

Tackling the challenges of ag investment



**COMMENT by
TRAVIS MORGAN**

THE Agribusiness Association of Australia (AAA) facilitates discussion along the agri-value chain and provides informed debate.

Throughout our series of business forums this year a clear theme that has arisen is that investment in agriculture in Australia presents challenges and opportunities for farmers and investors.

It was identified the challenges emanate largely from the combination of the capital-intensive nature of farming operations and the high level of private or family ownership.

A key challenge for the family farm owner is dealing with the transition or division of what is usually a relatively large capital asset as part of a family succession and retirement plan.

With a family farm, it is common for a succession plan to be implemented whereby the equity in the family farm will only pass from parents directly to children and through the same manner to future generations.

A 'bloodline' succession plan structured in this way may well compound the pressures on capital within a family group.

My follow-up with AAA

Succession Planning panel member Joff Macleod, MGI Melbourne, suggested management transition is also a challenge within a family succession plan.

"Do family members have adequate desire, qualifications and skill to step into the driver's seat and manage the farming business? Often this will not be the case," Mr Macleod said.

"At the same time, I am sure that there are many young energetic managers with experience and qualifications who face an enormous challenge in accessing the level of capital required to invest into a scalable farming operation."

With bank lending to Australian agribusiness rising to record levels, our farming businesses also face the challenge of accessing growth and expansion capital to satisfy the existing and potential world demand for food and commodities.

In many instances top performing and profitable farming businesses that have had their capital position eroded through years of drought, flood, pestilence and bushfires, will need to recapitalise their balance sheets to appropriate gearing levels just to put the business in a position to take advantage of these opportunities.

A challenge exists to create an investment environment and structure whereby sources of capital are readily available for suitable Australian farming businesses to enable expansion and further leverage the substantial opportunities which exist within our agricultural industry.

However, Mr Macleod reminded an me that investors considering an



Do family members have adequate desire, qualifications and skill to step into the driver's seat and manage the farming business?

- Joff Macleod,
MGI Melbourne

tural sector with varying levels of acceptance and success."

Mr Macleod said these investment structures have included cooperatives, managed investment schemes and pure corporate models.

"An appropriately-structured equity partnership model may be an alternate solution to assist in facilitating the investment of capital into a corporatised family farm," Mr Macleod said.

"Such a model can facilitate investment into scalable farming operations which, with appropriate management, governance and asset selection, will provide a platform for the expansion of existing farming operations."

"The model also lends itself to

creating a path to ownership for quality managers with limited access to capital."

The equity partnership model is not a 'one size fits all' solution, but like Mr Macleod, I believe it has a clear role in facilitating investment into the Australian agriculture sector and assisting many private and family-owned farming businesses to progress and develop to the next level.

■ **Details:** Travis Morgan, Agribusiness Association of Australia director (Victoria), 8655 1825 or 0428 586 763; Joff Macleod, managing director MGI Melbourne, 9521 3000; or AAA website: www.agribusiness.asn.au