



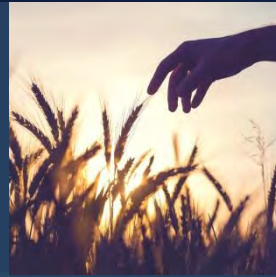
Acquisition and
sale of rural
property

Business
structuring



Financing

FIRB
applications



Freeholding of
crown land



Licensing and
leasing

Partnership
agreements



Water rights

AGRIBUSINESS IN AUSTRALIA: AN OVERVIEW

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September 2015

SOME FACTS

Fact.

134,000

There are 134,000 farms in Australia. 99% of these are Australian owned



Fact.

1.6 million

The wider agricultural sector and its supply chain employs 1.6 million people, or 17.2 percent of all people who work in Australia.

Did you know? One in six people in Australia work in the agriculture, food or fibre industries, including chefs, fashion designers and winemakers...

Fact. **600**

Each Aussie farmer grows enough food to feed 600 people - 150 at home, 450 overseas.

60 million
In other words, our Australian farmers feed more than people across the world every year. That's one BIG barbeque...

Source: NFF

SOME FACTS



Fact.
93%
Australian farmers produce almost 93%
of Australia's daily domestic food supply.



At the farm gate,
the farm sector
contributes...

3% to Australia's GDP
or
\$48.7 billion
to Australia's economy.

When you add in all the value-adding processes that
food and fibre go through once they leave the farm,
agriculture's contribution to GDP is closer to:

12%

or

\$155 billion



Source: NFF

SOME FACTS

At home, the top three commodities that our farmers grow are: beef, wheat and dairy.

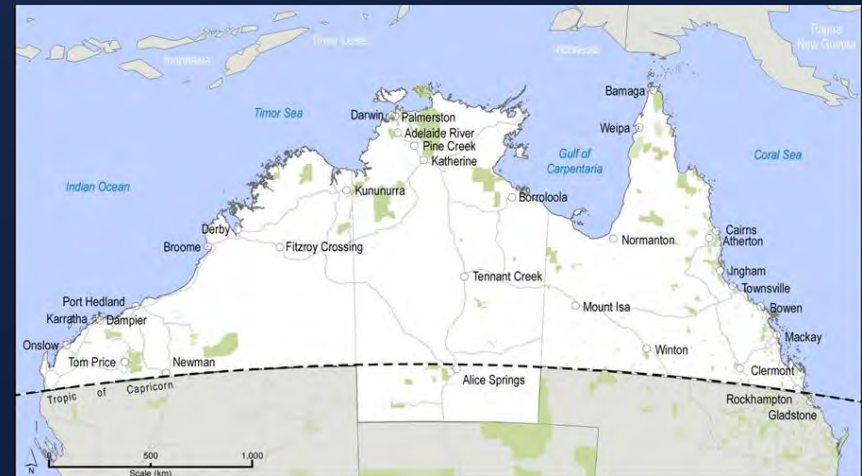


While on the world stage, our top exports are beef, wheat, dairy, wool, wine, sugar, barley and lamb.

Source: NFF

NORTHERN AUSTRALIA

- Comprises > 40% of Australia's land mass
- Population = 1.3 million (5% of all Australians)
- Arable land = 17,000,000 ha
- 60% of Australia's annual rainfall (1,000,000 GL)
- Only 10% of arable land (1,700,000 ha) used for agriculture: biggest issue = water
- 2010/11 gross value of agricultural production AUD 5.2 billion (of which AUD 3 billion (58%) was cattle)



Source: Department of Infrastructure and Regional Development, 2015b

TOP 10 NORTHERN AUSTRALIA AGRICULTURAL COMMODITIES

RANK	COMMODITY	GVP* (\$ MILLION)
1	Cattle	2,897.1
2	Sugar cane	762.4
3	Bananas	286.5
4	Mangoes	89.9
5	Tomatoes	86.4
6	Cotton	79.7
7	Melons	78.5
8	Wheat	71.6
9	Sorghum	63.6
10	Hay	55.8

Source: ABARES, 2015

*GVP = Gross Value of Production

TRENDS

Trend 1 – Beef Production (the dining boom)

- North Australia's beef herd = 12,500,000 cattle
- > 45% of national herd
- 90% of Australia's live cattle exports
- More intensive, and more broadacre, beef production
- Value of grass fed beef production ↑ AUD 90 million y.o.y via better legume species
- Supply chain improvements to move cattle from farm to market (AUD 100 million beef roads fund established)



