms with a “substantial share in a market”. Consequently, we are concerned that the misuse of market power prohibition referring to a “substantial share in a market” will increase the regulatory and compliance burden with limited, if any, gain, as it is quite possible to have a “substantial share in a market” without having market power. The “effects test” is a matter that is being vigorously debated in the ongoing “root and branch review” of Australia’s competition laws being conducted by Professor Harper.

In respect of competition regulation of mergers and acquisitions, the Green Paper makes note of the debate about whether it is unduly restricting consolidation or the creation of Australian agribusinesses with sufficient scale to compete in global markets. This argument seems to be based heavily on the view that resulting exports, employment, or other economic benefits from such “national champions” should outweigh the potential anti-competitive detriments arising from consolidation. Submissions to the Harper Review have also raised this issue. The draft Harper Review report notes that the “best preparation for overseas competition is not insulation from domestic competition but exposure to intense domestic competition. Further, the purpose of the competition laws is to enhance consumer welfare by ensuring that Australian consumers can access competitively priced goods and services. Allowing mergers to create a national champion may benefit the shareholders of the merged business but could diminish the welfare of Australian consumers.”

In that context it is worth noting that there is an existing merger authorisation regime which allows public benefits to be taken into account. If that argument is to be made it is something that should be assessed on a case-by-case basis, rather than being used as the rationale for more generally relaxing the well understood merger provisions to the detriment of competition.

The authorisation process was actually commenced by Murray Goulburn in relation to its proposed takeover of Warrnambool Cheese & Butter, but was not completed due to the target company accepting a rival takeover bid. The fact that for practical reasons the merits of the public benefit arguments were not heard in that case should not lead to the conclusion that there is no forum in which such arguments can be made in Australia’s existing competition law regime.

Finally, the Green Paper also notes the potential for clarification of “country of origin” labelling for food products. This labelling is clearly an important consumer protection matter, and the House of Representatives, Standing Committee on Agricultural and Industry, and publication “A clearer message for consumers – Report on the inquiry into Country of Origin labelling for food” published in October 2014, provides useful recommendations in that regard.
Government investment: Innovation and infrastructure priorities

We asked respondents how they felt the Government should prioritise the country's investment in developing the Australian agricultural sector.

The survey results make it clear that respondents consider that the Government should prioritise investment in research and development (R&D) and irrigation and water management over ports, railways and roads (Figure 8). This focus comes as no surprise as Government investment in these areas will maximise Australia’s competitive advantages and mitigate concerns such as climate variability.

This is a different view than that portrayed prominently in the media which promotes supply chain infrastructure as the key area for Government investment.

As one Canadian investor puts it, “Australia has a good economy, and its proximity to the fastest growing emerging markets in the world is its biggest advantage. Also, the infrastructure in Australia is world class and highlights the efficiency of logistics and storage facilities crucial to the agriculture business.”

It is clear that investors, in particular decision makers based offshore, favour joint public and private investment models (Figure 9). As can be expected, private sector capital involvement is front and centre in the plans outlined by the Government in the Green Paper. In the case of irrigation infrastructure development, the Green Paper also provides an indication of the public-private investment models that are more viable. The issue for the future of the industry is whether the viable and supported models enable an adequate response for the demand for water availability to bring about an increase and diversification of production.

Revitalising investment in R&D

One of the most surprising findings in our survey was that among various aspects of agricultural investment, R&D was considered to be the area requiring the greatest government attention and assistance. Forty-five per cent of respondents chose R&D as the most pressing issue, above irrigation (20 per cent), ports (16 per cent) and roads and railways (9 per cent).

This finding reflects two important issues. The first is the importance placed on the funding of innovation by foreign investors, many of whom are based in countries with a healthy R&D culture and financing. The second is the perceived decline in available government-assisted R&D in Australia.

We anticipate that the investor interest in seeing greater R&D in Australian agriculture is focused on leveraging the secondary benefits of research. In essence they are looking for the Government to foot the bill – at least initially – and are less likely to be looking to be active players in the R&D process. This is particularly true during early stage, “blue sky” research.

As one Japanese investor states, “Government assistance in R&D for agriculture is critical to improving the market for agriculture in Australia. Infrastructure is already a highly regarded...
Government investment: Innovation and infrastructure priorities

The Green Paper includes a commitment by the Government to co-fund agricultural research, development and extension (RD&E). In line with this, the Government has expressed a commitment to the basic structure of the existing rural Research Development Corporation (RDC) model, the implementation of the Rural R&D for Profit program, and the maintenance of aspects of the existing Cooperative Research Centre (CRC) program.

