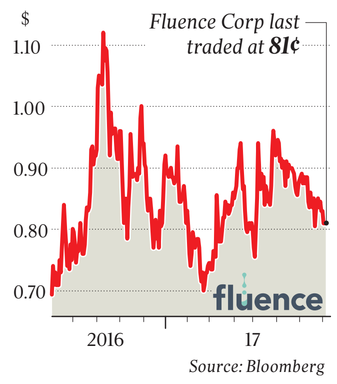
Farmer's friend could be a growing concern

TIM BOREHAM



Source: Bloomberg

CropLogic (not yet listed)

A feature of this upcoming agrarian IPO is that unlike the last several hundred small-cap tech listings, it's not being spruiked as a "cloud" or "software as a service" based offering or a robotics story.

While the Kiwi-based CropLogic is all about predictive analytics to help growers achieve better yields, there's no agenda to put agronomists out of work with a fully automated approach.

As for clouds, the most relevant ones are in the sky.

CropLogic's IP is based on gathering data from sensors in the field (and other sources such as aerial pictures) to devise a crop management plan.

"The technology allows agronomists to spend less time in the field while still getting the same level of reliable data," says managing director Jamie Cairns.

"There's no point in them sitting in a car going from field to field — that's not what they were trained for."

The sensors pick up soil moisture and multiple depths and measure soil temperature, which gives a steer on the crop's sugar development. The sensors also include a rain gauge, which usually only Eric Olthwaite of Ripping Yarns fame would get excited about. But in this case, the gauges measure not just normal precipitation, but the moisture from irrigators.

While even small-acre cockies are more likely to wield GPS trackers than gumboots these days, CropLogic is squarely aimed at big producers with 1000 acres (400ha) or more. CropLogic has also been working closely with the crop processors: giants such as PepsiCo (maker of Doritos), Simplot, ConAgra and McCain Foods.

Product trialling to date has centred on the humble spud — which is one of the highest-value crops and most difficult to manage — in the chip-loving US.

The company estimates 29 million addressable acres in the US and 60 million elsewhere. In other words, these tracts of land are in packages of at least 1000 acres (and often much more).

In the state of Washington, CropLogic has captured a 30 per cent share of the 170,000 acres under spud cultivation. The company gained this foothold (and just over $2 million of existing revenue) via the recent acquisition of agronomy business Professional Ag Services.

CorpLogic expects to earn a $US35 ($44) per acre fee per annum for its deluxe service that includes a flying squad of agronomists to sort out any bacterial soft rot or root-knot nematode problems on the spot. If every large-scale farmer in the US were to adopt the service — which they won't — CropLogic would be a $1 billion a year business.

But penetrate 5 per cent of this market and that's a handy $50m-a-year business. And with the average potato crop returning $US3657 an acre, $US35 is small beer if the service results in improved yields. Field testing to date suggest an average yield improvement of 6.25 per cent, which would lift revenue by $US200,000 for every 1000 acres cultivated.

The company is also eyeing the cotton, corn, wheat and soybean sectors as logical expansions and it also has a foothold in China.

CropLogic is currently doing the rounds for $5m-$6m at 20c apiece, ahead of a planned listing on August 31 under the proposed ASX code CLI. The offer closes next Friday.

Fluence Corporation (FLC) 81c

Speaking of water, about the only Australian aspect of the globalised Fluence (formerly Emefcy) is it happens to be listed on the ASX.

But foreign provenance didn't preclude us from owning Russell Crowe and the late John Clarke and we would claim Lorde if we could. So on these precedents, we shamelessly declare Fluence an Aussie company taking on the world with its patented reverse-osmosis water purification technology.

Backed by US venture capitalist Richard Irving, predecessor Emefcy listed via the back door in late 2015, raising $14m at 20c apiece in the process. Shareholders of the ASX-listed Emefcy recently approved the acquisition of US counterpart RWL Water, owned by billionaire entrepreneur Ronald Lauder.

Emefcy stock had done well since listing, racing to as high as $1.07 on management's promise of selling low-maintenance purification units to users such as resorts and small towns.

Emefcy's units are based on membrane aerated biofilm reactors, which push the unpure water through the filters using 90 per cent less energy than traditional reverse osmosis.

