

Shades of a cropping Kidman in the 21st century?

By Brian O'Connell

We have all seen the graphic images of the flooding at Emerald in Central Queensland. While the town residents and surrounding landholders have yet to fully count the cost, five metres of water over the spillway at Fairbairn Dam has ensured irrigation allocations in the Emerald Irrigation Area.

This is good news for the recently listed company, PrimeAg Australia. The Fairbairn Dam – full to capacity for the first time in 17 years – supplies water to PrimeAg's

PRIMEAG'S CURRENT PROPERTIES

Brayland

At 3211 ha Brayland is the largest irrigation farm in the Emerald area. Located approximately 38 km east of Emerald in Central Qld.

The property has 8473 megalitres of water entitlements.

Lakeland Downs and Nelgai

1684 ha, Condamine, southern Queensland – mixed broadacre, irrigation and dryland farming and to a lesser extent grazing.

2070 megalitres of water entitlements.

Kurrajong Hills and Bunnor

2128 ha, Warialda, northern NSW. Suited for grazing and cultivation.

Macintyre Downs, Wirindi and Riverview

5400 ha aggregation of irrigated and raingrown cropping and grazing land.

Used to produce a diverse range of commodities including wheat, sorghum, chickpeas, cotton and beef cattle.

5700 megalitres of water entitlements.

Located approximately 40 km west of Goondiwindi, southern Qld.

Milchengowrie

6952 ha aggregation of irrigated and dryland cropping and grazing land.

3502 megalitres of underground water entitlement and 6763 megalitres of unregulated Cox's Creek water entitlements.

35 km from Gunnedah, Liverpool Plains, NSW.

'Brayland' property. CEO of PrimeAg, John Stewart says: "This secures 100 per cent irrigation allocations for at least the next two years. While the heavy rain and flooding has resulted in some crop damage on Brayland the upside is we can now plan our crop production well into the future."

PrimeAg was established by the company chairman Peter Corish and Saltbush Funds Management Limited, to meet growing global investor interest in what is now termed 'soft commodities' – food and fibre crops. And the company strategy is reminiscent of that of Sir Sydney Kidman with his string of cattle stations.

"PrimeAg's strategy is to achieve a diversified commodity exposure by establishing farming 'hubs' across a number of different geographic regions in northern NSW and Queensland," explains Peter. "The Company's future growth plans will capitalise on the acquisition of quality resources, both land and water, and use our farming expertise to effectively manage and operate those assets for shareholders."

THE HUB STRUCTURE

The company has developed a multiple hub structure which focuses on achieving economies of scale. A hub is a collection

of irrigated and dryland farms within close proximity of each other that can be managed in an integrated manner.

Multiple hubs are then built in a number of diverse regions and river valleys – approximately 1200 km from north to south and 200 km east to west and approximately 200–400 km inland from the east coast of Australia.

This zone was chosen because of its reliable rainfall, security of irrigation water supply and historical performance when measured by profitability and relative capital growth.

By creating hubs of sufficient scale the company believes that lower production costs can be achieved through improved utilisation of labour and machinery. Any economies of scale captured through the hub structure will allow for greater purchasing and marketing power, further reducing the cost of production.

The geographic spread and production diversity achieved by the multiple hub structure mitigates the risk associated with rainfall variability and commodity price movements.

Each individual hub will be managed by a regional manager who will participate in

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Milchengowrie – an aggregation of irrigated and dryland cropping and grazing land.

the development of strategy and be responsible for the implementation of the annual business plan for their individual hub.

Regional managers will be held responsible for hub performance and report directly to the CEO. They will be rewarded on the performance of their hub. Outside expertise in areas such as agronomy, marketing and contracting will be utilised where required.

CROP DIVERSITY

Price risk will be mitigated through the production of a diverse range of commodities and having the ability to switch between these commodities in response to price movements or climatic changes.

The company aims to achieve a diversified commodity exposure to minimise the risks associated with the rural sector.