TRENDS

Trend 2 – Large Scale Aquaculture

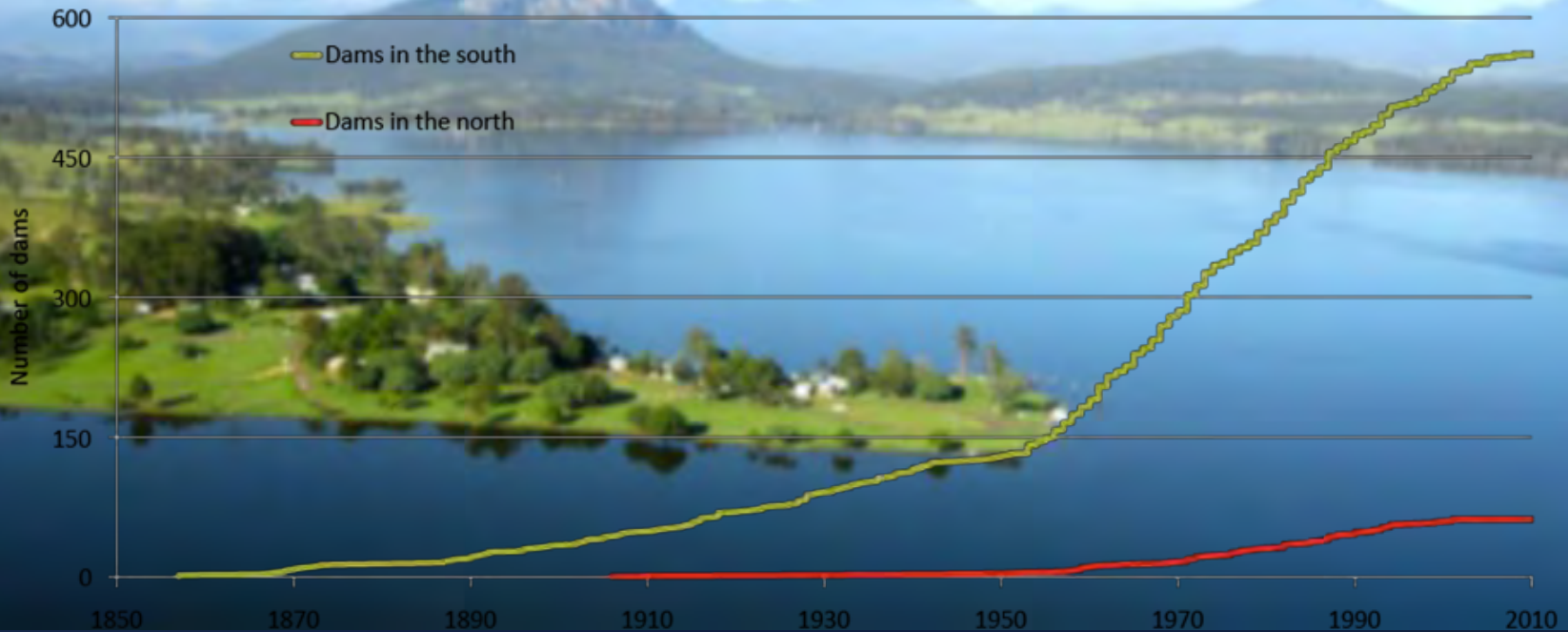
- 11% average annual compound growth over last 20 years
- 2012/13 aquaculture = 43% (by value) and 35% (by weight) of Australia's fisheries production of AUD 1 billion
- Project Sea Dragon (proposed billion dollar project in NT and WA)



