

AgJournal

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IN THEIR STRIDE

NEW AGRICULTURE'S STEP-BY-STEP
APPROACH TO INVESTMENT IN AUSSIE AG

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Cover Story

New Agriculture's Bruce King and David Shelton on their newly acquired Benditi Pastoral Company properties at Yarrowitch NSW.
Picture: Andrew Pearson



ART OF THE DEALS

New Forests paints a positive investment outlook as it puts down roots in Aussie ag, writes TALLIS MILES

THE New England region of NSW might well be considered the best place in Australia to graze livestock.

And perched on the crest of the Great Dividing Range is Benditi, a property that could lay claim to being the best pastoral holding east of the rural city of Tamworth — Australia's country music capital.

As the winter chill begins to lift, Benditi's combination of fescue, prairie grass and cocksfoot pastures display a depth and density unmatched by neighbouring farms.

These resilient pastures have withstood the coldest stretch of the year and are now set to thicken and brighten ahead of their first spring under new ownership.

The late trucking and logistics stalwart John McPhee, of McPhees Transport, purchased Benditi in 1995, laying the foundation for what became McPhee Beef Farms.

The McPhee family spent the next three decades developing one of eastern Australia's leading beef operations. The enterprise grew to encompass Benditi, Mooraback, Overflow and Clonmel — spanning 6755 hectares east of Yarrowitch — along with Glen Eagle, a 1638-hectare property closer to Walcha.

A new chapter began in March this year when the McPhee Beef properties were listed for sale. Together they offered a remarkable carrying capacity of about 108,000 dry

'I think the market didn't really see us coming in terms of having the ability to execute on a transaction of that size in that space'

DAVID SHELTON

sheep equivalents, supporting an Angus breeding herd that produces high-performance first-cross Wagyu progeny.

Five months later, a \$150 million-plus staged deal was finalised for the sale of the portfolio. The agreement will see Sydney-headquartered, nature-based global investment manager New Forests add the rebadged Benditi Pastoral Company to its formidable Australian

agricultural portfolio — now valued at \$1.5 billion and spanning 3.1 million hectares.

Led by Australia and New Zealand managing director and global head of investments David Shelton, New Forests is no stranger to Australian agriculture. Benditi Pastoral Company becomes its third cornerstone asset alongside goliath cropping venture Lawson Grains and the Yougawalla Pastoral Company, a large-scale breeding business spanning almost three million hectares in Western Australia's Kimberley region.

New Forests cemented its position as one of Australia's largest farmland managers nearly four years ago when it struck a surprise \$600 million deal to acquire the 105,000-hectare Lawson Grains from Macquarie Agriculture, in a transaction backed by Canadian pension fund Alberta Investment Management Corporation.

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David Shelton and Bruce King are the driving forces behind New Agriculture, which has a significant stake in Australian agriculture.



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“I think the market didn’t really see us coming in terms of having the ability to execute on a transaction of that size in that space. For a lot of competitors it was like ‘Where did they come from?’,” Shelton says.

“We’d been quietly moving around having a look (at different assets) and so when Lawson Grains came on the market it was one that sort of suited our approach in that, even though it was owned by Macquarie who had done a great job of putting that business together, it was still within a relatively narrow mandate ... very much focused on cash yield.

“What we had in mind was well proven from our point of view, in terms of carbon and creating downstream handling and logistics grain supply chains.”

AS THE name suggests, New Forests is best known for its vast forestry holdings — a \$10.5 billion portfolio spanning 1.4 million hectares. But in August 2022, the company broadened its scope with the creation of New Agriculture, a sister business established to manage its Australian farmland assets and build a global portfolio of agricultural investments.

“Forestry is an asset class where the company started from, which has been well established as an institutional-grade asset class, originating in the 1980s with US investments into US assets and it has evolved more globally,” says Shelton.

“Australia and New Zealand was a logical expansion for investors looking for exposure to forestry when returns were

starting to be compressed in the US. And so New Forest was set up off the back of that, to provide funds management services into the forestry asset class.”