The Government also says it is willing to consider ways to promote better rural R&D and extension coordination, reduce duplication, and facilitate the development of private markets in extension services.

**The new Rural R&D for Profit program**

Earlier this year the Government announced additional rural R&D funding aimed at attracting private investment under the Rural R&D for Profit program. This A$100 million program has been established to provide R&D funding for projects involving a partnership between a rural RDC and one or more researchers, research agencies, funding bodies, businesses, producer groups or not-for-profit organisations.

To be eligible for funding under the Rural R&D for Profit program, research projects must address one or more research priorities that have been identified by the Government in the following areas: increasing profitability and productivity of primary industries; increasing value of primary products; strengthening primary producers’ ability to adapt to opportunities and threats; strengthening on-farm adoption of innovation; and improvements in information flows.

The first round of applications closed mid-December 2014 and it is expected that the first successful projects chosen under the program will be approved by the Minister for Agriculture in March-April 2015 following assessment of eligible applications by a panel of experts.

We view the Rural R&D for Profit program as an important supplementary source of collaborative rural R&D funding to address priority research areas to realise productivity and profitability improvements across the agricultural sector with a focus on providing commercially viable R&D outcomes. We see these outcomes as potential opportunities for private investment to support the development phase of Australian agricultural innovation. Alongside this is the potential to capture market exclusivity through securing intellectual property rights.

**Potential growth of private extension services**

Once an R&D project generates a commercially viable outcome – whether it be a new product, an improved process, or standard of practice – extension of this information to, and uptake by, farmers is an important step in ensuring the implementation of innovation with the roll-on boost to productivity. Successful extension requires the provision of useful and practical information on R&D outcomes in a systematic, participatory manner to improve productivity.

The Green Paper acknowledges that the traditional role of the states and territories in providing extension services is diminishing and foreshadows an increasing opportunity for the private sector to initially provide the shortfall and then grow those services.

**Government plans for irrigation infrastructure asset development**

The Green Paper has presented a number of options that State and Federal governments
Figure 8: Which aspect of Australian agricultural infrastructure and R&D requires the greatest Government attention and assistance?

Figure 9: How should Government help fund infrastructure and R&D projects to support Australian agriculture?
Government investment: Innovation and infrastructure priorities

could take to prioritise additional infrastructure projects to increase water availability for agriculture. Key to this plan is a list of water development projects, including dams and groundwater storage projects, which are in the concept or early feasibility phase. These are being considered by the Government as worthy of further consideration by local governments and potential Commonwealth involvement, subject to further feasibility assessments. A Government working group is considering how investment in these infrastructure projects could be accelerated and to identify priorities for investment that can deliver Australia’s water supply needs in the future.

The list indicates a willingness on behalf of the Government to accelerate water infrastructure projects by investing in studies to assess their viability. It should be noted that there is a big difference between a commitment to assess viability and a commitment to invest. Nonetheless, the Green Paper also outlines seven principles that the Commonwealth will use to determine when it will make the decision to commit the public purse to projects.

In broad terms, the principles are similar to those used for transport infrastructure investment. To get the green light, projects need to be: nationally significant; be supported by a combination of State or Territory and private sector capital; meet economic, social and environmental impact tests; provide a solution that current market proponents do not have the capacity to solve, and do not rely on continuing Government funding when in operation.

At face value, that seems a challenging list of criteria for investment. There are examples of expanded infrastructure projects that have occurred with a combination of Commonwealth, State and industry funding, and these have been flagged for investment as part of the Government’s program. Key examples are, the Tasmanian Irrigation Tranches I and II and the Ord River irrigation program between Western Australia and the Northern Territory. If these can be used as a model for future investment, we can expect to see a continuation of support for projects in relatively high-rainfall areas designed to diversify farming towards more water intensive crops. These projects have relied on Government financial support to finance the development stage and depend on private sector participation through the acquisition by farmers of tradeable water rights.

Irrigation requires Government attention and assistance

“The two areas that need the most attention in Australia are greater connectivity and access to land, and overcoming the irrigation problem being faced across the country.”

Deputy Chief Executive Officer, Agribusiness corporation, Ukraine

“As said earlier, the major challenge for Australian agriculture sector is variable climate and under that irrigation can be flagged as the most difficult challenge. To overcome it the government has to come with various schemes for development.”

Director of Agribusiness, Agribusiness corporation, New Zealand

“Considering climate change and unexpected drought, you can imagine the need to the Government to pay serious attention in developing irrigation infrastructure.”

