

Investment, environment can be complimentary, says CEO

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7 Mar 2017, 12:05 p.m.

The head of a Bendigo based agricultural investment company has called for policy changes, which reflect how primary production and ecological values could co-exist

Kilter Rural chief executive Cullen Gunn said the company managed more than \$214 million of water, farmland and ecosystem assets.



NEW OPPORTUNITIES: Cullen Gunn Kilter Rural chief executive with the company's rural farmland and ecosystems general manager Michael Neville. Photos: Andrew Miller.

“The one downer we have at the moment is the lack of policy around ecosystem markets – getting paid for producing improvements in ecological condition, it is the holy grail, that hasn’t happened yet,” Mr Gunn said.

Kilter Rural, founded in 2004, currently manage a large water portfolio and an aggregation of properties, between Kerang and Lake Boga.

“We have an agricultural focus, that is bounded by the synergies of keeping agriculture and ecosystems in balance.

“You provide clean, green produce over the long term

“You work those two elements together, against the current paradigm, which is they are viewed as competing outcomes.”

Kilter manages 9000 hectares, over 38 different properties, many of which were soldier-settlement dairy blocks, in the area south of Lake Boga.



AGRICULTURAL TRANSFORMATION: Former soldier settler dairy blocks in the Lake Boga area have been transformed into high value horticultural crops - here Kilter Rural chief executive Cullen Gunn and rural farmland and ecosystems general manager Michael Neville examine the tomato crop.

The plan had been to “purchase, consolidate, redevelop and redeploy,” Mr Gunn said.

Currently the properties are used to grow cotton, lucerne, tomatoes, wheat, barley and plums.

The land is owned by VicSuper and managed by Kilter Rural through its Future Farming Landscapes investment model.

“It’s one of the largest aggregations for rural renewal in this part of the world,” Kilter Rural farmland and ecosystems general manager Michael Neville said.

Mr Gunn said Kilter was generating a profit, from agriculture and water, whilst upgrading and protecting the landscape.

“Nothing we do in that landscape, we do for free, everything has got to make money and or contribute to creating long-term value,” he said.

Having worked in natural resource management (NRM) before starting Kilter, Mr Gunn said he believed there was a great deal of irrigation land which was underutilised or undercapitalised, and could be dealt with in a much more sustainable way.

“We are about delivering profit, with impact, that’s what we have been doing for 10 years,” Mr Gunn said.

“We have a genuine drive to protect and restore Australian landscapes by marrying production, ecological and social outputs.”

Impact investing has been described as investments made with the intention of generating a measurable beneficial social or environmental impact, alongside a financial return.

Mr Gunn said it remained a challenge to get Australian institutional investors such as super funds, to put money into agriculture.

But he said Kilter had shown it was possible to make good returns, although irrigation at significant scale required substantial investment.

“In setting up what we do, we recognised we needed capital,” he said.

VicSuper took a leadership position to invest in the project, and Mr Gunn said other institutions should also look at opportunities in the sector.

“There are a lot of Australian landscapes, which could produce a heap more food, off a heap less land, with less water – we are pretty confident, that will happen, over time.”

He said some of the land acquired had gross margins of less than zero at purchase, but careful management and irrigation had resulted in large and increasing yields.

“It is an absolutely spectacular transformation of a landscape, where previously water use and irrigation activity had been winding back for years.”

Mr Neville said the land was equivalent to “rangeland”, or pastoral, company, although at one time it had supported up to 100 small dairies.

Kilter had installed subsurface drip irrigation (SDI) pivot and flood irrigation, with overflow and reuse facilities to cut water wastage.

But Mr Gunn said many of the properties had suffered from the accumulated impact of putting water on the soil over a long period of time, including salinity.

He said the best ecological assets in the area were protected, some with covenants, in perpetuity.

“There are whole mix of things going on up there, and that’s the key here, it’s delivering a diversity of outcomes, within that landscape, working to better match land use with soil capability and ecosystem function.”

The biggest issues cited by super funds were often scale, perceived illiquidity, fluctuating returns and length of investment.

“The two big ones are illiquidity, and scale; if you are talking big institutions - and we have spoken with some - they like to invest big - \$200 - \$250million are the sort of bottom end numbers.

“While there is no shortage of opportunities to invest capital in rural landscapes – it must be done prudently. Entry price is the first big ticket item to get right.”