



 Top crops: Michael Neville of Kilter Rural.

**ON FARM**

## Kilter Rural: Investment farming model returns dollars from dirt

NICOLA BELL, The Weekly Times

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**MEASURING** performance by how much water is used to grow a crop is a key indicator for Kilter Rural.

Founded in 2004 supported by an initial \$175 million investment by Vic Super, Kilter Rural defines itself as a “specialist manager, dedicated to investment in Australian real assets of farmland, water and ecosystem services”.

And since 2006, Kilter Rural has been delivering investment in land and water through its Future Farming Landscapes investment model, and currently has investments of \$256 million.

Kilter Rural's Michael Neville said the area around Swan Hill, Kerang and Lake Boga in northern Victoria was identified as a good opportunity for investment as it would bring positive financial, environmental and social impacts to an area that was typified by under-utilised small-scale farms.

Now, Kilter Rural manages 9000ha across 38 farms, growing irrigated cotton, organic wheat, organic barley, organic soy beans, lucerne hay, tomatoes and stone fruit, including nectarines, peaches and plums.

"Our aim has been to invest in irrigation infrastructure, manage water and soils and put aside land of environmental value to improve it, as well as deliver on returns for investors," Michael said.

Kilter Rural also manage 64 gigalitres of high and low-security water. When the farmland has been fully redeveloped, about 30GL will be used to irrigate their own crops and the rest leased out to other farmers across the Southern Murray Darling Basin.

"This means farmers can treat their land and water as separate assets and it gives them a lot more freedom to leverage those assets," Michael said.

"We take a conservative approach, as we want to invest in long-term strategic relationships ... it's not speculative, we are building an asset base."

## **ADDING VALUE**

MICHAEL believes agriculture is a transitional process from growing low-value crops to high-value crops and Kilter Rural wanted to play a part in that transition.

He said their crop mix was changing to higher-value crops through moving into organics.

"Growing organics is consistent with the low-input approach we like. We have access to compost and we have the scale for it to work," Michael said.

Organic compost from green waste in Melbourne is used on organic crops, with up to six to seven tonnes/ha applied.

Michael said a premium was also achieved for organic products and while they might reduce as more product becomes available to the market, they could use the time to get a head-start and increase yields.



The first commercial crops of organic wheat, soya beans and barley were planted in 2016 and are grown under pivot irrigation.

All three crops are aimed at the premium human consumption market.

Soy beans are grown as a summer crop, after wheat to provide a good injection of nitrogen in to the soil.

Most of the organic wheat is sold through a secure offtake agreement to organic noodle maker Hakubaku, based in Ballarat.

“It’s a great relationship because it provides Hakubaku with long-term security of supply while giving us the confidence to make the necessary investment in irrigation infrastructure,” Michael said.

### **CHAIN REACTION**

KILTER Rural engaged Wedgetail Food and Fibre in 2016 to develop high-quality supply chains and strategically aligned, long-term customer relationships

“We aim to deliver a long-term stable price and consistency of supply and quality to our client processors,” Wedgetail chief executive Richard Furphy said.

Wedgetail is working on similar long-term supply arrangements for the soy beans grown by Kilter Rural, which will likely be used for organic soy milk production.

Meanwhile, Michael said they were interested in organic horticulture “in general” and are looking to grow intensive horticulture crops.

Kilter Rural has set aside 250ha for intensive horticulture and this year will plant its first 6ha organic broccolini crop.

Michael said the company also planted 41,000 queen Garnet plums, which will be mature for picking next year.

Kilter Rural is also a large producer of processing tomatoes, growing about 30 per cent of the total Australian crop.

Currently it produces 50,000 tonnes of conventional processing tomatoes and for the first time this year is trialling organic processing tomatoes.

“Tomatoes are by far our biggest crop and they have been successful on land not traditionally considered good for farming,” Michael said.

The tomatoes yield on average of more than of 120 tonnes/ha, compared with an Australian average of closer to 100 tonnes/ha. Tomatoes are rotated with cotton, which is being grown for the third year.

The cotton and tomatoes are irrigated using an underground drip irrigation system with soil moisture sensors for maximum water use efficiency.

Across the properties 12,000km of sub-surface drip irrigation has been installed.

“This allows us to not only irrigate in the depressions, but also the rises, and it means we can be specific with fertiliser application too,” Michael said.

### **DRIP PUNT**

WHILE growing cotton under sub-surface drip irrigation is unusual, Michael said Kilter Rural used only 7.5 megalitres of water to grow a hectare of cotton using drip irrigation, compared to northern NSW where flood irrigation used more than 10ML/ha.

The aim was to achieve a \$250 return for every per-megalitre of water.

“Our key metric is return per megalitre to measure the performance of crops, because water is the most expensive input,” Michael said.

He said improving soils and monitoring for improvement were also large parts of the business.

“A lot of the country we acquired had depleted soils and salinity from flood irrigation, so we are investing in improving soils.”

One of the keys to this was to keep the soils active.

“We develop crop rotations where biology of the soil is maintained and built,” Michael said.

As Kilter Rural reports to investors, it extensively monitor soils, including measuring top soil and soil biology.

About 10,000 tonnes of lucerne hay is grown, as it is used as a foundation crop to start improving soils.

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He said all the measures in place were to build confidence that Kilter could deliver long- term consistent returns.

“We are all about trying to stabilise that return to the investor each year,” he said.