TRENDS

Trend 3 – Increased Horticulture & Irrigated Cropping

- Driven by water

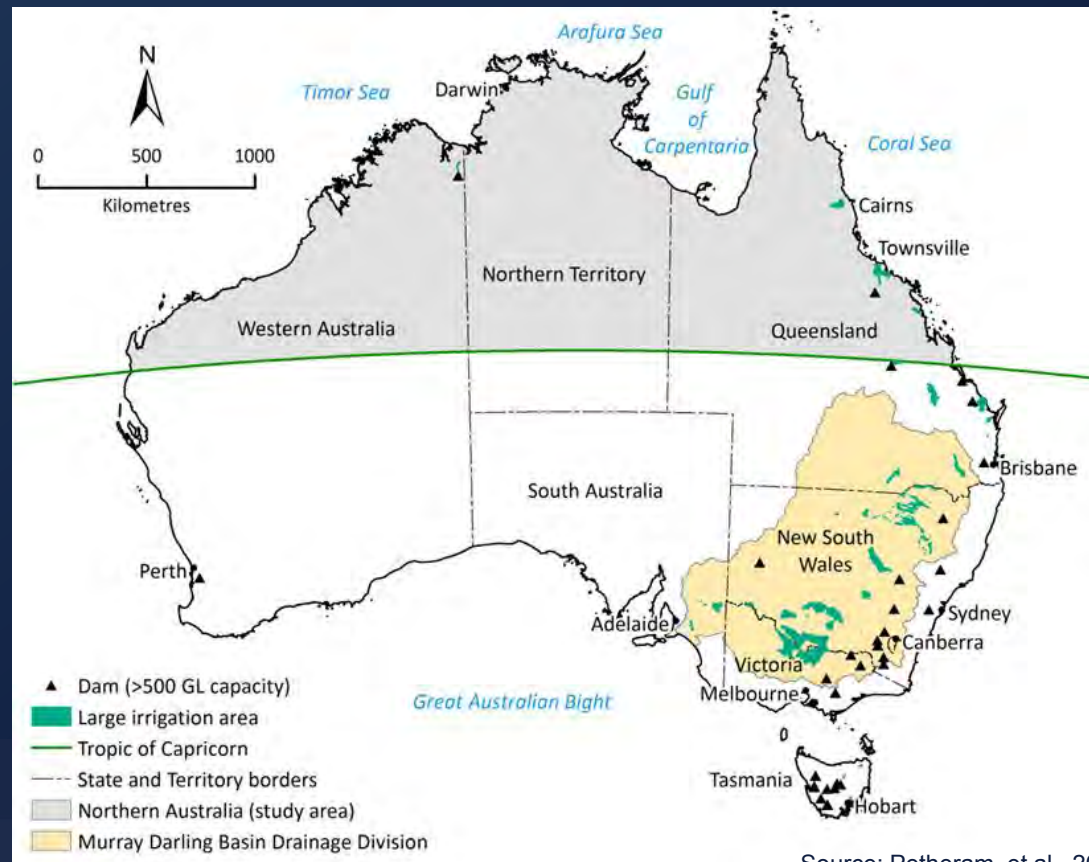


Source: Petheram, et al., 2015

TRENDS

Trend 3 – Increased Horticulture & Irrigated Cropping (con't)

- Need to develop major dams in Northern Australia

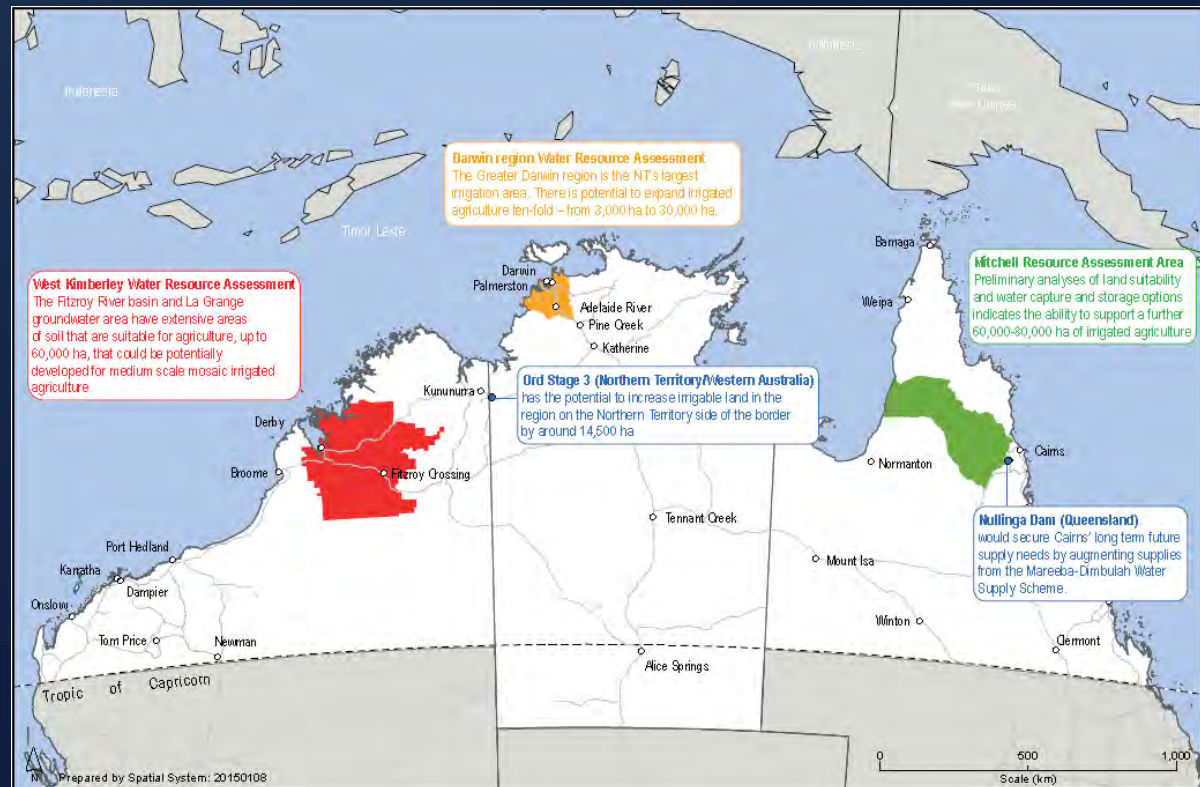


Source: Petheram, et al., 2010

TRENDS

Trend 3 – Increased Horticulture & Irrigated Cropping (con't)

- National Water Infrastructure Development Fund (AUD 200 million)
- North Queensland Irrigated Agriculture Strategy: Flinders & Gilbert catchments



Source: Department of Infrastructure and Regional Development, 2015.

