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Foreign investors needed to expand agribusiness

When large rural areas are able to access the NBN, the ability of producers to monitor and manage their vast properties will come down to a few keystrokes on a computer. **Glenn Campbell**

by **Olga Galacho**

In Matt Damon's film *The Martian* an astronaut abandoned on the red planet uses science to stave off starvation.

increasingly refined.

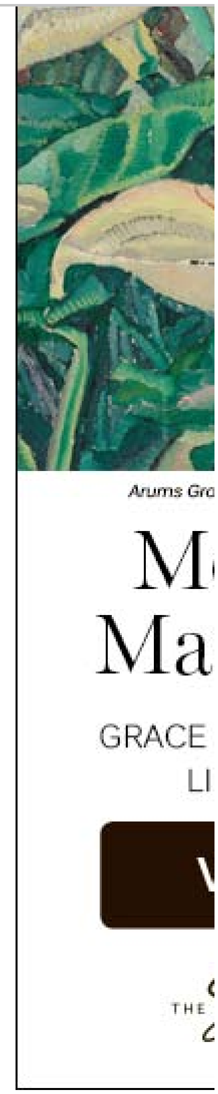
Satisfying the new fussy eaters requires an enormous investment in IT to take full advantage of the digital revolution that awaits farmers who will go "NBN-live" next year, says National Farmers' Federation chief executive Simon Talbot.

"We are not using the available science enough to scale up our food production . . . and to realise our potential we need foreign investment," he says.

The science that is missing on farms is pinpoint precision digital monitoring. When large rural areas are able to access the NBN, thanks to the satellite launches the broadband company is undertaking, Talbot says the ability of producers to monitor and manage their vast properties will come down to a few keystrokes on a computer.

"What you will see is fenceline data beamed up and over to your electronic device. You will be able to check on pasture growth rates in different parts of your property, see which parts need more water, where you need to fertilise more, where your livestock is and how the health of each individual animal is looking, without leaving the office.".

The data will help boost farm-gate returns to the extent that food production will be considered "sexier", says Talbot, who reports that already farmers are seeing the potential of agribusiness, as a growing concern over food security escalates in Asia.



Absence of sovereign risk

Commonwealth Bank managing director of industrials and agriculture markets Peter McGregor says Australian businesses appeal to Asian investors because of the quality of our produce, services and the absence of sovereign risk.

When the China Free Trade Agreement and the Trans-Pacific Partnership get under way, the opportunities for Australian businesses to benefit will be significant, McGregor says.

"I reiterate the point that these free trade agreements will produce major opportunities for Australia.

middle class pays more attention to what it eats and where it comes from.

"There is a growing demand out of Asia for more meat and wine, plus more value-added and processed foodstuffs, such as infant formula.

"Australian producers have much to gain in satisfying the changing consumption patterns in our region, but they need investors in order to scale up to meet the challenge."

No one recognises the potential of Australian produce more than the investors with a close-up understanding of how consumption in their domestic markets is evolving.

Several large institutional and private investors have already grabbed a piece of this action with full or partial takeovers. The deals include Taihua Food's joint venture with Churchill Abattoir to make the Australian meat processor's plant export-grade; Hailang Organic Farming Company spending $40 million on Queensland cattle and cropping properties; and a private Chinese company buying a 205,000-hectare Northern Territory cattle station.

PriceWaterhouse Coopers' China desk leader, Kai Zhang, told *The Australian Financial Review* the private-sector clients he is advising on food and agricultural deals are mostly property developers and building materials companies looking to shift their capital base abroad, given the headwinds in the Chinese construction sector.

"I won't be surprised if some of Australia's most iconic food and beverage companies become subject to Chinese take-overs in the next 12 months," Zhang says.

"I recently advised China's Landbridge Group on its acquisition of Darwin Port. We are very confident in the growth of food and agricultural exports between northern Australia and China.

"This sector is attractive to Asian investors because of Australia's logistical and proximity advantage, favourable political and legal environment, and freehold ownership, which is not available in China."

Commercial property

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biggest deals last year, however, were buyouts of industrial and resources companies. Infrastructure investment absorbed 21 per cent of Chinese capital, resources 18 per cent, leisure and retail 12 per cent, while agribusiness and manufacturing took up 1 per cent and 2 per cent respectively.

A KPMG study, *Demystifying Chinese Investment in Australia*, reported that in 2014 four megadeals were sealed with Chinese investors for a combined outlay of $4 billion. The targets were cinema giant Hoyts, John Holland Group, the Port of Newcastle and Aquila Resources.

Among the drivers behind an increasing Chinese appetite for Australian companies is the desire to become more nimble.

"Overseas investments are helping more Chinese companies from more sectors access new markets and acquire the experience, technology, brands and human capital necessary to become more competitive," KPMG says.

The cloud on the horizon could be if there is any change in foreign investment rules.

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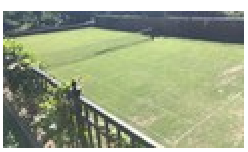

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