

Constraints and opportunities to investing in northern Australian Agribusiness 2020

Cattle production has been the predominant agribusiness in Australia north of the Tropic of Capricorn (lat. 23.5°) for 150 years. The industry has wildly varying degrees of success. Apart from seasonal and market influences, most of the swings in fortune are due to the quality of strategy and operational management. At the moment, average to large owner-operators are producing their best productive performance and financial metrics, although logistics, corporate head office expenses and regulatory compliance constrain investment models.

The NT has a developing horticulture industry successfully producing a range of products, but the sector is held back by scaled production, labor and logistics. These constraints are manageable and over time I believe the horticulture sector will become a large part of the Northern Territory primary industry. Sugar has never been successful in the NT. Mangoes have been farmed for 30-40 years with varying degrees of success, but Australia's largest supply chain has now been established in the Territory.

Many crops have been trialed in Northern Australia, but only sugarcane has prevailed until more recently. Plantations of African mahogany and sandalwood look to be imminent success stories, but they are difficult sectors to enter for individual farmers and investors. Cotton, cassava and hemp are gaining interest.

Several successful cotton crops have been harvested in the Top End since 2019. The industry – and interest from investors – continues to grow. Modern cotton genetics and management practices seem to have beaten the drivers of failure of the 1970s. If everything goes to plan, a 15,000-hectare crop will be planted and a \$30 million cotton gin constructed in Katherine to operate for the 2022-23 harvest.

Since 2012, consecutive NT governments have realized there are opportunities to further develop the Territory's food and fibre production capacity. They have endeavoured to promote investment and help with growing and diversifying production systems.

The Covid-19 pandemic has added unique costs and constraints to businesses, but the actual costs have turned out to be surprisingly small. Agribusiness investors with exposure as the actual exporter are feeling a larger impact on the export side of the business, as do all exporters.