CowBank Dairy Farmland Fund

A unique investment in pasture-based dairy farmland that targets quality land and water resources. Enabling investors to benefit from the global population’s growing demand for quality dairy foods.

CowBank’s Dairy Farmland Fund (DFF) presents an opportunity to invest in premium agricultural land generating a consistent income stream. The fund provides investors with a scalable and cost-effective opportunity for defensive long-term capital growth.

Fund equity will be invested in high-quality established pasture land with well-developed dairy infrastructure. Farms will be tenanted, with rental growth underpinned by the global demand for dairy products.

Structure:

High calibre dairy farmers will be “rent-to-buy” tenants and minority co-owners of each farm. This provides a safe transitional capital structure that is currently unavailable to farmers. The opportunity will attract quality next-generation farmers and encourage a long-term outlook on farm asset development and custodianship.

As asset manager, CowBank will launch this product in Australia with approximately $A350M to be invested over 5 years. There is significant future potential to extend the “rent-to-buy” model to New Zealand, as well as globally and into other agricultural land uses.

Returns:

The Fund is expected to generate a total pre-tax return of 11.5% per annum, with a total operating yield from land rental, finance and milk aggregation of 6.2% per annum.

The DFF is insulated from the volatility of seasonal and agricultural operating risks.

The total return is influenced by the future demand for dairy products and capital growth in land asset values, driven by demand for the finite supply of quality agricultural land in the developed world.

CowBank: a 12 year track record

CowBank is an established dairy industry financier and asset manager.

In 1999 CowBank designed and commercialised a rent-to-buy product that enables capable dairy farmers with limited capital to rent and eventually buy their dairy herd. CowBank has since funded over $60M of cow herd assets, with proven dairy farmer credit and asset management systems. CowBank’s client base exceeds 250 farmers, across farmland worth more than $600M.

In 2004, CowBank conceived and developed a corporate dairy farming investment with employee farm management. The corporate dairy farming concept was promoted with Warakirri Asset Management, raising $100M from institutional investors and commencing operations in 2006. As management advisor CowBank played a key role in development of the farm portfolio, management systems and processes. CowBank’s active role concluded in 2010, with the investment well established and stabilised.

CowBank has a diverse team with broad experience and knowledge in farming, agribusiness, investment management, commercial/investment banking, food manufacturing and marketing.

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CowBank’s Dairy Farmland Fund

A unique investment in pasture-based dairy farmland

The Dairy Farmland Fund is underpinned by Australia’s global competitive advantages in dairy production.

The fund provides an opportunity to invest in a scalable real-asset portfolio, across selected areas of Australia. The DFF will acquire high quality, established pasture farmland with well-developed dairy infrastructure and water resources.

Diverse low-volatility income streams are derived from land-rental, land-finance and milk aggregation; plus equity growth in dairy farmland ownership.

The DFF will control an aggregation of milk that is valuable for both domestic and export processors, at a time when there is tight supply and growing demand for milk products.

Investor and farmer interests are aligned by creating future-focused relationships with skilled and motivated farmers.

An Innovative Farm Portfolio Management Model

As asset manager, CowBank will draw on its extensive experience and established processes to manage the farm portfolio.

CowBank will identify proven high-calibre dairy farmers as “rent-to-buy” tenants for individual farms. The farmer operates the dairy farm, managing and absorbing the operational and climatic risks. Investors receive secure rent, which is insulated from the volatility inherent in agricultural production.

Each farmer becomes a minority co-investor in the farmland they operate, aligning long-term farmer and investor interests. This is comparable to “Fund-of-Funds” methodology, where the selection and success of individual asset managers is fundamental to portfolio performance.

Farmers have the opportunity to increase their investment share over time and eventually buy-out the fund at market value. This enables investors to realize equity growth in land assets, increasing liquidity within the portfolio and providing an additional exit pathway.

The DFF addresses the most significant difficulties with farmland investing; specialist management, insulation from operating risks and higher asset liquidity.
Next-gen Aussie dairy farmers

Inter-generational transition with long-term outlook

The DFF extends the dairy career pathway to create a safe and transparent mechanism for next-generation farmers to advance to farm ownership.

The fund offers an innovative capital structure for investors to attain competitive returns from the structural adjustment of inter-generational transition. Thus, facilitating divestment by older-generation farmers, with a new-generation able to access capital to "buy-in".

The long-term nature of the fund encourages farmers to farm for the future, as they directly benefit from the farm's sustainable productivity and environmental management.

Investment capital to drive wealth & prosperity in rural communities

The DFF facilitates the retention and growth of wealth within farming communities. This stable and long-term co-investment structure promotes rural development and prosperity.

The dairy industry generates comparatively high economic revenue for the rural economy. Providing an achievable pathway to farm ownership encourages the next generation of dairy farmers, sustaining the prosperity of dairy farming communities.

The DFF supports and enhances the future of the family farm management model, which is inherently efficient and resilient.

The DFF provides a unique opportunity to support the next-generation of Australian dairy farmers. It creates an innovative pathway for young farmers to progress to farm ownership and in doing so, sustains our future farming communities.
Globally, farmland is an attractive real-asset investment with stable yield and fundamentally strong growth prospects.

Historically, investments in farmland assets deliver attractive risk adjusted returns compared to traditional investment assets. This is demonstrated in the comparison of Sharpe Ratios for US Investments since 1992.

Farmland investments across the period (1992-2010) average 11.1% annual return, as reported by the US National Council of Real Estate Investment Fiduciaries. The stability of investment portfolios can benefit from the inclusion of farmland, with farm returns exhibiting low or negative correlations with traditional investment assets and positive correlation with inflation.

World Agri-Land area has been stable since 1960, while population has more than doubled in this period. Looking forward, the United Nations Population Division forecasts a global population of over 9 billion by 2050.

This population growth, combined with increasing biofuel demand, creates price and productivity pressure on farmland output. Environmental, social and political barriers limit the creation of new farmland and urbanisation is forcing contraction of existing farmland. Together, these elements create an opportunity for attractive returns for those who are invested in the finite supply of farmland.

Australian Dairy Land has achieved 6-7% p.a. average capital gain over the past 25 years. The positive outlook for dairy and the finite availability of farmland are expected to continue the rising trend.
Australian dairy farming is set to benefit from growing demand for dairy products.

Demand for dairy products is growing most rapidly in developing countries, driven by greater ability to pay for food protein as income per capita increases.

Based on the current world supply and demand outlooks, Dairy Australia predicts future unmet demand of 4.0–5.0 billion litres in 2020. This indicates there will be an ongoing upward trend in dairy prices to stimulate future supply.

Combining this low cost of production with an efficient and competitive processing sector, has made Australia a trusted international supplier of quality dairy products. With no reliance on government subsidies, Australia is ideally situated to capitalize on the growing dairy food demand in the developing world.