A new report commissioned by AgriFutures Australia has found that an additional $7.5 billion of capital investment per year is required for the industry to reach the National Farmers’ Federation (NFF) target of farm gate output worth $100 billion by 2030.

**Capital requirements of Australia’s agriculture, fisheries and forestry sector** combined a review of historical data with economic modelling to develop an understanding of how investment levels contribute to sector growth, what barriers exist and how these could be overcome.

The report found an annual investment of $8.7 billion is required to meet the NFF’s target and grow the annual value of Australia’s agriculture, fisheries and forestry sector from just over $63 billion to $100 billion. This investment is needed to underpin a significant step change in productivity, price and market share.

Given the 30-year average net annual investment is just $1.2 billion, attracting such a large increase in capital requires clear understanding of the barriers to investment and significant effort to address these barriers.

Concerningly, over the last decade the level of capital investment in the sector has not been keeping pace with consumption of capital. Essentially investment in the sector is going backwards.

**Access to Information a Driver for Investment Success**

The report identified the investment community’s need for quality, timely information, and industry performance benchmarks. Without this kind of information, investors struggle to assess the merits of agricultural investment. In a competitive market, agriculture needs to demonstrate an attractive risk adjusted rate of return. Agricultural investment also needs to have a material point of difference to secure its place within a balanced investment portfolio.

**Making Australian agriculture more attractive**

Efficient processes are one way of increasing the attractiveness of an investment. For Australian agriculture improving understanding of the Foreign Investment Review Board (FIRB) with international investors and local stakeholders could be an investment barrier.

Similarly, developing an efficient model for investment in agriculture at scale, would increase its attractiveness and ability to compete with other investment options. This could include developing new land ownership models and governance to allow links to large scale capital investment.
Strategies such as partnerships between investors and operators, land use change to maximise returns and sale-and-leaseback of land are potential options. Australia’s regulated portfolio liquidity requirements for institutional investors reduces the attractiveness of the sector. Money invested in land and infrastructure is more difficult to access than shares.

Similarly, agricultural investment generally needs to be committed for the longer term. Some fund structures are better suited to this type of portfolio and less reliant on short-term returns.

Agriculture, forestry and fisheries businesses have a potential competitive advantage with the emergence of Environmental, Social and Governance (ESG) and environmental markets such as carbon trading and biodiversity. The increasing emphasis on corporate social responsibility and ethical investment makes agriculture an attractive option.

Agricultural operations responding to climate variability, securing carbon and providing essential food, fibre and ecosystem services, need to effectively market these attributes when seeking capital.

**Key Facts at a Glance**

- Australian Agriculture needs to attract $8.7 billion of annual capital investment in order to achieve $100 billion in farm gate output by 2030.
- Currently, investment in agriculture stands at around $1.2 billion per annum.
- A lack of quality and timely information – for both investors and producers – is a current barrier to investment in the industry.
- To compete with other industries, agriculture needs to be able to demonstrate an attractive risk-adjusted rate of return that is also sufficiently different to other asset classes.
- New land-ownership models could provide the opportunity for agriculture to access to large-scale capital investments.
- The long-term nature of Australian agricultural investments suits Canadian and European fund structures which operate on a defined benefit scheme removing the pressures of short-term redemption requirements.
- The FIRB process is perceived by potential investors as complex, reducing the flow of available capital.
- Emerging structures such as environmental financing, ESG and sustainability investments.

**National Farmers’ Federation – 2030 Roadmap**

In 2018, the National Farmers’ Federation announced an ambitious goal for Australian agriculture – to grow Australia’s farm gate output to $100 billion by 2030. Currently, the industry is predicted to reach $84 billion in farm gate value by 2030 with current rates of capital investment.

The roadmap includes the strategies required to increase the speed of sector growth by influencing policy, advocating for change and providing leadership and collaboration on industry projects.

Capital Requirements of Australia’s agriculture, fisheries and forestry sector was funded by AgriFutures Australia to better understand the capital required over the next decade to make the NFF’s economic roadmap a reality.