

HD **China** Investors Try to Tame Australia Outback

BY By Rob Taylor

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KUNUNURRA, Australia--Built 40 years ago amid rugged ochre cliffs in the Australian Outback, the Ord Dam was meant to turn swaths of harsh scrub into a lush food bowl--serving staples such as rice and sugar to the rest of the world.

But disappointment has often flourished since then in Kununurra, a remote town in northwestern Australia built to service the Ord that numerous governments have dreamed of fashioning into an agricultural nirvana, with limited success.

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Experiments in growing rice and cotton were abandoned years ago, as the heat and pests ravaged crops. Forbidding distances proved an even greater hurdle, with the nearest major export terminal 2,000 miles away.

Now a new developer has arrived in Australia's rugged north, offering a far bigger and far more ambitious effort than previous foreign agricultural investors in the region.

Chinese company Shanghai Zhongfu is plowing 700 million Australian dollars (US\$610 million) into turning Kununurra scrub into farmland producing sorghum and sugar crops for liquor makers and manufacturers of ethanol-based fuels. It has its sights set, initially, on booming markets at home.

In entering Australia's A\$2-billion-a-year sugar industry, Shanghai Zhongfu follows other foreign investors in Australia in trying to squeeze new profit from a sector dominated until now by small farms.

"It won't be simple," said David Sackett, managing director of Growth Farms Australia, which helps overseas clients make agricultural investments. "I hope they're going into it with their eyes open."

But Shanghai Zhongfu is so eager to tap into Kununurra's potential that the private real-estate-and-investment conglomerate has also bought a country club in the town, anticipating a wave of tourists from **China** and elsewhere.

"It's not a bet," said Yin Jianzhong, chief executive of its Kimberley Agricultural Investments unit, as the **company**'s tractors went about converting thorn scrub into acres of laser-leveled fields. "We think it has great potential--greater than anywhere else in Australia because it's so close to the Asian market."

Mr. Yin, 55 years old, and Shanghai Zhongfu's president, Pui Ngai Wu, believe the **firm** can succeed in Kununurra where others have failed by being more ambitious than previous smaller-scale efforts. Indeed, Mr. Yin's **company** isn't the first foreign agricultural investor in Australia's north, but Shanghai Zhongfu is seeking to operate at a much broader level. In contrast to the smaller-scale farms that have sprouted up in the past for local markets, Shanghai Zhongfu plans to mass-produce crops for global markets, while investing directly in building the transport networks needed to grow business over a time frame of decades.

While critics say Shanghai Zhongfu faces steep challenges, Australia's government is eager to see the **company**'s efforts succeed--and be replicated by others.

The venture, as well as other agricultural investments that follow, could also be buoyed by a free-trade pact to be signed by Australia and **China** next week, which should make it easier to import fertilizer and machinery from **China**, while potentially reducing some regulatory cost burdens.

With its fertile black soil, tropical climate and drenching wet-season rains, northern Australia arcs across 1,500 miles of territory above the Tropic of Capricorn, taking in the rugged Kimberley ranges in Western Australia, the mainly Outback Northern Territory, and the Great Barrier Reef in the east.

The region, which accounts for about 40% of Australia's terrain and a million of the country's 24 million inhabitants, has some of the world's biggest raw-material deposits.

Still, its remoteness from the heavily populated southeast of the country, wild climatic extremes, and poor infrastructure have blunted many previous business attempts. Even the lure of higher-than-average wages inflated by mining riches has failed to attract Australians from the southern population centers, who are put off by the distance from major cities.

"Most people come here for a few years and hope to make enough to **buy** a house and move back south," said Janet Takarangi, an economic-development officer for Wyndham-East Kimberley shire council in Kununurra.

With the national budget under strain from the mining slowdown, Prime Minister Tony Abbott's conservatives want to attract interest from companies to help finance dams, highways and rail links in the north.

The federal government has announced funding for priority projects, and hopes businesses will follow. The Northern Territory, meanwhile, is seeking private backing for an expansion of the Asia-facing Darwin port, which is likely to cost billions of dollars.

Asia's thirst for resources such as copper, coal and iron ore from northern Australia has accounted for about a third of the country's gross domestic product. The government wants to increase that foreign contribution to 42% by 2040, with agriculture driving the change.

But critics question whether such agricultural goals are realistic. Environmental groups, in particular, are deeply skeptical of efforts to boost farming in the country's north, saying the Ord's checkered history leaves a cloud of uncertainty hanging over the long-term viability of projects in the absence of substantial financial support from the government.

"More than \$1 billion has been ploughed into the Ord scheme," the Wilderness Society, an environmental **group**, said in a recent submission to lawmakers on plans to develop agriculture in the north. "If taxpayer-subsidized persistence is the best outcome from the most suitable location for broad-scale agriculture, what is to be expected from less suitable locations? The Ord, our most expensive northern food bowl experiment, is now dominated by sandalwood plantations, not food."

Mr. Sackett, of Growth Farms Australia, added that foreign investors in Australian agriculture often underestimate the difficulties.

"It's about where are the risks, and then probably double them. And going into a greenfield **site** brings a whole heap more uncertainty," Mr. Sackett said, adding that **Chinese** investors were often less familiar with some of the local dangers. "You compare them with those more used to sophisticated investing globally, the **Chinese** are in the early part of the learning curve. There are a lot of tire kickers."

But with Asia's rise, many in Australia feel the time is right for development efforts in northern Australia to deliver on a development dream that's been around for a century, ever since cattlemen settlers grappled with how to harness the wet-season deluge that pummels the region a few months each year.

The task of selling the government's northern vision to voters has fallen to Agriculture Minister Barnaby Joyce, from the countryside-based National Party. He also doubts the region could become a food bowl for all of Asia but is confident of a doubling of agricultural output nationally by 2050.

"Let's realize the land can't be taken for granted, but it's vastly more robust than we give it credit for," he said. "We aren't envisaging to turn the whole of the north into a market garden."

Mr. Yin said he believes Shanghai Zhongfu can succeed in the Ord because it has its own milling facilities, giving it more independence than most other sugar-farming operations, and also because the **company** has a decadeslong investment horizon--unlike many mining companies in northern Australia that tend to look for quick returns.

After Shanghai Zhongfu bought the local country club, many Kununurra residents worried that it would be shut down and used to house imported farm workers. The club, shielded from the fierce summer heat by palms and featuring a shaded pool, is a popular community gathering point. Mr. Yin tried to dispel those rumors in a series of public meetings and promised that the club's accommodations, bar and restaurant would remain tourist-focused.

Shanghai Zhongfu is likely to rely mostly on local employees for its farming operations. The **firm** also plans to improve access to ships at Wyndham, a small port some 60 miles away from Kununurra, ideally with the help of state authorities.

Mr. Yin said **Chinese** investors consider access to virgin Australian land a unique opportunity to target consumers back home, whose Westernizing diets--and wariness toward certain types of homegrown food in the wake of recent health scares--are creating a ready market.

"China has vast land, but not a lot of arable land for agriculture," he says. "We can be stewards of the lands here."

Write to Rob Taylor at rob.taylor@wsj.com

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