Shelton says that agriculture has been part of the company’s DNA from the start.

“A question that always comes up is: how long have we been involved in agriculture? From the start we had leases, we’ve had livestock, we had cropping happening within our forestry businesses. So by the time we created New Ag we were already one of the biggest agricultural managers, we just didn’t market ourselves as such because it was ag within our larger forestry portfolio.”

Today, Lawson Grains spans almost 108,000 hectares across Western Australia and NSW and is expected to produce more than 300,000 tonnes of winter crops this year. Wheat and barley will account for about 210,000 tonnes, alongside 60,000 tonnes of canola and 30,000 tonnes of pulses and other crops.

In NSW, Lawson Grains’ key cropping assets include the 11,675-hectare Uah Aggregation near Forbes in the Central West and the 7318-hectare Kealandi Aggregation in the Golden Triangle near Moree. In the Riverina, the 13,946-hectare Borambil Aggregation near Rand, supported by the 11-hectare Lawson Logistics site and the 9918-hectare Grassmere Aggregation near Urana, anchor the group’s southern operations.

OVER the past few years, more than \$160 million has been invested in expanding the Lawson Grains portfolio. Major acquisitions include the 12,159-hectare Jemalong Station near Forbes (\$85 million), the 2860-



hectare Green Park Aggregation near Rand (about \$40 million) and, earlier this year, the 3096-hectare Bulgandra Aggregation (almost \$44 million). Both Green Park and Bulgandra were added to the existing Borambil holdings.

Helping steer New Agriculture's continued expansion is its head, Bruce King, who joined the company from the federal government's Regional Investment Corporation, where he oversaw \$3 billion in financing across Australia's agricultural sector.

King says part of the company's attraction to Jemalong Station was its existing management team. The property's previous owners, Dutch investment firm Optifarm, King says, ran an efficient and effective cropping program and had made several changes to lift productivity, including allowing for controlled-traffic farming and zero-till farming.

"But what that limited was the ability to, for example, build a carbon project on any of the existing assets. With the acquisition of Jemalong, what we had was a station or a property that would benefit from those management shifts and management changes, and allowed us the potential to be able to register a carbon project," King says.

"That's the first thing we did. Now we know that a soil carbon project is going to take us five years to get to the point where there's ACCUs (Australian Carbon Credit Units) being issued. But being able to bring that different lens and recognise that there's an opportunity to diversify that revenue stream, (we can) find additional capital that we know has got a longer pay-off period."

Across the Nullarbor in Western Australia, Lawson Grains owns almost 53,000 hectares, including Gunnadoo (12,527 hectares) at Jacup and Hakea (12,352 hectares) near



Munglinup in the state's Great Southern region. Other key holdings include Wongan (10,817 hectares) and St Leonards (5784 hectares) at Wongan Hills, Jerry South (5390 hectares) at Jerramungup and Walyoo (5528 hectares) at Dandaragan.

SHELTON says New Agriculture's involvement with its Canadian investment partner AIMCo goes back many years.

"My daughter is 16 and the people at AIMCo sent flowers to the hospital when she was born, so we've had a very long relationship," Shelton says. "It's a constant stream of conversations around how do you allocate a portfolio, and then when does that lineup with an investment opportunity that sort of suits the thesis."

"It very much comes from us — that's our job, to be localised and be plugged in and find out where the opportunities are and then take those to our clients."

Not satisfied with owning one of Australia's largest cropping enterprises, New Agriculture and AIMCo pulled off another surprise in late 2023 — swooping in to secure the Kimberley Cattle Portfolio, comprising Yougawalla Pastoral Co and Argyle Cattle Co, for more than \$300 million.

Spanning a landmass the size of Belgium, Yougawalla Pastoral Co had built a herd of predominantly Brahman-based cows, with Droughtmaster bulls used across the herd for the past six years. The total herd numbers about 180,000 head, including about 55,000 breeders, and produces about 40,000-45,000 young cattle every year. The business employs 34 permanent staff and 93 casuals.

