

22 June 2018

**Standing Committee on
Agriculture and Water Resources**

PO Box 6021
Parliament House
Canberra ACT 2600

RE: Inquiry into superannuation fund investment in agriculture

Warakirri is an Australian investment manager that has been investing in Australian agriculture for 22 years on behalf of Australian superannuation funds, high net worth investors, and more recently foreign pension funds.

Warakirri's invests in the dairy and cropping sectors across Victoria, South Australia, Western Australia, New South Wales and Queensland. Warakirri is one of Australia's largest milk and grain producers.

Are there any regulatory requirements imposed on superannuation funds by ASIC, APRA and any other relevant regulators, which are acting as a barrier to superannuation fund investment in Australian agriculture?

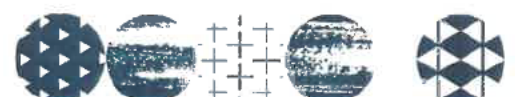
Warakirri, as an investment manager, does not believe that the regulatory requirements imposed on superannuation funds by ASIC, APRA, or any other regulator, are a barrier to investment in Australian agriculture.

There is a lack of agricultural sector data available to inform superannuation fund and

Is the information required by the superannuation funds in order to invest in Australian agriculture readily available, and if not, what statistical performance reporting of the agricultural sector is necessary?

investment manager decisions. Some of the information challenges include;

- Agricultural sector data is not readily accessible or centralised. The available information is fragmented and difficult to access.
- Relevant data must be sourced from a range of organisations and in a range of different formats.
- Information, such as financial and physical data, including information on soils, climate, river flows, ground water, dam levels, markets, supply and demand trends and values, both domestically and globally, is difficult to source or non-existent.



- There is a lack of independently verified and statistically meaningful data publicly available to allow performance comparison and benchmarking within the agricultural sector and against other investments, including a lack of;
 - Information on risk adjusted returns
 - Long term income and capital return data by sector and regions, in particular large-scale investments
 - Long term income and capital return data of top performing farms / investments over time and by region, rather than members of performance deciles moving in and out of the dataset each year
 - Information on key drivers of return in each sector and annual performance against these
- Agricultural sector data is not generally published on a timely basis which limits its usefulness.
- The quality and accuracy of agricultural sector data can be problematic given some the ABARES data collection methodologies such as voluntary surveys.

Any other practical barriers to superannuation fund investment in Australian agriculture?

- Warakirri's experience is that superannuation funds, both domestic and foreign, aim to grow members' retirement savings while acting in the best interest of their members. Investments in Australian agriculture, like all other investments, need to contribute positively on a risk-adjusted basis to the performance of the funds overall investment portfolio.
- From a structural perspective, not all superannuation funds are necessarily suited to an investment in an illiquid asset like Agriculture. Large scale defined pension funds or defined contribution funds, backed by a large member base and consistent net inflows, have the necessary asset size and investment time frame, driven by certainty around funds under management that may warrant an investment in such an asset.
- There are a number of potential policy or regulatory initiatives that may improve the financial returns and reduce the risk of investing in the agricultural sector that would increase the prospect of investment by superannuation funds. These include but are not limited to;
 - efficient and cost-effective regional infrastructure, including roads and rail
 - supply chain and market access infrastructure
 - education and in particular, specialist agriculture related tertiary and post graduate education
 - regional towns and communities including access to facilities such as schooling for children across all age groups
 - telecommunications and data coverage
- Other barriers and challenges for funds investing in Australian agriculture include;
 - The Agricultural industry is fragmented and it takes time and patience to build a large-scale agriculture investment;
 - There is a general lack of depth of professional agriculture managers with a track record in delivering attractive long-term returns;
 - There is a lack of transparency and consistency in reporting agricultural investment manager returns;

- Historical low levels of agricultural investment by superannuation funds means there is a lack of knowledge and understanding of the agricultural sector within the investment community and its advisors.
- Encouraging Australian superannuation fund investment will not be achieved by limiting the competitiveness of foreign investors. These investors bring important capital into a capital constrained industry, aggregating, developing and enhancing future the productivity and returns of assets. These investors also provide valuable competition and market liquidity for assets, which support capital values and ease potential divestment barriers.

We would welcome the opportunity to provide further information if required.

Kind regards,

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Warakirri Asset Management