

SE Finance  
HD **REALISING FARMING BOOM POTENTIAL**

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Collaboration is key for the success of local agribusiness

ONE of the consequences from the mining boom in Australia and its role in ``saving" the country from the recession that beset other economies in the wake of the global financial crisis was

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the lack of attention to issues affecting the country's non-mining industries.

Next week The Australian hosts the second of its Global Food Forums, which will attempt to tackle some of the challenges facing Australian agribusiness.

Or maybe more accurately, Australia's problems in grasping the opportunities presented by the rapidly growing middle classes of Asia and their demand for higher quality food -- and more of it.

Just how has Australia been able to produce global resource champions such as BHP Billiton and Rio Tinto, yet in a country with abundant fertile land, high standards of food production and good relations with our Asian neighbours including **China**, it has been unable to produce a global agribusiness **company** like New Zealand's Fonterra? Or international grain trader Cargill from the US midwest?

The agricultural industry in Australia is one of the most efficient in the world, operating on a lower cost structure and lower levels of government subsidies than many other regions of the world, particularly North America and Europe.

One reason that Canada's Saputo paid more than \$500 **million** for Warrnambool **Cheese & Butter** was to diversify beyond that country's high-cost **dairy** sector.

As Macquarie's head of agricultural funds management, Tim Hornibrook, who is a speaker at next week's conference, points out in today's paper, the industry in Australia is highly fragmented.

The Australian farming industry, particularly the grains and **dairy business**, has its roots in small family farms.

While this is not a new issue facing the global agricultural industry, the continued reliance on small fragmented units makes raising capital difficult and prevents step-change investments, research and development and large-scale innovation.

It also puts a premium on developing strong industry bodies. Investing in agriculture is a long-term **business**, beset with weather shocks and the swings and roundabouts of the commodity cycle. However, few major Australian institutions now have any significant exposure to the industry.

One of the last big investors of note was AMP's long-standing investment in the Stanbroke Pastoral **Company**, which was **sold** in controversial circumstances for a cheap price more than a decade ago, adding to the apparently gloomy view of agriculture as an investment.

As Hornibrook points out, the mining industry is also beset with very big swings in commodity prices, yet investors in Australia still manage to cope with that.

Foreign investment in our agricultural and food industry is a critical source of capital but also of links to international markets and expertise.

Clearly, moves to reject foreign investment such as last year's bid by American-owned ADM bid for Graincorp, cannot be taken lightly. Political, industry and debate leaders need to ensure that this is a rare exception to an open for **business** rule.

As Hornibrook also comments, a lot of the day-to-day coverage of the farm **business** is about the latest piece of bad news -- be it drought or floods or debt.

The advantage of next week's conference is that it allows for a focus on the agricultural sector as an industry in its own right and will throw up debate on constructive ideas to take the industry forward.

This week's Deal magazine, which is published in The Australian on Friday, also seeks to talk to some of the speakers at the conference and other players in the industry.

Some of the themes to be debated include how to build **Brand** Australia as a name in the world food market.

Given the fragmented nature of the farming industry, what can be done to provide a more co-ordinated industry in the future?

Rebecca Dee-Bradbury, who had just stepped down as head of Mondelez (nee Kraft) and is a speaker at next week's conference, talks about the need for more collaboration within the food industry.

Dee-Bradbury points to the example of the establishment of the Food Innovation Centre in Melbourne.

The Deal's cover photo features Victorian wheat farmer Stewart Hamilton, whose family has been in the **business** for generations.

He loves farming and thinks there is a good news story to tell about the **business**.

There is no easy "mining boom" solution to developing the real potential of our agribusiness industries, but shining the spotlight on the issues is a start.

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