

Agribusiness

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In brief

New machinery chiefs

SIMON Vigour has been appointed as New Holland Agriculture's sales and marketing director for Australia New Zealand.

Mr Vigour has been with the company for more than 23 years. His role will involve overseeing the brand's development and growth opportunities.

Meanwhile, Case IH's new sales and marketing director Bruce Healy will head the business in Australia, replacing the previous brand director David Pedersen, who has moved into an international role with CNH.

Canola Breeders appointment

EX-GRDC managing director Peter Reading is the new executive chairman of oilseed business Canola Breeders.

Mr Reading joined Canola Breeders on July 1 to guide the company, which focuses on canola breeding and commercialisation.

Along with his previous role with GRDC, Mr Reading has agricultural experience from his role as an independent director of Batlow Fruit Co-operative Ltd.

Canola Breeders is co-owned by the GRDC, the University of Western Australia, the Council of Grain Grower Organisations Ltd and international canola breeding company NPZ Lembke.

Malt purchase

GRAINCORP has further expanded its malt business, with the purchase of German malting business GermanMalt for \$77 million.

GrainCorp chief executive Alison Watkins said the acquisition would give GrainCorp an added presence in the important European malt market.

"The European barley and malt sector has a big influence on world markets as about half the world's malt exports originate there and it is strategically important for GrainCorp to be an active participant," she said.

"GermanMalt fits with our strategy of pursuing grain-based opportunities related to our existing businesses and growing as an 'end-to-end' grain supplier and processor."

Russia back

RUSSIA has re-entered the world wheat market in a big way, with reported sales of 330,000 tonnes of wheat to the Middle East.

After drought forced the government to implement an export ban last year, a return to more favourable conditions this season means there is sufficient wheat to sell.

In the recent International Grains Council report, Russian production is tipped to be up 30pc on last year, to 54 million tonnes.

However, while up sharply from 2010, Russian wheat production this season is still expected to fall well short of the 61.7mt harvested in 2009.

Tackling succession

Profitable businesses mean easier handovers

By ALISHA FOGDEN

SUCCESSION planning is all the more difficult in agriculture if farm businesses are not profitable, according to Australian Farm Funds Management managing director Frank Delahunty.

Mr Delahunty was one of the guest speakers at the Agribusiness Association of Australia lunch in Melbourne last week, where succession planning was the theme.

"Australia has the problem that many kids, after study, don't want to come home to farm because they don't want to come home to jobs that are not well paid or managed properly," he said.

"Farms need to be profitable so they can be handed over to the next generation who can then continue to run them profitably."

Mr Delahunty is a co-principal of Australian Farm Funds Management, which was established in 2006.

AFFM is the trustee, manager and custodian of Sustainable Agricultural Fund – an unlisted investment fund that owns and operates \$145 million worth of farms in three states (Victoria,



NSW, Tasmania) on behalf of seven well-reputed Australian institutional funds, including AMP and Australian Super.

Mr Delahunty said it was the first time these seven major companies had invested in agriculture, the confidence attributed to the returns that could be achieved.

"According to ABARE, the top 25 per cent of performers can achieve a return on investment of 10pc or more, which we push for," he said.

"About 6.5pc is from income, and 4pc from capital. Average performers return 0-3pc, while the worst are zero or in the minus."

"I am surprised when people don't believe 10pc can be achieved. Capital gain comes from population growth, declin-

ing land resource, world diet changes and so on, so the capital part of the business comes from just having land and sitting on it.

"The rest comes from what you do with it. It is up to the manager as to whether that income return can get up to 10-11pc."

Mr Delahunty said the same ABARE survey looked at why some farms got 6pc and some 0pc, and claimed 70pc of profitability was due to management.

The other 30pc came from diversification of enterprises or locations (15pc) and scale (15pc).

"So we need to replicate and unless we return results better than 10pc, we have failed," he said.

Mr Delahunty said the theory related to all farming ventures, whether private or corporate.

"There is no magical formula

■ MGI Melbourne managing director Joff Macleod says only 25 per cent of farms surveyed by his company have a succession plan.

between corporate or private, it's all about being a profitable enterprise," he said.

Fellow guest speaker Joff Macleod assists a number of enterprises, including agricultural, as managing director of MGI Melbourne.

He said the business solutions company dealt with succession planning frequently but that only 25pc of farms it surveyed had a succession plan.

"It is similar to figuring out a will, it is a struggle that takes time," he said.

"There are a lot of blockages along the way and some difficult issues."

"But those issues will only fester without a plan."

"A properly facilitated succession plan deals with those issues, gets them out and will hopefully help to avoid conflict in the process."

Elders Real Estate Victoria and Riverina manager Shane McIntyre was also part of the forum panel.

"I visit many farms in a year, of varying size and varying people, and what I find is that every so often the property doesn't have a successor," he said.

■ Details: www.agribusiness.asn.au

Rural property prices ready to bounce

LAND values in northern Australia have decreased by up to 30 per cent because of a lack of confidence in the market, particularly after the live export debacle, according to Elders Real Estate Victoria and Riverina manager Shane McIntyre (pictured).

Thankfully, further south, there was only a halt in trading, rather than a decline in values, he said.

"Anyone who bought real estate lately was lucky to operate in a very soft, dull market," he said.

"There has been a reluctance to borrow and reluctance to lend so it has left the market at

a standstill." However, Mr McIntyre predicted agricultural land values had hit the bottom of a cycle and were on the improve.

"In three years time, the market will be very different to what it is today," he said.

"It will be very positive and will involve all sorts of players and will be one that involves all sorts of transactions."

He backed his theory by highlighting the decline in agricul-



tural area in a growing world population.

"Grain prices have been trending positively and I have no doubt that trend will continue when you look at world populations," he said.

"Red meat prices are also at unprecedented levels and the forecasts are that they will remain so for some time to come."

"In dairy, the desperate milk powder situation in China

because of contamination means they will also be looking to Australia to provide some of their answers."

"There is also increased demand for ethanol. I suggest if you are going to buy shares, buy things that are related to health, energy and agriculture. There will be major investment in energy, particularly by the government."

Mr McIntyre said he hoped increased commodity prices and farming efficiencies would help to attract local people back to the land, not just corporate or foreign investors.

— ALISHA FOGDEN

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