

US lending giant tempts local borrowers with fixed ag rate deals



US-based global asset management business, PGIM Real Estate, has extended its agriculture finance platform into Australia offering long term, fixed rate financing alternatives to the farm sector's conventional lending terms.

It expects to build a \$1 billion-plus agricultural loan book in Australia before the end of the decade based on loan terms of five to 15 years.

PGIM is one of the world's largest farm sector investors, but Australia represents the first expansion of its lending business beyond the North American agricultural market.

In a partnership formed last year with newly established specialist debt provider, Foundation Agri Finance, the two have teamed up to deliver fixed rate, long term financing solutions to farmers and agribusinesses.

The first transaction was sealed in December, with a loan deal to a diversified horticultural business.

Foundation Agri Finance executive director, David Haydon, said lending to Australian agriculture had become increasingly short term "and less about the customer".

Reversing the trend

"We want to reverse this trend and offer long term solutions that are built around the needs and goals of each customer," he said.

He noted how agribusiness lending had largely moved towards two- or three-year terms on asset and working capital borrowing packages, which meant renegotiating those arrangement at frequent intervals.

Locking in a much longer loan period meant customers could avoid the pressure and risks associated with regularly revisiting their borrowing arrangements, in particular, avoiding the risk of loans rolling over at awkward times when tough seasons or markets may be undermining their bargaining strength.

PGIM, the global asset management business of New York Stock Exchange listed Prudential Financial, has \$US1.3 trillion in assets under management and offices in 18 countries, including Australia.

It began building its local footprint in 2011 with a team of commercial real estate and private credit investment experts.

A track record now includes management of multibillion dollar private alternative funds for Australian investors, including real estate equity and debt strategies via the real estate business, and debt financing for domestic corporations through PGIM Private Capital.

PGIM's various businesses offer investing categories for retail and institutional investors across a broad range of asset classes, including public fixed income, private fixed income, fundamental equity, quantitative equity, real estate, and alternatives.

Agriculture finance head at PGIM Real Estate, Rachele Schlesinger, said while the Australian market for farm finance was dominated by local banks typically providing short term, floating rate loans, she saw strong potential in 10- to 15-year long term, fixed rate financing solutions.

"We have big ambitions for the Australian market as we grow our agricultural financing platform's international presence," Ms Schlesinger said.

"We aim to offer competitive financing solutions to leading farmers and agribusiness and grow our Australian loan book to over \$1b over the next five years."

Noting latest forecasts for farmgate production values to recover by six per cent to \$85 billion by next financial year, Ms Schlesinger, said PGIM saw fresh opportunities for the kinds of predictable finance solutions the business had built its reputation on in the US.

"Importantly, our operational infrastructure is already in place given our existing commercial real estate business in Australia," she said.

Foundation's agenda

Mr Haydon, previously with Rabobank for 14 years, established Foundation Agri Finance with several others with farm and finance backgrounds, including chief investment officer, Natalie Meyenn, who was formerly with MLC.

Foundation's loan products through PGIM would service term debt for land and water borrowings, initially focusing on the higher production end of the farm borrower market.

"Long term borrowing terms are common in the US, and funding via the private debt market is quite mainstream, too," Mr Haydon said.

Investing in a sector such as agriculture, which was based on long term production agendas and capital growth, was a neat fit for a big life insurance outfit such as Prudential.

"As the borrowing market here gets more familiar with these options I expect there'll be a lot of interest developing," he said.

PGIM Real Estate's background in agricultural lending dates back 120 years in America, although its ag book has grown rapidly in the past decade, with assets under management more than doubling to \$US10.8b today.

PGIM Real Estate gives investors access a range of real estate equity, real estate debt, agriculture, and impact solutions, boasting total assets under management and administration of \$US134b.

For the record, PGIM's parent, US Prudential Financial Inc is not affiliated with the London-based Prudential insurance giant incorporated in the Britain, or with Prudential Assurance Company, a subsidiary of M&G in the UK.