

SE **Business**

HD **Decline in local interest 'overblown'**

BY SUE NEALES rural reporter

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Foreign money is filling any void, says David Williams

Investment banker and agricultural asset adviser David Williams has called on politicians and farm leaders to "stop bleating" about the lack of interest shown by Australian superannuation funds and the Future Fund in investing in local agriculture and food businesses.

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Mr Williams, who heads Kidder Williams and is a big investor in water and rural companies in his own right, told The Australian's Global Food Forum dinner in Sydney this week that the issue was overblown. He said that while the lament was true, there were often good reasons for the reluctance to invest in the rural sector, apart from incorrect perceptions it is a backward or sunset industry.

But he said the loss was Australia's and that he "did not really care", since the enormous investment and **business** development opportunities in Australian agriculture were being picked up by overseas companies, funds and private **equity** investors.

"The foreigners have a much lower cost of capital; we are dealing with a **Chinese group** at the moment that has \$1 **billion** invested here and their cost of capital hurdle for **equity** is 5 per cent — that's sitting at the top of our debt rate," Mr Williams said.

"The **Chinese** are happy to be (in agriculture), the Australians don't want to be there, and frankly I don't give a rat's whether they are or not, because there is enough money coming in from outside if you properly market it.

"And these guys are putting serious money into the country — not just \$20 **million** or \$50m — so I say, don't waste your time on the (local) super funds because they can't compete. Sooner or later they will wake up." Foreign funds are known to be looking to invest in almond orchards, aquaculture projects, cattle stations, Tasmanian **dairy** farms, and northern development opportunities.

Agriculture Minister Barnaby Joyce this week confided his disappointment that the \$1.7 **billion** Georgetown irrigation and farming scheme in the Gulf country of far north Queensland, proposed by former Queensland Treasurer Keith de Lacy, had been forced to look to "Dallas and London" for finance. "The reason I have the luxury of not caring (about Australian investor reluctance) is because I know there is a groundswell of foreign money and funds already investing in this country and there is much more coming," Mr Williams said.

"Expect some big announcements and some large transactions in beef and cattle in the next two weeks by foreign investors.

"We we have already seen 15 times multipliers paid for food companies like Black Swan dips, Warrnambool **Cheese** and **Butter** and various meatworks." Mr Williams said Australia — and particularly "flat earth" politicians in Canberra — should be welcoming these investors, not discouraging or frightening them off as he claimed some adverse rhetoric from Mr Joyce had done to the **Chinese**.

He was also critical of a recent decision to lower the trigger value above which all agricultural **business** and farm sales to foreigners must be approved by the Foreign Investment Review **Board** from \$248m to just \$15m, bringing many more farm purchases within the FIRB net.

"We must encourage not discourage; not only can we get access to other people's money; the most exciting thing is that large amounts of this foreign money are going into regions of Australia that would otherwise go undeveloped," Mr Williams said.

"They are buying food businesses that have gone unsold for years, while other businesses that were closed are being reopened using foreign capital," he said.

"Buying **business** here and releasing Australian capital, investing new capital, creating jobs and breathing life into rural and regional towns and communities. What can be wrong with that?

"Foreign investors who can do that should be embraced; with friends like these we don't care if local superannuation funds don't invest." A report for ANZ bank by Port Jackson Partners last year found that more than \$600bn of capital investment was needed to double Australia's agricultural output and productivity by 2050, and that most of it would have to be sourced from global institutions and firms.

Mr Williams said the alternative to an influx of foreign ownership was "long-closed food plants staying closed, large tracts of northern Australia staying undeveloped, and some rural communities slowly dying on the vine".

He said the other urgent matter requiring policy attention by the government was the dwindling resources for agricultural research and development. But as government cuts to CSIRO funding bite deep, Mr Williams warned that spending cutbacks on agricultural research would squeeze export earnings potential.

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