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The author’s understanding of foreign agribusiness companies in Australia was considerably enhanced through interviews with people in some of those companies. Their assistance is greatly appreciated.

Foreword

On 23 November 2010, Assistant Treasurer, Minister for Financial Services and Superannuation, the Hon. Bill Shorten, and Minister for Agriculture, Fisheries and Forestry, Senator Joe Ludwig, announced an information-gathering process to address some emerging community concerns about foreign ownership of agricultural land and agricultural food production. As part of this process, the Rural Industries Research and Development Corporation (RIRDC) commissioned ABARES to undertake a research project to 'consider the role and history of foreign investment in the development of agriculture in Australia, the extent of foreign ownership of Australian agricultural land and the factors driving foreign investment in Australian agriculture'.

The ministers also announced the collection of information on foreign investment to be undertaken by the Australian Bureau of Statistics (ABS). The ABS subsequently conducted a survey, and on 9 September 2011 released information on foreign ownership of land and water (ABS 2011c).

This report presents the results of the study undertaken by ABARES with financial support from RIRDC. It reviews the historical significance of foreign investment in Australian agriculture, and to the Australian economy. It incorporates the survey results provided by the ABS, and presents case studies of foreign investment in farmland and agribusiness. It also examines the driving factors behind foreign investment in Australian agriculture and describes processes by which foreign investment in farmland is monitored and regulated in Australia and other selected countries.

Craig Burns	Phillip Glyde
Managing Director	Executive Director
RIRDC	ABARES

November 2011

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1 hectare (ha) = 2.4711 acres (ac)

1 acre = 0.4047 ha

1 sq km = 100 ha

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Background

Australia has always relied on foreign investment to meet shortfalls in domestic savings.

Inflows of foreign capital increase investment in the Australian economy, increasing production, employment and income. Without foreign capital inflows, investment in Australia would be limited only to that provided by domestic savings, resulting in lower production, employment, income and taxation payments.

Foreign direct investment typically, but not necessarily, introduces new technology, or better management skills or systems. Productivity gains achieved by a foreign-owned company may 'spill over' to others in the industry and to other industries, thus increasing output and incomes.

High international food prices have generated increased global interest in investment in agriculture. Australia, together with other countries, has experienced an apparent increase in investment in agriculture from other countries. While land in Australia is expensive relative to many developing countries, Australia offers foreign investors some advantages. For example, Australia's infrastructure and agricultural input and output markets are well developed. In addition, skilled staff can generally be hired, and risks are low under Australia's stable and transparent legal system and government.

Some of the foreign interest in Australian agricultural assets comes from companies involved in the food supply chain, seeking to expand their activities by securing new or alternative sources of supply or by gaining access to additional markets. In other cases, higher food prices have signalled the potential for profitable investment in agriculture.

Australia's food security is likely to improve, because new investment in agriculture leads to increased food supplies. The flow of foreign funds into the broader Australian economy contributes to higher aggregate production and thus to higher incomes, which improve consumers' capacity to purchase food.

Recent developments in foreign investment in agriculture

Information on foreign investment in agriculture and agribusiness is limited. Some sources are reported below, but there is no systematic source of data on foreign ownership of agribusiness companies. Nor is there regular information on the nationality of foreign investors or about the type of entity involved. The extent of investment by foreign government entities is also not known. Information can be obtained from media reports and company websites but these sources do not provide comprehensive data.

Recent foreign buyers of agricultural land in Australia appear to fall into three main categories:

1 Agribusiness companies, private or government owned, seeking to extend their activities up the supply chain to secure sources of supply. Purchases by Hassad Food (Qatar, state owned) and Olam International (Singapore, publicly listed) fall into this category.
2 Investment or pension funds seeking profits from owning and operating Australian agricultural land, but where those operations do not form part of any larger agricultural or food business. Examples are purchases by the Westchester Group (owned by the Teachers Insurance and Annuity Association of America) and by the UK-based private equity investment company Terra Firma Capital.
3 Some of the most publicised purchases of farmland by foreign interests are those by mining companies. The public concern surrounding these cases is arguably more about land use than about foreign ownership.

