



David Rees

David Rees R&D Pty Ltd ACN 161 510 274

PO Box 5086 Albany WA 6332

To :

Committee Secretariat

By email - agriculture.reps@aph.gov.au

Comments on Inquiry on Super Fund investment in Agriculture

I am unsure whether to submit a formal comment to your committee – or just tell you about a way to address this problem.

David Rees CV

I have been consulting for many years to broad-acre farmers in southern areas of Western Australia. I am still a member of the consultants' association – AAAC, though industry relevance of this organisation has diminished.

This opinion has arisen partly from studies over recent years, which have clarified industry problems, and provided insight that could help this inquiry.

My current ambition is to develop skills in my farmer clients to provide business success over the long term. They will have to communicate better with providers of finance – new and old, which could include superannuation funds.

Our problem

Super fund investment into agriculture is limited because farmers have not been able to coordinate a credible offer to the super industry. This offer would have to preserve the effectiveness of the most successful farm businesses, which have achieved 12 to 15 per cent annual returns over the long term.

In economic terms, this is an instance of market failure. One reason has been the demise of public funded research, development and extension, which provided an independent forum to exchange ideas. Instead, private consulting services have developed, which may have improved services in some ways, but has dumbed-down the farming clientele to preserve their income stream. The public funding of the alternatives of the past is unlikely to be revived.

Adding to this problem is that a low level of financial control was enough in the past. The scale of the farm businesses of the future will demand higher standards – more than simple book-keeping skills (one reason for failures of attempts at corporate management of farm investments).

The lack of access to super funds is likely to become more acute, from effects of the current inquiry into the banking industry, which will tighten restrictions on farm finance. Bankers will be required to be more accountable, and the friendly, cooperative approach that developed over recent decades will be replaced by greater demands.

A potential solution

It may not take much to kick-start a new institution to develop an interface between the farming industry and investors such as superannuation funds.

Existing institutions could be an option for such a role, though to date, they have not developed this role. Examples could be institutions such as the consultants' representatives (AAAC), the Farmers Federation, or even institutions with other agendas such as GRDC or CBH.

Ideally, the role would be developed from the abilities of successful farmers themselves.

The role of such an institution would be to define industry-standard yardsticks for farm performance. This has been poorly done by the industry to date. My assertion is that neither accountants, academics nor farm consultants properly recognise measures of long term success, let alone the ingredients.

Leadership is therefore needed to develop this new role – thinking beyond the day-to-day farm issues.

I am willing to provide further explanation, including face-to-face interview, if this is appropriate.

David Rees

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