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Value in equity partnerships

Simone Smith | November 3, 2011

HOW will farms be owned in the future? That's the question Nigel Pannett asks clients before explaining how equity partnerships work.

"Corporate" or "foreign investment" were typical answers to the question, he said.

However, Mr Pannett insisted that high land prices did not mean young farmers could not have a stake in their own businesses.

Director of agribusiness solutions at chartered accountants [MGI Corporate Advisers](#), Mr Pannett said there were plenty of advantages to equity partnership farming in dairy.

And they were not all weighted towards young farmers.

"(There is) potential for farmers exiting farming to release capital, but still be involved in decision making and financially in the business," he said.

The opportunity for land ownership for young managers and farmers was central to the attractiveness of the structure, but Mr Pannett said benefits such as an expanded network - each party bringing different skills and expertise to the operation - could also assist a business.

"Equity partnerships are joint ventures where individuals have pooled their capital to enter into farm ownership and operation," he said. "Generally, one of the partners is the farm manager with skin in the game."

Popular in New Zealand thanks to rising land values, Mr Pannett said this structure required a shift in mind-set and advised people to seek qualified assistance from the start.

Some disadvantages of equity partnerships included sharing business control, slower decision making and variations in the liquidity of the investment.

Mark Miers has been involved in a 652ha equity partnership at Cressy in Tasmania, which includes a 4500-megalitre water licence.

Purchased four years ago to convert to a dairy farm, the global financial crisis delayed this and it has since been intensively cropped.

This was Mr Miers' second equity partnership since moving from New Zealand where he share farmed a dairy operation.

The first venture was a dairy farm in Tasmania and while it wasn't a success, it taught him important lessons about equity partnerships. For example, the need to work with partners that were a fit with his farming and business philosophy.

A "natural step" from share farming, Mr Miers did not own cows, but wanted a stake in land.

"The best way to gain equity is to invest in land, the platform in the industry to get into land with scale is through equity partnerships, leveraging off other people's equity as much as your own," he said.

"What we have done is matched our skill-set with the necessary equity.

"With that, we have managed to grow our business."

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