While there has apparently been an increase in foreign ownership of Australian agricultural land in the past few years, the trend has not always been upward. Foreigner investors sell as well as buy land, and foreign landholdings have expanded and contracted at different times.

The results of the Agricultural Land and Water Ownership Survey released by the Australian Bureau of Statistics (ABS) on 9 September 2011 provide information on the foreign ownership of agricultural land in Australia as at 31 December 2010. The survey showed that, on 31 December 2010, 1 per cent of Australia's 135 648 agricultural businesses was wholly or partly foreign owned. Some 44 million hectares, or 11.3 per cent of Australian agricultural land, was wholly or partly owned by foreigners, of which around half had majority Australian ownership. The Northern Territory had 20 businesses, accounting for 23.8 per cent of agricultural land in the Northern Territory, wholly or partly under foreign ownership—the largest proportion among the states and territories. Victoria had the lowest proportion of whole or part foreign ownership of agricultural land, at 0.8 per cent. By industry, the highest level of foreign ownership was in the sheep, beef cattle and grains industries, and the lowest was in nursery and floriculture.

The Foreign Investment Review Board (FIRB) provides data on approvals given by the Australian Government for foreign investment. However, these data capture only some foreign investment transactions, because investments in companies below the value of $231 million by non-government foreign entities are not subject to approval. Only larger transactions and transactions by state-owned entities are reflected in the FIRB data. Further, these data cover prior approvals to invest but do not capture any subsequent activity such as resale to nationals, and thus do not reflect the stock of foreign investment.

In 2009–10, only 1.6 per cent (or $2.33 billion) of approvals for foreign direct investment was in agriculture, forestry and fishing, with a further 2 per cent ($2.82 billion) in food, beverage and tobacco manufacturing. The United States was the country with the largest value of approvals in agriculture, forestry and fishing, followed by Malaysia (second) and the United Kingdom (third). Approvals for foreign investment have varied considerably from year to year, with a notable increase in approvals for agriculture, forestry and fishing in the three years to 2009–10.

The State of Queensland maintains a register of foreign ownership of land and water entitlements. Foreign ownership of farmland in Queensland declined by 25 per cent in 2003 and by a further 15 per cent in 2004, before increasing in subsequent years. In 2010, mining companies accounted for around 60 per cent by value of the foreign purchasers of farmland in Queensland.

Foreign ownership of water entitlements

Reforms in all states—beginning in the late 1980s—have made it possible for water entitlements to be traded independently of land. This has increased the potential for foreign as well as local investors to participate in the market for irrigation water in Australia. Results of the ABS Agricultural Land and Water Ownership Survey show that 91 per cent of water entitlements were fully Australian owned at 31 December 2010. New South Wales accounts for 44 per cent of Australia's water entitlements, of which 10.6 per cent was wholly or partly foreign owned. The other major water-using states, Victoria, Queensland and South Australia, have lower foreign ownership of water entitlements.

Foreign investment in Australian agribusiness

Increasingly open economic policies and advances in transport and communications have fostered globalisation of agribusiness firms. Firms have expanded to benefit from economies of scale and to gain efficiencies and stability by sourcing inputs from around the world. Global expansion also gives businesses access to new emerging markets and to foreign knowledge and expertise. Foreign investment in Australian agribusiness has, in cases such as the grains, dairy and sugar industries, followed deregulation of the industry.

Foreign investment in agribusiness, as in any other sector, increases the supply of capital, leading to higher levels of production, employment and income. Without foreign capital inflows, production, employment, income, exports and taxation payments would all be lower. Foreign companies engaged in agribusiness activities have typically provided investment funding that would not otherwise have been available. In some cases they have financed expansion in productive capacity, and in others they have financed restructuring in the industry to improve efficiency and viability.

Since the deregulation of wheat export market arrangements in July 2008, there has been increased interest among foreign investors in Australian grain bulk handlers and exporters. For example, Viterra (Canada) acquired ABB Grain; and Agrium, a Canadian fertiliser and agrochemicals company, bought AWB Ltd and, while retaining the Landmark rural services business, subsequently sold its grain handling and exporting business to Cargill (US). Half of the 23 licensed wheat exporters operating in Australia today are foreign-owned. These exporters have invested in grain handling capacity and facilitated exports through their overseas contacts.