TRENDS

Trend 4 – Aging Farmers

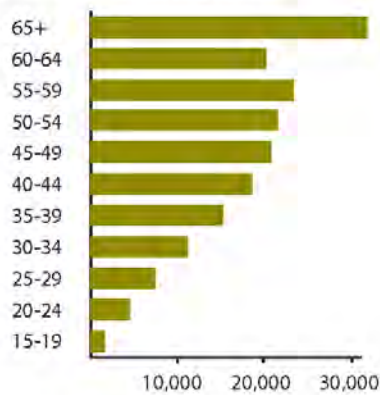
- Succession

Australian Farmers.

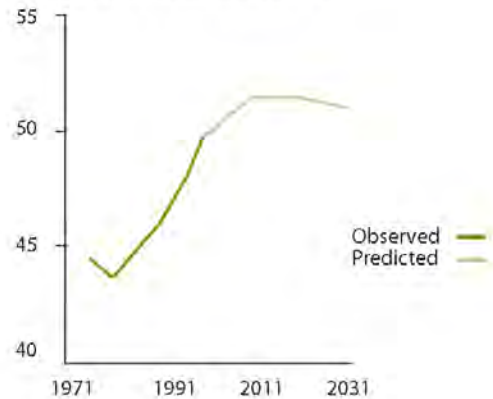
The median age of farmers in 2006 was 52 years, much higher than the median age of 40 years in all other occupations.

Australian Bureau of Statistics, Australian Social Trends, March 2009, Catalogue No. 4102.0

Farmer population by age group:



Average age of Australian farmers:



Australia 2020 Summit, The Future of Rural and Regional Australia, April 2008



TRENDS

Trend 5 – Increasing Foreign Investment in Agriculture

- > 400 million hectares of agricultural land in Australia.
- Agricultural land owned by business with a level of foreign ownership:
 - 2010: 44.9 million hectares
 - 2013: 49.6 million hectares ↑ 10%
- 45 businesses with level of foreign ownership = 95% of total area of foreign owned farm land in Australia (47.2 million hectares)
- 12.5% of all agricultural land has some foreign ownership
- 2013 water catchments = 13 million ML: with 2 million ML foreign owned (15%) mostly Qld



FOREIGN INVESTMENT REGULATION

- FIRB approvals in 2013/4 for AUD 167.4 billion of proposed investment ↑ 23.4% from AUD 135.7 billion in 2012/13
- 3 proposals were rejected in 2013/14(cf. nil rejections in 2012/13)
- Approvals for agriculture, forestry and fishing sector from AUD 2.9 billion in 2012/13 to AUD 3.4 billion in 2013/14 (↑ 17%) = 2% of the total of approved investment

Applications decided: 2008-09 to 2013-14
(value of proposed investment)

Outcome	2008-09 \$b	2009-10 \$b	2010-11 \$b	2011-12 \$b	2012-13 \$b	2013-14 \$b
Approved unconditionally	135.9	125.3	145.7	137.5	108.7	125.3
Approved with conditions	45.5	14.2	31.0	33.2	27.0	42.1
Total approved	181.4	139.5	176.7	170.7	135.7	167.4
Rejected	0.0	0.0	8.8	0.2	-	2.2
Total decided	181.4	139.5	185.5	170.8	135.7	169.6

Source: FIRB

FOREIGN INVESTMENT REGULATION

- As of 1 March 2015, FIRB approval threshold for agricultural land ↓ AUD 252 million to AUD 15 million.
- New AUD 15 million threshold is cumulative value of agricultural land owned by the foreign investor, including the purposed purchase.
- All investments made by foreign state-owned enterprises must, regardless of value, obtain FIRB approval.

FARM MANAGEMENT

Attributes of a good farm manager

- Experienced in the commodity
- Experienced in the locality (and therefore local conditions)
- Access to good staff and contractors
- Can complete reliable financial modelling
- Understand seasons and their impact - not too conservative not too optimistic
- Honest



IF BUYING

Key Points

- Engage an approved consultant/ agent prior to purchase
- Have a detailed brief of the type of investment sought i.e. size, water assets, rate of return.
- Deal with trusted partners
- Deal with known people
- Deal with those that have longevity
- Ag is a simple business made complex by the wrong people and unfortunate weather

Questions to ask

- How many Australian farmers actively use your services?
- How many investors do you deal with?



QUESTIONS?

