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HD **Foreign investment in agriculture breathes life into rural communities, says banker David Williams**

BY By Pip Courtney

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Investment banker David Williams is calling for Australia to "put the welcome mat out" for foreign companies and governments keen to invest in Australian agriculture.

A Melbourne investment banker specialising in agribusiness deals is calling for Australia to "put the welcome mat out" for foreign companies and governments keen to invest in Australian agriculture.

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David Williams, managing director of boutique investment firm Kidder Williams, says while billions of dollars have come into Australia in recent years there is billions more "backed up behind it".

"Foreign investment is healthy and vibrant. They're paying big prices and multiples that we haven't seen in this country for 20 years at 15 times earnings," he said.

Mr Williams says the financial benefits of foreign investment cannot be ignored and the less hurdles Australia puts in place the better.

"These people are going to breathe new life into our rural communities, breathe new life into assets that have been underutilised for a long time ... and create enormous employment," he said.

"We should be putting out the welcome mat, we should be putting on the outside light and we should welcome those people with open arms."

Mr Williams says he does not "give a rats" Australian companies and super funds are not investing in Australian agriculture, advising politicians like Federal Agriculture Minister Barnaby Joyce to "just relax".

"You can't blame our super funds. Some of these people are coming from zero debt environments, their cost of equity is 5 or 6 per cent," he said.

"They come with their own markets - and some with an in depth knowledge of food security - and food price inflation.

"Some of these funds are paying much higher prices than Australian funds could pay, so it is all good news as far as I am concerned."

Foreign investment 'coming from everywhere'

Mr Williams says it is a misconception that the majority of foreign investment in Australia is from China.

"We have seen Saputo [Canada] buying into Warrnambool Cheese and Butter, Chobani [United States] buying into Gippsland Yoghurt, Monde Nissin [Philippines] buying Black Swan dips, Lactalis [France] buying into Jindi Cheese, we have Fonterra [New Zealand] buying Tamar Valley Yoghurt.

"The Japanese are investing a lot, so we've got Itochu in Burra Foods for [milk] powders and Mitsubishi investing in Murray Goulburn's new [milk] dryer in Tasmania.

"Some of those investments are there to satisfy not only the China market but also markets in Indonesia, sub-Saharan Africa and the Eastern Bloc, so it's very exciting, it's coming from everywhere."

He says foreigners are buying companies in the beef processing, dairy and sugar sectors which Australian investors do not want or cannot afford, including operations that have been on the market for several years or closed for some time.

"We've had a number of assets bought in the last six months that have been on the market for five years or more.

"What we're now seeing is mothballed assets - food assets, a couple of abattoirs I'm aware of - where people are buying those and are going to reopen them. That's fantastic news."

'Scare mongering' driving potential investors away

Mr Williams says the Federal Government can prove Australia is truly open for business by abandoning its election promise to lower the threshold for Foreign Investment Review Board (FIRB) scrutiny of agricultural land purchases.

"This is what I don't get, and it goes to the heart of Canberra's attitude to foreign investment and the FIRB in particular," he said.

"Somebody comes to you and they say an abattoir in a country town has been shut for 10 years.

"I propose to buy it to give the capital to the Australian owner and let him deploy it somewhere else. But I've got to put $30 million into a new boning room and a new freezer. I'm going to put 200 people on that boning line and I'm going to develop an export market.

"Tell me what would be bad about that? Tell me how long you need to decide as a country council or a state or federal government whether that person should be allowed to do it?"

Mr Williams is disappointed by the quality of debate about foreign investment in Australia - at both the political level and in the media, which he says risks driving potential investors away.

"It's a popular topic to say there shouldn't be foreign ownership. It's a nonsense in my opinion, we need the money and it's not going to last forever," he said.

"Time is of the essence, and the last thing we want to do is have knee-jerk reactions sending these people back to where they came from."

He says he does not understand the unease some have with government-owned sovereign wealth funds buying farmland or food processing assets.

"The interesting thing about them is so far they haven't even sought to get product, so you've got some big sovereign wealth funds here saying, number one, we don't want to own more than 49 per cent.

"Number two, we don't want anybody on the board, and number three, we don't want any off-take agreement - we just want to have some investments in agriculture that we think are going to go up.

"So when you look at what is happening on the ground there is nothing like the scare mongering that you read in the paper or might hear coming out of Canberra."

Investors prepared to do 'wild west stuff'

Mr Williams says many Australians do not realise the type of investors buying agricultural and food processing businesses.

"There is a silo of what I'll call the Ivy League universities such as Harvard, and some of the larger super funds around the world: Toronto Teachers, Ontario Teachers etc, some of the North American super funds and labour funds," he said.

"They've been very active for the last three to four years buying into timber and long-dated agricultural assets, timber in particular, but more recently into broadacre farming and beef."

What he finds most exciting is investors are prepared to do greenfields projects, what he calls "wild west stuff".

"The Ord River is the best example of that at the moment. A piece of land that is 18,000 hectares nearly cleared completely at a cost of $125 million plus by a Chinese property developer; not a sugar farmer, not a sorghum farmer but a Chinese property developer.

"I hope that they will make a lot of money out of it but it's possible that they may go broke.

"The land will be cleared, the infrastructure will be built at someone else's cost so what is the worst that can happen?

"The best that can happen is ... they make a lot of money, give a lot of employment and they open up a good part of that land in the north-west of Australia.

"The more of that the better."

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