The dairy industry was deregulated in 2000, when all states repealed legislation governing sourcing and pricing of drinking milk. Around half the milk produced in Australia is now processed by foreign-owned firms. Fonterra (New Zealand) and Lion (Kirin, Japan) together process around 45 per cent of Australian milk production, while Parmalat (France) accounts for a little over 5 per cent.

Bundaberg Sugar Limited was acquired by Tate & Lyle (the UK) in 1991 and was subsequently sold to Finasucre of Belgium in 2000. CSR sold its sugar business, Sucrogen, to the Malaysian–Singaporean company Wilmar in 2010. In 2011, Tully Sugar was bought by Top Glory (Australia), a subsidiary of the Chinese state-owned COFCO Corporation. The three foreign-owned milling groups account for almost 60 per cent of Australia's raw sugar production.

The largest player in meat processing in Australia is the Brazilian-owned company JBS Australia, a division of JBS, Brazil's largest multinational in the food sector, and the world's largest meat company. JBS first invested in Australia in 2007, a move that was seen as giving the group more diversified sources of supply as well as access to the Japanese and South Korean markets, while at the same time opening a wider range of markets to Australian producers.

Other foreign companies in the meat industry are Cargill, now in partnership with the Australian company Teys Australia, and Japan's Nippon Meat Packers. Based on throughput, around 40 per cent of Australia's red meat production is processed by foreign-owned firms.

At a national level, regulation of foreign investment in Australian agriculture is greater than that of many other Organisation for Economic Co-operation and Development (OECD) countries. The FIRB examines all proposals from foreign government-owned enterprises, and all other proposals amounting to 15 per cent or more of a company valued at $231 million or more (unless from countries with which Australia has agreed on higher thresholds, such as a threshold of $1005 million for the United States). The Australian Competition and Consumer Commission (ACCC) assesses the impact that proposed investments would have on competition in the Australian market. Assessment by these bodies may result in the government refusing to allow a foreign investment, or in an investment proceeding only with modifications or safeguards in place. The ACCC is also responsible for ensuring the competitive behaviour of foreign-owned (as well as domestic) agribusinesses in the Australian marketplace.

State-owned foreign investment in agriculture

Government-owned enterprises, including sovereign wealth funds, are among the foreign entities that have shown interest in investing in Australian agricultural assets in recent years. The potential for such investments to grow has attracted media coverage, partly because of the possibility that government-owned enterprises may not operate solely on commercial principles. It could be argued, for example, that investors not bound by profit-making considerations may distort markets by bidding land and other asset prices above those determined purely by market fundamentals.

Another possible concern could be that state-owned businesses may channel production through non-market avenues to customers in their home countries, thus adversely affecting domestic Australian food security. However, apart from the likelihood that foreign government owned Australian farm land will account for no more than a relatively small proportion of the nation's agricultural output, the purchase of farmland in another country is unlikely to be an effective means of significantly increasing the volume and security of food supply in the investing country. Purchasing food from the world market, including with the aid of government subsidies if required, is likely to be the most cost effective way for a nation to improve its food security through the sourcing of supplies from other countries.

Finally, in regard to state owned or sponsored investment in Australia, there are safeguard measures relating to purchase of land by foreign government-owned organisations. All investments by foreign governments and related entities, regardless of the value of the investment, are subject to examination by the FIRB. The FIRB makes recommendations to the Australian Government on whether such investments should proceed. The FIRB may seek advice from other agencies on national security, competition and other issues of potential concern before making a recommendation.

Regulation of foreign investment in agricultural land in other countries

The OECD has undertaken a study of the restrictiveness on foreign direct investment in each of its member countries, as well as in some selected major non-OECD countries. Among the OECD countries, Australia is assessed as the tenth most restrictive for foreign direct investment in agriculture out of 34 members. At national levels, more than half the OECD countries have no restriction on foreign direct investment in agriculture. However, this can be misleading in so far as some states and provinces of countries such as the United States and Canada have quite restrictive conditions on foreign ownership in agriculture.

