

# AACo chief David Farley says Asian opportunities in peril

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From:The Australian

April 22, 2013 12:00AM

**AUSTRALIAN Agriculture Company chief executive David Farley has called for a comprehensive government policy on agribusiness if Australia is to take advantage of the increasing demand for high-quality food in Asia.**

He said yesterday that Australia's major institutions were now avoiding agricultural investments as they were under short-term pressure to deliver returns while agricultural investment needed longer-term, patient capital.

He said the agricultural industry was also under pressure from the high Australian dollar, cyclical world prices for agricultural commodities, rising costs beyond the farm gate and the consolidation of "gateway" organisations such as food processors which were able to hold down prices paid to producers.

"Australia is a land of plenty when it comes to food and it has never had to sit down and put in place a proper agricultural policy, until now," Mr Farley said.

"If we want to be part of feeding Asia, we seriously need to be able to put down proper and attractive government policies.

"Agricultural policy needs to be on the agenda going into the election."

Mr Farley said that Europe and the US had more comprehensive policies aimed at assisting their agricultural industries.

"It is bizarre that the international price of red beef is still

going up in value while the Australian prices for beef are going down," he said.

"We have had a decoupling of the international prices from the domestic prices."

He said it was significant that Prime Minister Julia Gillard had not taken any representatives from the agribusiness industry with her on her recent trip to China, although she did take representative from the mining and banking industries.

"We had this white paper which talked about the opportunities of supplying food to Asia but we are putting more into our film industry than we are into agriculture," Mr Farley said.

His comments came following issues raised at The Australian's global food forum in Melbourne last week.

Tim Hornibrook, joint chief executive of the Macquarie Agricultural Funds Management business, told the conference that Australian agriculture was being starved of capital from local investors,

forcing it to turn to rely on foreign investors who took a longer view view of the opportunities here. But he said part of the reason was that the industry had done such a poor job of promoting itself.

Mr Farley said major institutions such as AMP and the former National Mutual used to be significant investors in Australian agricultural properties but the "new generation" of Australian fund managers was not interested in investing in the sector as they could get more certain income-based returns elsewhere.

"They are principally focused on managing for dividend yield as opposed to capital appreciation," he said.

"Their time horizons and their benchmarking are a lot tighter and a lot more difficult than the long-term investment needed for agriculture.

"Agriculture needs investors that need to be there for the long term," he said.

Mr Farley said foreign investors in Australia also had the advantage of not being subject to the same tax regime as domestic investors and could often take home their profits "without paying very much tax".

Garry Weaven, chairman of the \$40 billion Industry Funds Management, said Australian institutions were cautious about investing in agriculture and agribusiness as the sector did not have sufficient returns.

"We have looked at it a number of times over the years without being able to see the evidence of the ability to make sustainable returns," he told The Australian yesterday.

"It is possible that may change because of the massive population growth in the world and the huge urbanisation taking place in Asia."

But he said for the agricultural industry to become more attractive to Australian investors there would need to be a restructuring of the industry.

"The evidence speaks for itself that the returns from agriculture have not been there on a long, term, sustainable basis," he said.

Mr Weaven said Australian institutions had the funds to invest in agriculture but "the returns have not been there for a whole range of reasons".

Former Future Fund chairman David Murray said yesterday that the agricultural industry in Australia was being hit by the high cost of transporting goods beyond the farm gate.

He said policies such as the carbon tax, the renewable energy policy, the high cost of electricity in Australia and the lack of development of a bulk rail freight industry were "not conducive to the development of an agricultural industry".