David Shelton and Bruce King
on New Agriculture's beef farm
near Yarrowitch in NSW.
Picture: Andrew Pearson

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Amalgamated and sold by the Chinese Hui family's Archstone Investment Group, the Yougawalla portfolio comprises seven pastoral leases totalling 1.83 million hectares, five subleases across 924,325 hectares, and an agistment agreement over 153,475 hectares — encompassing stations near Halls Creek, Broome and Fitzroy Crossing.

"We've not long had the keys to that asset, there's some really exciting development potential in terms of improving the carrying capacity," King says.

"There is also some work on the sustainability front — improving some of the landscape management (from) bare, hard clay pans and providing ground cover. We are also working with the stations and governments to be able to hopefully create a methodology that will allow us to be able to generate things like ACCUs through the landscape management practices."

Shelton notes that at present there is no approved methodology enabling the northern pastoral sector to generate carbon credits through management activities.

"The beef herd methodology has been suspended, the human and judiciary generation is not working, and the IFLM (Integrated Farm and Land Management) Method isn't operating yet," he says.

"And so rather than sit there in the background lamenting the lack of that opportunity, we're doing some work to see if we can generate our own methodology and we'll take that to the regulators.

"There are large areas up there that were overgrazed back in the 1800s. They're now sort of bare earth. If you put small levybanks in, it can slow the water down and the vegetation recovers very quickly."

As part of their supply chain integration, New Agriculture is also in the process of finalising the \$55 million purchase of Yeeda Pastoral Company and its subsidiaries, including the Kimberley Meat Company.

Subject to final legal approvals, the deal would see the acquisition of a near-new meat processing plant near Broome, plus Yeeda Pastoral Co's two large nearby pastoral operations, Yeeda and Mt Jowlaenga stations, covering 475,000 hectares of mostly leasehold country.

BETWEEN Lawson Grains and the Yougawalla Pastoral Company, AIMCo has poured in about \$900 million, handing the keys to New Agriculture to cultivate its Australian agricultural investments.

Prior to its Australian agricultural expansion AIMCo had an existing major investment in Australia with New Forests, the Forestry Investment Trust, which included about 9000 hectares of canola and wheat crops in Western Australia.

Investing globally on behalf of pension, endowment, insurance and government fund clients in the western Canadian province of Alberta, AIMCo holds a staggering C\$179.6 billion in assets under management, as at December 31, last year.

Their investment portfolio contains 35 per cent of the usual money market and fixed-income suspects such as real return bonds, private debt and loans. There is a

complementary 36 per cent invested in private market infrastructure, real estate, renewable resources and private equity. The remaining 29 per cent is tied up in public equities and stock markets.

Of their enormous asset portfolio, 2.3 per cent, or about C\$4.13 billion is invested in Australia.

Classified under their C\$3.7 billion renewable resources aspect of assets under management, 68 per cent or C\$2.516 billion, is invested into Australia including hardwood and softwood timberland, Lawson Grains' row cropping plus Yougawalla's livestock.

"The opportunity to acquire Lawson Grains, a fully integrated grains business built on quality assets, people and systems presents an attractive opportunity for AIMCo's Renewable Resource portfolio to add a significant core asset," AIMCo's then senior vice president and head of infrastructure and renewable resources Ben Hawkins said when the Lawson Grains deal was announced in September 2021.

"The Kimberley Cattle Portfolio, AIMCo's first investment in this sector, is an established and well-managed asset that provides important diversification in our client

portfolios," Mr Hawkins added two years later. "We are very pleased to continue our partnership with New Agriculture, which will contribute its deep asset management and sustainability expertise as we seek to achieve both positive investment returns and community impact."