Earlier Emefcy cited an average set-up cost of $US277,000 for a 100 cubic metre a day plant, compared with around $US660,000 for a standard facility.

Fluence (former Emefcy) director Ross Haghighat says Chinese buyers want the packaged kit, rather than having to acquire bits and pieces to build a plant. "It's like a Lego kit with all the critical components," he says.

Recently the $US13bn water treatment sector has undergone consolidation, with the bigger operators such as GE and Veolia taking out mid-tier companies.

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Work-filled gap year tells a story

MY WAY

Pauline Vamos goes into bat for female part-timers over 50

RICHARD FERGUSON


BRITTA CAMPION
Pauline Vamos advises young investors to avoid debt, except for a mortgage

Pauline Vamos is three weeks into her new role as the chief executive of risk management research house Regnan. She steps into her new role after nine years running the Association of Superannuation Funds of Australia.

How did you join Regnan?
I took a gap year after leaving ASFA where I'd been for nine years. I went travelling across Britain and Ireland. And I'd been chatting with recruitment agents about a chief executive role. I got a call out of the blue from the agent for Regnan. I was interviewing them as much as they were interviewing me. And I decided it was the job for me. It fits in with my "noble purpose". Regnan is a company helping asset owners and the community, and there's an opportunity to build up the business, which I'm excited about.

Taking a whole year off was a big call for someone like you, at this point in their career.
ASFA was seven days a week for nine years so I needed to take some personal time. My friends all said I couldn't do 12 months without working (laughs). I did end up contracting for the British pensions regulator during the first three months of the year: I did a governance project for their professional trustees, developed protocols for those trustees, and developed a supervision and enforcement policy for the regulator.

Your mates were right then.
I know, I know (laughs).

As the former head of the superannuation funds' main lobby group, how do you think the changes to super which came in July 1 are working?
I've always said that the super system always has to be adjusted to ensure it's adjustable and fair. But it's often forgotten that there's a lot of people left behind and there's work that still needs to be done in closing the super gap between men and women. The $450 threshold (employers must pay superannuation contributions of 9.5 per cent of an employee's ordinary time earnings if the employee is paid $450 or more before tax in a month) needs to be changed because more people are working part-time and a lot of them are women, a lot of those women are over 50, and so they miss out on that super.

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>
> PAULINE VAMOS
> REGNAN

What do you make of Labor's plan to change tax arrangements for trusts?
I can't really comment on the trusts policy itself but I've never been a fan of singular policy changes. We've had a couple of taxation reviews already and that's the best way to make these sorts of changes.

What exactly does Regnan do?
We're a research house focused on helping large corporates manage risk and engage in responsible investing. We're all starting to talk about ethical investing, social and environmental risks. We identify those risks for asset owners and help them manage those risks because they ultimately do affect the longevities of businesses and their bottom lines. You see so many companies put out statements like "we're in the people business," or "we put the environment first", and what we do is dig deep. We investigate: do these companies' practices and investments really live up to those statements? And if they don't, we help to manage those risks. I do think the corporates are realising the dangers of unmanaged risk and that activists are going to keep asking questions.

What are the current concerns of your clients when it comes to risk?
There's almost a quiet panic. Activism is no longer just the purview of radical lefties and investors want to know what corporates are doing about issues like climate change. Whether they're asset owners, fund managers or corporate Australia, they need to answer these questions. Proper disclosure around how social and environmental risks are being managed is the key thing.

What more needs to be done to get disclosure right?
It's all about getting the right methodology. For example, the set-up of the Taskforce on Climate-related Financial Disclosures, which came out of the G20, was a big step in sorting out how climate change will impact bottom lines and general steps on how to manage those risks.

Where do you want to take Regnan over the next year?
Currently we're the Mercedes Benz of ESG (environmental, social and governance) research. If you're an asset owner and you want to know what the risks are with the top 200 in your portfolio, you come to us. I want us to keep doing that but I also want to explore more advisory services for people who are half way on that investment journey. We're starting that work already — we've done some advisory work with small start-ups on how to deal with ESG risks.

