

BUSINESS

# Agricultural alchemy the key to a brave new world of farming



'It is all about balanced and sustainable farming,' says Cullen Gunn, on land revegetated with Australian native trees near Swan Hill, Victoria. Picture: David Geraghty

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Cullen Gunn admits it was a brave move 10 years ago when he convinced Victorian superannuation fund VicSuper to invest \$175 million in buying farmland and water rights.

In 2006, Victoria was deep in drought, the Murray River was a sad sight and the 38 small farms between Swan Hill and Kerang that his farm management company Kilter Rural proposed buying and aggregating for VicSuper were overgrazed, degraded, salinity-affected and at risk of losing their irrigation water.

Farming was an out-of-fashion industry, the mining boom was in full swing and no Australian super fund would touch agriculture as a sound investment opportunity.

Today, the 9000ha of farm land owned by the \$16 billion VicSuper fund is unrecognisable. About one-third has been turned into fields filled with crops of cotton, tomatoes and lucerne hay.

Another 15 per cent of the land is growing high-value organic wheat, barley and fruit, and the remaining 5000ha, much of it fronting 23km of the Murray, has been planted with native trees for timber harvesting or locked up to restore native vegetation and biodiversity.

“This project is all about balanced and sustainable farming but it is no feel-good-only investment,” says Mr Cullen, as some of the farm’s 200 seasonal workers harvest the first tomatoes of the season. “We want every bit of this land to make money for our investors; this is about combining high-value agricultural production with landscape renewal and showing you can make good profits from doing both in balance.”

The success of VicSuper’s pioneering venture into agriculture is already evident. After the first five years of harvesting lucerne hay from saline soils where no food crops would grow — “We were exporting salt,” laughs Kilter farm manager Mike Neville — salt levels are down, soil nitrogen levels are up and \$25m of profits has been reinvested in irrigation channels and water-efficient underground drip irrigation.

The financial aim of generating average returns on investment of 8 per cent a year — about half from increased land values and half from crop production — has been achieved and surpassed.

Last year, with massive cotton crops — the most southern in Australia, high tomato yields and returns on organic fruit and wheat three to four times higher than conventional prices, Vic-Super’s farm project returned 20 per cent-plus on its overall investment of \$175m.

“This whole project is about salt management and getting our soils into shape; we’re trying to turn shit into gold,” says Kilter’s down-to-earth Mr Neville.

“We’ve shown it can be done; it might have taken five years and a bit of capital but we’ve now got country that used to run two sheep to the hectare producing 155 tonnes of tomatoes; that’s enormous change.”

While it is the cotton, tomato, organic grain and hay crops generating the big profits for Vic-Super, Mr Gunn hopes the worst-degraded land locked up for biodiversity and vegetation regeneration will soon come into its own.

Carbon trading, or payments for biodiversity conservation and carbon sequestration, would add another dimension to the super fund’s investment.

Other long-term plans include expanded organic fruit and vegetable ventures, with a 50ha orchard planted to the future superfood, Queen Garnet plums.

“The basic investment fundamentals of agriculture are good over the medium to long term; based on our achievements, I would suggest every large super fund should have a small exposure to agricultural land, water and food,” Mr Gunn says.