NOW, with the backing of global capital from institutional investors including Japan's Kyushu Electric Power, Germany's BVK — the nation's largest pension group — and Sweden's AP2 pension fund, New Forests has added an eastern Australian beef arm to its growing investment suite.

The staged Benditi Pastoral Company deal will see New Forests acquire a 50 per cent stake in the McPhee Beef Farms, via its \$600 million Australia New Zealand Landscapes and Forestry Fund, pending Foreign Investment Review Board approval. The McPhee family will retain the remaining half.

Australian taxpayer funds are also invested, through the Clean Energy Finance Corporation, the federal





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government's sustainability and clean energy investment arm, which has backed ANZLAFF.

As part of the arrangement, New Forests' \$750 million New Agriculture Landscape Opportunities Fund has two years to acquire the remaining 50 per cent of Benditi Pastoral Company.

Shelton says Benditi epitomises New Forests' approach to sustainable land use — integrating premium beef production, sustainable forestry, carbon sequestration and biodiversity conservation.

"It's been well run by the McPhee family, and we see an opportunity to add further revenue streams and additional value through regenerative practices such as improved soil health, water efficiency and biodiversity considerations," Shelton says.

"It's the perfect example of our landscape approach where we analyse the best use for that landscape to optimise returns and sustainability outcomes."

He says ANZLAFF is New Forests' fourth Australia New Zealand forestry fund, designed to capture the full value of the landscape across forestry and agriculture. The fund has climate-mitigation targets including the removal of one million tonnes of CO₂ over its lifetime, with up to 20 per cent of the fund allocated to agricultural assets.

DESPITE AIMCo's footprint through Lawson Grains and the Yougawalla Pastoral Company, Shelton says a diverse mix of global investors has backed New Forests since its inception in 2005. He says the industry started to sit up and take notice of the business around 2010 when it raised its first Australian New Zealand Forest Fund, which had a 20 per cent allocation to "multi-revenue investments" such as forestry, agriculture, on-farm wind farms — and 10 per cent to infrastructure.

Across its now \$12 billion portfolio, New Forest manages about 70 clients, around 50 of which are considered large-scale investors. The majority are pension or superannuation funds with roughly 50-60 per cent based in Europe, 20 per cent in North America and 20 per cent in Australia.

"The Australian pension funds all do tend to move as a bit of a herd," Shelton says. "And because they have very strong reporting requirements, which is great for the pension sector in Australia, but they have a very strong reporting requirements on their costs, on their fees, on their performance. Which means it drives them all to be average."

"So investing into a new asset class, they find it difficult because they might stand out and maybe, just maybe, they have a bad year and they get it wrong. And so they stand out negatively."

"The side effect of that is it drives the industry to be structurally a bit average rather than innovate and stand out."

Shelton says the portability of pension funds also makes long-term assets such as agriculture and forestry less attractive, given they might need to be sold to meet liquidity needs. He adds that there's also a level of hypocrisy in the investor market.

"There are plenty of people that claim to be sustainable investors but they screen out everyone and only work with the very best performing assets," he says.

"They don't work with assets where they can actually truly have impact and move the middle. And that's something that's a bit of a personal frustration of mine."

"If you truly want to have impact, then you need to invest in the middle and move that towards the top."

Shelton also says that New Agriculture is prepared to investigate the possibility of entering the race for Macquarie Agriculture's flagship Paraway Pastoral Company, the 4.4 million-hectare cattle and sheep empire currently on the market and tipped to fetch as much as \$3 billion.

"Did (the listing) it take us by surprise? No. That tells you one thing, right? We like being aware of these things," Shelton says.

"Macquarie have done a great job of putting that together and there is that generational change. Will we look at it? It is pretty easy to say we are a fund manager that invests in that space with track record and we'd be mad not to, so we fully intend to have a red-hot crack."

With potential to really raise the steaks.

AJ

Tallis Miles is *The Weekly Times* property reporter



The Benditi Pastoral Company properties at Yarrawitch NSW are a beef production powerhouse.