What are your own investments?
My philosophy has always been to never overinvest in any asset class. I have two assets: my house and my super. I don't have any investment properties and my super is in a balanced portfolio with the vast majority invested in shares. I don't plan to touch my super for 20 years and I want to get as much growth as possible.

Are too many people overinvesting in things like property?
I don't think people understand that you need to look at all your assets, even their home, and I believe in a balanced portfolio. I also believe you need to take appropriate risk.

What's your advice to a young investor starting out?
Avoid debt except your mortgage. Stick to a budget. When investing, make sure you're getting the biggest bang for your buck. And always protect yourself. My biggest asset, really, is my income and I've always had income insurance.

Early release of superannuation is possible but usually a last resort

MONICA RULE

During my time in the Australian Taxation Office, I came across many incidents where self-managed superannuation fund members accessed their superannuation illegally because of financial hardship. As SMSFs are established by members who control their SMSF's bank account, the temptation is there to dig into superannuation when members are unable to make mortgage repayments or provide for their family. What I discovered during my interactions with these members is they could have legally accessed their superannuation if they knew the legal requirements.

Although the objective of superannuation is to provide members with retirement income, the law does recognise that certain exceptional circumstances may justify the early release of superannuation. Members may be able to access superannuation under severe financial hardship grounds or compassionate grounds. Members need to be aware that although it may be legally possible to access their superannuation, there may be restrictions under their SMSF trust deed. Members need to check the types of benefits they can access from their SMSF under their SMSF's trust deed.

Financial hardship

To access superannuation under severe financial hardship grounds, members need to apply directly to their SMSF trustee. Different conditions of release apply, depending on whether the member is under or over the preservation age.

If the member is under preservation age, they must prove to their trustee:
• They have been receiving commonwealth income support payments continuously for 26 weeks (Newstart allowance, disability support, parenting payment, carer's payment and widow allowance; excludes Austudy and Youth Allowance);
• They were in receipt of those payments at the date of the application; and
• They are unable to meet reasonable and immediate family living expenses.

If these requirements are satisfied, the trustee may release a single lump sum of no more than $10,000 in a 12-month period.

If the member has reached preservation age, they must prove to their trustee:
• They have been receiving commonwealth income support payments for a cumulative period of 39 weeks after they reached their preservation age; and
• They were not employed at the time of applying for their benefit.

The member is able to access their entire superannuation savings if the trustee is satisfied that the member meets the requirements.

If the member is unable to access their superannuation under severe financial hardship grounds, then they could consider applying to the Department of Human Services for early release of their superannuation under "compassionate" grounds.

Compassionate grounds

Situations where a member may qualify under compassionate grounds:
• The member is unable to pay for medical treatment for a life-threatening illness or injury; acute or chronic pain or mental illness. The treatment is not available through the public health system and is not covered by private health insurance or by workers' compensation. DHS may allow access to superannuation to cover reasonable costs.
• The member is unable to pay for costs related to transporting themselves or their dependants to or from medical treatment where two medical practitioners certify that the treatment is necessary to treat a life-threatening illness or injury; alleviate an acute or chronic physical pain or mental condition. DHS may allow access to superannuation to cover reasonable costs.
• The member is unable to meet mortgage repayments and the lender has threatened to sell the member's home. Access to superannuation is restricted to a single lump sum not exceeding three months of repayments and 12 months of interest on the balance of the loan, in each 12-month period. DHS will only allow access to what the lender requires and therefore it may be less than the maximum amount payable. DHS will require confirmation from the lender that they will accept the amount available in the member's superannuation to stop the sale of the member's home.
• Due to a severe disability, the member needs to modify their home or car, or buy disability aids.
• The member is unable to pay disability costs for a dependant.
• The member is unable to pay for palliative care for a dependant who is suffering a terminal illness.
• The member must pay for a funeral service and the headstone for a dependant. The cost of a wake is excluded.

Early release of superannuation is only for unpaid costs. Members cannot get access to super to pay for costs already paid even if they use a loan, a credit card or money from family or friends. Members also need to be aware that the early release of superannuation money could affect their entitlement to government pensions and allowances. There may also be tax payable on their superannuation.

Monica Rule is an SMSF specialist and runs SMSF seminars.

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