



24th November 2021

To: The Honourable David Littleproud - Minister for Agriculture and Northern Australia

Dear Mr Littleproud,

Re: Future Drought Fund – *Lack of commercial knowhow and efficacy*

We have been encouraged to write directly to you by several private commercial partners and members from within the Future Drought Fund Hubs. There is unanimous consensus that the Future Drought Fund (FDF) lacks commercial knowhow and structure; left unchecked, this will lead to a lack of efficacy for what is a commendable concept and important initiative.

BACKGROUND

We know first-hand the impacts of drought and importance of preparedness, 20 years ago we would invite Dr Roger Stone (Climatologist) to speak at private client (grain and cotton cropping) workshops on risk management. Later, on my instigation, Roger would come into Rabobank in Brisbane to outline long range climate forecasts for the consideration of rural term lenders. I was involved in a failed CRC on Climate and Drought risk as Rabobank representative almost 20 years ago. It is interesting to note your old employer the NAB now indicating they may link residential home loan rates to household emissions data (recent AFR article); it is logical such measures will flow onto the agriculture sector – emphasising the importance of awareness around risk on-farm. As mentioned in our '*risk innovation*' letter to you in March this year, global financial and physical markets are increasingly scanning available disclosures for matters relating to Environmental Social Governance (ESG) – another reason to ensure appropriate FDF resources should go to those with a commercial track-record and connectedness. Interestingly, the term ESG was coined by a rural Queenslander friend of ours James Gifford, now Head of Impact Advisory at Credit Suisse in Switzerland.

FDF INTERACTION WITH PRIVATE COMMERCIAL SECTOR

Along with other private commercial operators, we have contributed considerable time and resources to the FDF process over the last ~18 months. In return we are still waiting for documentation that outlines the in-kind contribution we have agreed to make – this was the cost of entry from our perspective. These are not just my sentiments; they are shared by all other private commercial participants within this FDF initiative with whom we have spoken. A group of commercial operators are now collaborating and are considering items that are important to us including:

- Is process overtaking purpose?
- IP protection?
- To what extent should we try to influence the Hub?
- To what extent should we influence at a Canberra level?
- What role should we have across other Hubs?
- Should we connect with similar partners in other hubs?
- Do regional universities have a genuine commercial farming network?
- Do regional universities have products and services of value to commercialise? Do they know how to commercialise?
- Time is money for us – the private commercial sector will not participate for free forever. The current FDF structure is coming at an opportunity cost and impacting young families of private commercial players. FDF Hubs are not responding to meeting requests, we feel our time is being wasted and opportunities missed.

The first opportunity to gain any funding towards our innovative initiatives was the Innovation Grants – I understand there was an overwhelming number of applications. Our major application alongside JCU 'Green Streaming' was unsuccessful, but it is interesting to note our technology partners are part of the recently announced AUD6.5m Food Agility CRC Rangelands Carbon project. I would be interested in a discussion on the potential for prefinancing / private sector interface to drive technology adoption and resilience.

GLOBAL PERSPECTIVE

We are motivated by more than money, altruism and *doing good* are core to our value set but we still need to make a living. As detailed in the Appendix to this Letter, we have originated promising projects for economic diversification in Timor Leste but there is a commercial gap not supported by Government. We would encourage you to draw this SunRice project to the attention of DFAT / The Minister of Foreign Affairs – Australia spends some AUD105m annually on aid to Timor Leste but ag sector exports are in decline (virtually non-existent). A few months ago, we were directly solicited by AFREXIM Bank (acting on the behalf of the African Union) to lead a financing options technical study for Common African Agro Parks (CAAPs). Africa, rich in agricultural potential, for many reasons, is a structural net importer of USD50-100Bln of agri food products and the trend in this regard is alarming – potentially leading to mass migration and environmental crisis etc. While this is a world away from Australia, we share very similar climates and landscapes with the Continent. On this basis, we are further directly appealing to the statesman in you to recognise the urgency to get the FDF house in order from a commercialisation perspective and to consider the potential for positive impact of exporting Australian ag innovation and knowhow.