“Our strategy is to purchase land with geographic spread to mitigate climatic risk, land that can produce both winter and summer crops, and where appropriate procure irrigation water entitlements,” John Stewart said.

And purchase land with a geographic spread they have! At listing, PrimeAg had contracted three properties in north-



After the recent Central Queensland floods – and a full Fairbairn Dam – 100 per cent irrigation allocations are assured well into the future. (PHOTO: Susan Maas)

ern NSW and Central Queensland with a combined value of \$37.9 million, and also a contract to acquire 2000 megalitres of water entitlements at Emerald for \$3.9 million.

In January the company announced the signing and exchange of a contract to acquire the property ‘Milchengowrie’, a 6952 hectare aggregation of irrigated and dryland cropping and grazing land 35

kilometres from Gunnedah, NSW, on the Namoi River, for \$33 million.

The property will be converted from its current use which is primarily livestock production to a cropping operation. PrimeAg will continue to operate the 1000 head feedlot consistent with its strategy to maintain capability in livestock operations. The feedlot will offer PrimeAg the opportunity to utilise some of its own grain production and backgrounded cattle to add value to the overall operation.

“Very fertile soils, high quality irrigation development and water reliability are the standout features of this property,” John says. “The milder upper Namoi climate will allow us to reliably produce our full range of targeted crops but also opens up the opportunity to produce high yielding corn.”

LANDHOLDINGS CONTINUE TO BUILD

“Our initial strategy has been to acquire large irrigated holdings in the five major river systems from Gunnedah to Emerald to establish five regional hubs,” explains Peter. “The purchase of Milchengowrie completes this objective. The company now owns irrigated farmland in the Fitzroy, Condamine, Macintyre, Gwydir and Namoi River valleys. The company will now focus on building the scale of its five hubs through further acquisitions of both irrigated and dryland farms.”

Since listing on Christmas Eve 2007, the company has acquired 8500 hectares of irrigated land, 43,000 ML of water entitlement and 28,000 ML of on-farm irrigation water storage capacity.

The dryland cropping area currently stands at 10,200 hectares and the grazing area is 6300 hectares ■



Peter Corish – Company Chairman

Peter Corish has been actively involved in agriculture since 1973. He commenced working on his parent’s property in central NSW and then became a share farmer in northern NSW at Moree.

In 1978, he purchased ‘Mundine’ at Goondiwindi with his family and has lived there since 1979. In partnership with immediate family members, he currently owns and operates 7000 ha of irrigation land, 3000 ha of dryland farming and 5000 ha of grazing land spread over six properties at Goondiwindi, Mungindi, Emerald and Condamine where cotton, grain, oilseed, sheep and cattle are produced.

Two of these properties are PrimeAg Seeded Properties.

Peter has held numerous industry positions including Director and Deputy Chairman of Namoi Cotton Co-operative (1976–79), Chairman of Cotton Australia (1995–99), President of the National Farmers Federation (2002–06). While NFF President, he chaired the Cairns Group Farm Leaders.

He is a Commonwealth Government appointment to the National Water Commission and was the Chair of Agriculture and Food Policy Reference Group.



John Stewart – Chief Executive Officer

John Stewart has been in the agribusiness industry for over 20 years. In 1985, he established his own agricultural consultancy firm servicing 50 farmer clients in north west NSW and southern Qld providing agronomic and business advice.

John holds a degree in Agricultural Science. From 1996 to 2002, John worked for Delta and Pine Land Company, at the time, a NYSE listed company with annual turnover of USD \$300 million and market capitalisation of USD \$1 billion. In 2000, he led the company’s International Division and became a member of the executive management team and an officer of the company.

In his last position, John was an agribusiness executive at PGG Wrightson Seeds – one of Australasia’s largest seed companies and listed on the NZX – leading the research and development team.

John has also been a grain and cotton producer in the Moree and Goondiwindi districts.