

# The Problem with Data in Ag



Imagine that you are an investor ... A big investor who has been sold on the global food thematic and is looking to invest in Australian agriculture ...

*What would you need to know before you spent your millions?*

*Where would you find that knowledge, that information?*

*How would you know if you could trust it?*

Agriculture is the new black. I work with investors every day, and Ag is, definitely, the new black.

Investors the world over are turning their attention to agriculture and Australia becomes the natural leader as the ideal destination - through our vast and diverse opportunities, stable taxation and governance systems and attractive position to the leading markets of tomorrow.

And who hasn't seen a headline about more funding for Agtech recently? In fact, global Agtech was reported by Agfunder, to have reached a high of \$4.6B in deals deployed in 2015. In the US, in the last 12 months, they have seen a 300% increase in funding to Agtech startups, year-on-year to early 2017.

Agtech is exciting. It involves cool ideas and cool toys - like robots and drones and .... well gizmos, but Agtech is exciting for Agriculture as a sector also - it is attracting people to Ag who would not otherwise engage with the sector, like investors from Silicon valley, who bring a different intellect and skills set.

While some would say Ag is already going through rapid, choppy and technology driven change, it still represents to many the last great frontier of disruption opportunity.

When many of us think about Agtech, we think about physical technology - robotic farming, telemetry, drones, genetic engineering - but the greater proportion of investors engaging with Agtech, predominantly led by Silicon Valley, are thinking about **data**.

A good example is the second-largest capital raising on Agtech in the US last year, for a company called Farmers Business Network. The funding was led by Google Ventures and essentially, Farmers Business Network is

an online platform where farmers share knowledge and data about farms, inputs and practices.

Known as a "farmer to farmer agronomic information network", this electronic formalisation of the Friday night pub conversation raised in excess of US\$80M and has a reported internal valuation of greater than US\$400M.

So, investors recognise that Ag data, indeed, has a value, but as I looked at this case more closely, something interesting stuck out at me:

*"Trusted insights from real farmers and real data."* Real Data!?

I'd like you to think again about being that investor - you're looking at an Australian Ag investment proposal, you've been given some industry data to show trends, dynamics, industry scope and market behaviours ...

*How do you know the information you have is based on real data?*

*Does it matter?*

*Will this information affect how comfortable you are parting with your millions??*

This jumps out at me because of my experience in working with information available in the public domain which can guide Australian investment, not only in Australian businesses and technology, but in infrastructure and services.

Just how much useful data is available to investors and how real is that data anyway?

What is the power of real data? How do you even know when you have it?

Certainly, the power of data is to change business decision making, drive innovation, focus efficiency and build profitability.

For investment, data presents opportunities, informs direction, clarifies realities, mitigates risk and underpins strategies that can have significant economic impacts.

Data is all around us - today the internet's increasing connectivity is generating data about everything, mind boggling amounts of it - all coming together as Big Data.

Big Data, it is said, will be more timely than official statistics. It will be more accurate than official statistics - and that's great. However, as I see it, there are significant challenges in Big Data when it comes to Australian Ag - not the least of which, is that in order to be captured in electronic collections of data, one first needs to be connected!

There will also be the challenges of making sure data is verified and accurate, then processed to be made accessible, and more importantly, digestible. But that's only when we have overcome the challenges of sorting out who will own the data, who will get access to it and at what cost?

Will it be the farmer, who's activities generate the data?

Will it be the company, who owns the tractor that captured the data?

Or ... will it be Silicon Valley, which owns the cloud or servers where the data is stored?

Then, there's one of the biggest challenges Big Data faces today - Privacy. Indeed, privacy may be at the heart of why much of the public information available on Ag today may be flawed. It's an issue that is certainly front and centre when dealing with the Australian farming population. It is often quoted as the key reason explaining why farmers "adjust" the data they provide to public sources.

The truth is, that while the availability and capture of data has rapidly improved over the last decade, many of the methods we use to obtain and report industry data in Australian Ag have not.

ABAREs remains almost the sole source of official data on all things Australian Ag. Yet, ABAREs uses the same

"selected farm survey" method it has undertaken since the 1940s. To my understanding, this is a data collection process which relies on target populations, identified by the business register and ABS data, and then produces weighted data outcomes through a fairly complex analysis method most recently reviewed in the 1980s.

The process seems removed from real data. It also seems to be removed from the quickening pace of today's Ag.

There has also been less reporting from industry and government bodies on key market and industry dynamics. In a recent due diligence undertaking for a sovereign wealth fund, I was asked to provide a review of the Australian Meat Processing Sector. The last report on the Top 25 Meat Processors, published by the MLA, and thus the last report available in the public domain was produced in 2005.

Of course, the lack of accessible industry intel means that I have plenty of work, because you can't just look this information up - you need someone who knows the sector. Many of the large institutional investors will pay for a thorough investigation, but what does it mean for the efficiency of attracting small and medium-scale investment?

It may be completely selfish of me, as I manage my frustration about the lack of referenceable data I can provide to the increasing number of investors who would like to engage in growing Australian Ag, but ...

In an era where Ag is the new black - is it not critical that governments, stakeholders, industry and, yes, investors, have access to timely, accurate and real industry data?

## About the Author

Jennifer Wainwright is the founder and Managing Director of Aux Venture working in investment development and corporate advisory services. Prior to this, Jennifer was the National Livestock Specialist with the ANZ Banking Group for 7 years, covering risk appetite and value extension across rural and corporate divisions of the bank. Jennifer has been directly involved in agriculture through her own cattle business for over 25 years, having extensive practical experience in feedlots, animal health and remote pastoral operations in northern Australia. She holds a Bachelor Degree in Rural Science with Honours and has experience in institutional investment, private equity, corporate finance and rural real estate investing. Jennifer can be contacted via the the Aux Venture website at [www.auxventure.com.au](http://www.auxventure.com.au)

