



## **‘Investment in Australian Agriculture’**

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## Investor's View

‘The current extreme volatility of the general global financial markets makes the opportunity to invest in Australian agricultural property rather compelling!’

‘The low AUD and the general mood over here makes the investment opportunity even more compelling’



## Some Recent Headlines

- ‘IMF slashes its global forecasts’ & ‘Worst year since Great Depression’ – The Age 29/1/2009
- ‘Miners to face big meltdown in 2009’ – Canberra Times 10/1/2009
- ‘Very public pain of private equity’ The Australian 24/1/2009
- ‘Trusts under refinance pressure’ – AFR 22/1/2009
- ‘Business stranded as debt pool dries up’ – AFR 13/1/2009
- ‘9% (Unemployment rate) – Daily Telegraph 13/1/2009

However

- ‘Bumper season ahead for farmers’ – AFR 13/1/2009
- ‘Beef sales up in Asia’ – Daily Telegraph 13/1/2009
- ‘Rich pickings for bold investors’ – The Land 22/1/2009



# Introduction

- PPB is better known for its business reconstruction and insolvency work.
- In 1997 PPB Rural & Agribusiness Services was established to provide specialised insolvency and reconstruction skills for the rural sector.
- In 2006 the work moved into the restructuring of larger scale farm enterprises acting as an intermediary for the introduction of suitable debt and equity to larger farming operations.
- Backdrop was prolonged drought, high debt loads and a lack of local capital interested in ag.
- In 2008 Australian Farm Investments was established as an originator working between financiers, investors and agricultural opportunities.



## The Opportunity

- To introduce long term investment capital, with an appreciation for agriculture, to Australian assets.
- Investors see Australia as a safe platform in global terms due to:
  - > A stable political environment.
  - > A sound economy.
  - > A pool of capable farm management.
  - > Strong security of title to property assets.
  - > Good infrastructure and services.
  - > A moderate climate.
- From a portfolio risk viewpoint Australia is a good fit into an investment model with a bonus of the diversification across the continent.



# Influencing Factors

- The global economy is under extreme pressure with huge volatility.
- The next stage of the financial storm is expected to be the availability of funding or liquidity. Those with a high debt load will be most vulnerable.
- However genuine wealth is seeking out opportunities and real property assets are seen as relatively safe and need to be considered in a balanced investment portfolio.
- Investment methodology considers that property risk equates to lower volatility / less likely loss. Alternatively a volatile general financial market presents the potential to lose a larger part or all of an investment in shares or financial instruments.



# Investors

- Initially local investors were approached but it quickly became apparent there was little genuine interest from the limited pool of domestic capital.
- Sixty global investors have been canvassed over the last three years and of these only a handful genuinely understand the sector, appreciate the risks and are realistic on expected returns.
- Investors fall roughly into three general categories:
  - > Short term investors / vulture type funds (up to 2 year horizon) requiring returns of 20% plus which are not generally achievable in the time frame / in ag,
  - > Medium term commodity orientated investors (5 year horizon) seeking returns of 10% plus
  - > Long term fund type investors with food commodity experience seeking a small margin on money market rates and an opportunity for capital gains.



# The Way Forward

- Local agricultural assets are seen to be devoid of the risks associated with the highly volatile global financial markets.
- Whilst the expected boom in food commodities has not yet occurred there is strong interest from a number of specialist food commodity investors with an appetite for global agricultural assets.
- Australian assets are seen as reasonable value which is assisted by the current pricing of the AUD
- Key requirements include quality farm management and strong financial and operational reporting systems.
- A further driver for investors is the ability to tap into the knowledge of local farm management and associated expertise for off shore opportunities.





**Specialised skills, dedicated expertise and extensive experience mean we understand the issues and deliver effective solutions to the rural and agribusiness sector**