While a majority of countries do not regulate foreign investment in agriculture, others employ a diversity of measures, as illustrated by the cases discussed below.

Among the 34 OECD member countries, New Zealand is the seventh most restrictive recipient of foreign direct investment in agriculture (according to the OECD). New Zealand has a long heritage of intervention in land ownership quite different to that of Australia. Until 1995, land purchases, even by New Zealand citizens, were controlled. Foreign investors must obtain approval for any land purchase of 5 hectares or more in New Zealand. However, New Zealand does not collect data on foreign ownership of farmland.

The United States (at the federal level) does not restrict foreign investment in agriculture, but it does maintain a register of foreign-owned farm and forest land. Under the Agricultural Foreign Investment Disclosure Act of 1978, it is compulsory for all foreign persons who acquire or transfer an interest in agricultural and forest land to report that transaction within 90 days. The latest data available, at February 2010, show that foreign entities hold approximately 1.8 per cent of all privately held agricultural and forest land in the United States. Forest land accounted for more than half the total of all foreign-held agricultural and forest land.

Although the US Government does not impose restrictions on the ownership of farmland by foreigners, around half of the individual states of the United States do have some form of restrictions on the ownership of land by foreigners. These range from prohibitions on non-citizens owning farmland in Nebraska, North Carolina and Oklahoma to requirements that purchases by foreigners be reported to authorities in Arkansas, Iowa, Missouri, Ohio and Wisconsin.

The Canadian Government imposes no restrictions on foreign investment in farmland, except in some cases if land is part of a larger investment. However, the provinces have the right to restrict the acquisition of land by people who are not citizens or permanent residents, or by corporations and associations controlled by them. In Prince Edward Island, Manitoba, Saskatchewan and Alberta there are measures to control purchases of land by foreigners.

In Brazil, purchases of farmland by foreigners have been restricted since 1971. Now new restrictive measures to control foreign ownership of farmland are being introduced, with foreign ownership to be restricted to 25 per cent of the area of any municipality, with a maximum of 10 per cent to be owned by any one nationality.

Argentina exercises no control over foreign investment in farmland; no specific process exists for foreign entities to obtain permission to buy farmland, and no official data are kept on land ownership by foreigners. However, in the light of increases in land purchases by foreign interests in the past few years, a Bill has been introduced in congress to limit the foreign ownership of rural land and to collect and maintain data on foreign ownership. If approved, foreign ownership of Argentina's total farmland would be limited to 20 per cent, and any given nationality will be able to own only up to 30 per cent of that limit. No single foreign entity will be allowed to purchase more than 1000 hectares of farmland in Argentina.

Concluding remarks

Foreign investment is a significant force in the development of the Australian economy, including in agriculture. Inflows of foreign capital increase investment in the Australian economy, leading to higher production, employment and income.

Foreign ownership of agricultural land in Australia has gone through periods of expansion and contraction. It is understood to have been increasing in 2010 and 2011, in part because of purchases of land by mining companies.

Foreign investment in Australian agribusiness appears to be higher than in farmland. Depending on the nature of the business, investment in Australia may provide foreign companies with larger and more efficient operations, access to the Australian market and new brands for products. It may also give foreign firms access to supplies of raw materials, possibly enhancing the flow of Australian exports to the investor's country, and access to markets in third countries. In some cases it simply provides a foreign company with a profitable investment. The inflow of capital to Australia has improved capacity and efficiency in agribusiness activities. New investment by foreign owners has facilitated restructuring in sugar milling, and has expanded meat processing and grain handling capacity.

The diversity of measures employed to regulate and monitor the ownership of farmland by foreigners in other countries reflects their diverse histories and cultural backgrounds. Concessions to concerns about sovereignty, distrust or fear of foreigners are likely to come at an economic cost to countries that restrict the inflow of foreign capital.

The regular collection of information on foreign ownership might be considered as a means of providing transparency to the public and contributing to better-informed policymaking in the future. Funding the collection of data on ownership of land and water by an agency such as the ABS, possibly as part of the agricultural census every five years, would be one approach. An alternative would be to maintain registry data by collecting information at either the national or state level on transactions from buyers and sellers of land. However, collecting and maintaining data has a cost to the agency charged with such a responsibility, as well as to respondents providing information to that agency.

