

British combing for cotton

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Matthew Cranston

UK-based investors are planning a \$400 million rural land fund to buy cotton and wheat properties in eastern Australia.

The fund known as Southern Agricultural Resources whose non executive director is Derek Shaw –a board member of the AIM listed MP Evans Limited and the North Australian Pastoral Company – has identified 24 properties to be purchased covering over 100,000 hectares in NSW and Queensland.

The proposed fund, for which an executive summary has been quietly shuffled around investment circles in the UK and US, builds on a growing number of funds seeking to raise money for rural land in Australia.

There is at least \$4 billion being sought from such funds with well over \$1 billion already deployed in purchases over the last three years.

Farming conditions in Australia have rapidly improved with good rains and historically high commodity prices, though high debts and political concerns over water cuts have made investment in the sector slow going.

Last month commodities guru Jim Rogers was in Australia to launch a rural land vehicle called Laguna Bay Pastoral Company which has an ultimate pipeline of more than \$600 million in farming properties. The fund is being advised by Morgan Stanley.

The launch of that fund was hot on the heels of listed group PrimeAg's coup in bringing the \$73 billion Future Fund on board for a \$600 million rural land vehicle to buy cropping properties.

Southern Agricultural Resources is set to be managed by Customised Farm Management whose managing director Andrew Parkes has managed the Australian agricultural investments of the US-based Teachers Insurance and Annuity Association and College Retirement Equities Fund.

Mr Parkes confirmed the fund has only just started seeking investors.

"We have secured some pre-commitment already for the fund," Mr Parkes said. "At the moment it's the large family corporates who are interested in the bigger macro picture."

"With the funds we have already we could potentially start buying something tonight, tomorrow or in six months," Mr Parkes said.

He did not give details on how much the fund had raised so far but according to the executive summary it was seeking to raise an initial £10 million (\$15.3 million) to buy its first property by October this year.

It then intends to raise about £100 million to create a portfolio of scale by the second half of next year.

The fund's chairman is David Montgomery who has chaired the Australian Cotton Industry Council.

Mr Montgomery's uncle Hugo Montgomery, previously from Merrill Lynch and Kleinwort Benson, is in charge of fund-raising for the vehicle.

Discussions have already been held with banks about lending for 30 per cent leveraging in the fund.

The Australian Financial Review



Cotton farms are being targeted by new investment funds. **Photo: Peter Braig**

KEY POINTS

- The new fund has only recently begun seeking investors.
- Its executive summary set an initial target of £10 million (\$15.3 million).
- It hopes to raise £100 million by the second half of next year.

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