Head of Agribusiness, Bank, Australia
It is a positive step, but it is a far cry from the type and scale of projects required to achieve what some market participants are calling for to increase output on the harsh, dry plains in Australia’s far north. For example, in Queensland’s Gulf Country where efforts have been commenced to capture monsoonal rains from the Gilbert and Flinders rivers, the North Queensland Irrigated Agriculture Strategy has been implemented to establish a base for crop production. At this stage, there has been insufficient investment to bring about an increase in crop production. The project is also surrounded by accusations from farmers of a lack of transparency of allocation of water licences and environmentalists who oppose the development of the scheme.

**R&D requires the greatest Government attention and assistance**

“There is still a noticeable gap in research and development. Take the example of genetically modified crops and hybrid animal breeds – there’s been a funding shortfall and people are still split on its advantages and disadvantages. If the sector is to grow, the Government needs to allocate more resources to R&D in the sector.”

Executive Director, Private equity firm, Australia

“The demand for new and innovative agricultural equipment and pest control is increasing, and this is creating the need for more R&D. Australia is facing a significant funding gap in R&D and needs to focus on making infrastructure more agriculture friendly.”

Director, Private equity firm, Singapore

“As India and China make advances into tech related to agriculture, Australia will face new competition and must take measures to safeguard its edge by making significant investments to promote agriculture.”

Managing Director of Acquisitions, Private equity firm, United States
## Recent agribusiness experience

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<td><strong>Commodity trading</strong></td>
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| Cargill | • acquisition of the Joe White Maltings business from Glencore PLC.  
| | • acquisition of the AWB Commodity Management business from Agrium.  
| | The transaction followed Agrium’s acquisition of AWB Limited and included all grain trading assets principally in Australia, India, Switzerland and the Ukraine. |
| **Commodity financing (financiers and borrowers)** | |
| | • commodity financing of AWB, CBH and Emerald (acting for bank syndicates).  
| | • commodity financing of Cargill, Gavilon Grain, SunRice and Ridley (acting for borrowers). |
| Gavilon Grain | • establishment of its Australian grain trading business, including in relation to development of standard contracts for its pool and cash businesses, agency arrangements, financing, and port access arrangements with CBH. |
| **Supplies and services** | |
| Agrium | • Australian aspects of the C$1.8b acquisition of the majority of Viterra’s Agri-products business in Canada and Australia. |
| **Food processing** | |
| JBS Australia | • proposed A$1.45 billion acquisition of Primo Group, the largest ham, bacon and smallgoods producer in Australia and New Zealand.  
| | • acquisition of the Tasman Group, Australia’s largest meat processor, and subsequent acquisitions of Rockdale Beef and Tatiara Meat. |
| CorVal Partners Limited and RF Capital | • purchase and lease back of six poultry processing facilities across Australia from Inghams Property Management Pty Ltd. |
| Inghams Enterprises (financiers) | • financing of TPG’s A$880m acquisition of Inghams Enterprises, Australia’s largest poultry producer. |
| Dairy Farmers | • A$910m sale to National Foods (Kirin). |
| **Farm production** | |
| North American investment fund | • establishment and acquisition of a controlling joint venture interest and acquisition of an initial portfolio of Queensland cattle stations. |
| Receivers of Cubbie Station | • sale by McGrathNicol, as administrators, to Shandong RuYi of the largest irrigated land aggregation in the Southern Hemisphere. |
| Black River Asset Management | • establishment and acquisition of a controlling joint venture interest in BFB, a diversified agricultural company with interests in logistics, piggeries and farming.  
| | • establishment and acquisition of a controlling joint venture interest in Racecourse Investments with Mackay Sugar for the acquisition of Australian sugarcane farms. |
| Australian Food & Fibre | • acquisition of PrimeAg and its portfolio of cotton properties and water rights by scheme of arrangement. |
| Standard Chartered Private Equity | • investment in the Wellard Group, Australia’s largest livestock exporter and ship owner, and a large mixed farming land owner and operator. |
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Allens Agribusiness and Food Practice

Allens is a commercial law firm working throughout Australia and Asia. Through its integrated alliance with Linklaters it provides clients access to 40 offices in 29 countries around the world.

The Allens agribusiness team understand the complexity and trends of agribusiness law. The firm provides expert advice across many industry sub-sectors, including dairy, beef and other protein, wool, cotton, sugar, grains, plantation and forestry, and rural and infrastructure services.

The Allens team has the experience, knowledge and insight to assist Australian and international businesses, investors and financiers in this burgeoning market.

Our experience allows us to advise clients on a wide range of legal matters affecting the agricultural industry, including acquisition and joint ventures, commodity and acquisition finance, infrastructure access, competition and foreign investment clearances, rural land acquisition and leasing, water rights, native title and cropping technology.

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