We are keen to work constructively with your department and the FDF to ensure Australian agricultural innovation is effectively adopted both at home and abroad.

Sincerely,

John Reeve
Managing Director
AgRee Commodities Pty Ltd
| www.agreecommodities.com

Who are we?

AgRee Commodities, Brisbane, Queensland, Australia

- Origins in farming and agribusiness - grain, milling, cattle, feedlots and branded beef exports - Queensland
- Advisor & execution as employee – agri risk - lending & commodities – NAB, Rabobank, CBA, UBS, StanChart, Goldman
- Commodity, innovation & risk – ED&F Man, DFAT/Palladium, AMPC, MLA, QDAF, NFF, Artesian, AgDNA, Jacobs, KBR

AgRee demonstrated track-record in agri food innovation, risk and emerging markets

| Client | Project Description |
|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Artesian Venture Partners | Successful capital raising in Queensland and Singapore for Artesian Fund of Funds (AgRee is investor) – co-invests in innovation via GRDC GrainInnovate and SproutX. |
| AgDNA Technologies | Private Series A capital raise and origination of new Director for AgDNA (2016); in 2019 AgDNA exited to CNH Industrial – one of Australia's best agtech exits. |
| Australian Government - DFAT | Agri trade expert - Market Development Facility/AusAID (Palladium) in Timor Leste - route to market for climate resilient crops. Re-contracted to advise on SunRice country entry - this remains one of the best opportunities to diversify the Timor economy from its dependence on the oil and gas sector. |
| Queensland Government - QDAF | Individual Business Risk Management Plans (BRMP) based on ISO31000 - for the Department of Agriculture (DAF). AgRee won this project in a competitive bid over KPMG, amongst others. |
| Meat and Livestock Australia (MLA) | Round table series and White Paper assessment of cattle price benchmarks & risk transfer. |
| National Farmers Federation (NFF) | On-Farm Risk Project - Forward contracts, futures, options and swaps sub-project - Lead advisor. |
| Aust Meat Processing (AMPC) | Financial risk assessment (on AMPC website) – AgRee was a subcontractor to Jacaranda Capital. |
| Private high-profile Lawyer/Farmer | Australian Government – DAWE/ANU Program - Carbon + Biodiversity Pilot - successful application. AgRee originated and advised on this natural capital / emerging environmental markets opportunity. |
| Packhorse Investments | ESG focused fund – regen ag / backward integration for processor – adviser on IM and DFI. |
| Future Drought Fund | AgRee Consortium is a Member of both the USQ and JCU Innovation Hubs (Aust Govt funded). |
| ED&F Man | 240-year-old British trade house - Exclusive Agent for Container trade in Aus/NZ (refined sugar). |
| KBR Engineering – Engineer for NASA | Coalstoun Lakes Water Project – sub-contractor – demand assessment. Proposed AUD250m build cost water pipeline and distribution system from Paradise Dam to two new irrigation areas with highly fertile soils. AgRee is responsible for ~50% of demand (all outside professional investors). |
| Jacobs Engineering – Largest engineering firm globally | Hughenden Irrigation (HIPCO) – Subcontractor on demand assessment, supply chain, commodity, risk, finance/structuring and enterprise value model/implied water pricing model. This project is a 'nation building' 180k ML dam with an estimated P90 build cost of AUD800m. AgRee also to provide technical review of Cost Benefit Analysis. |
| AFREXIM BANK – on behalf of the African Union – Common African Agro Parks Financing Options | Directly solicited by AFREXIM bank - technical study on the financing alternatives for proposed mega agro parks (CAAPs). Objective of CAAPs is to turn around the USD50-100Bln agrifood imports on the African Continent - as the Continent enters challenges relating to decarbonisation and food security. (Project pending tender outcome. AgRee is in competition with PwC etc in this tender.) |