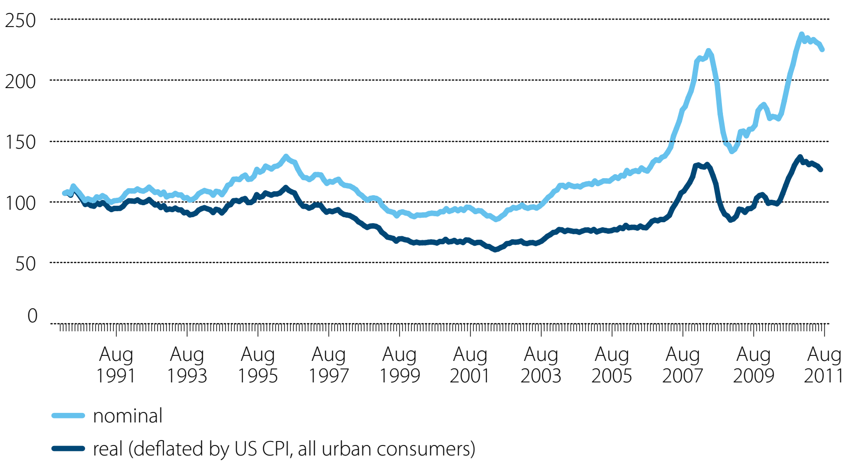
1 Background

The ‘spike’ in international food prices in late 2007 through 2008 and the resurgence of high prices since mid-2010 (figure 1) generated increased global interest in investment in agriculture. Private, institutional and sovereign investors have demonstrated an increased interest in agriculture.

A number of countries that depend on food imports for a significant share of their food supplies and that have the resources to invest in food-producing assets in other countries have invested in agricultural land, mostly in Africa but also in Pakistan, Kazakhstan, Cambodia and Brazil. Major foreign investors in farmland have included the Gulf States, China and the Republic of Korea. Byerlee and Deininger (2011) identify three broad groups of investors: agribusiness operations seeking to expand or integrate their operations; financial entities such as pension and equity funds; and government-owned sovereign wealth funds.

Lack of investment has, in the past, been identified as a fundamental cause of low productivity and stagnant agricultural production in developing countries. Increased foreign investment may be expected to bring new capital and technology to those countries, enhancing productivity and employment and contributing to global food security. As well as increasing production, which can be used for domestic consumption, foreign investment may facilitate export channels. It can also be expected to enhance the infrastructure of the host countries, and to generate tax revenues.

1 Food and Agriculture Organization (FAO) food price indexes



Sources: FAO, www.fao.org/worldfoodsituation/wfs-home/en/; US Bureau of Labor Statistics, http://data.bls.gov/cgi-bin/surveymost?ca

Some agricultural projects funded by foreign investment in developing countries have failed because the host countries lacked the capacity to process and manage large-scale investments, and because the investment proposals were not technically viable. Some significant land deals in developing countries such as Madagascar, Indonesia and the Philippines have also been cancelled in the face of local opposition (Deininger & Byerlee 2011; Hallam 2009).

Recently there appears to have been an increase in interest in Australian agriculture from investors in other countries. While land in Australia may be expensive relative to similar land in developing countries, investment in Australia offers some advantages. Transport and communications and markets for farm inputs and produce are well developed. Skilled labour and managers are readily available, and sovereign risks are low under Australia's stable and transparent government. Some investors are drawn to Australia because of its existing trade links with markets in Asian countries.

While data on landholding by foreigners are limited, anecdotal evidence suggests that investors from Europe and North America, the Gulf States and Asia, including China, have shown increased interest in investing in Australian agriculture since the rise in global food prices in late 2007. Agribusiness companies, including Australian Meat Holdings, Tasman Group, Queensland Cotton, National Foods, Dairy Farmers, AWB, ABB, Sucrogen (formerly CSR's sugar arm) and Tully Sugar, have been the subject of foreign takeovers in the past few years.

Some of the foreign interest in Australian agricultural assets is from companies involved in the food supply chain, seeking to expand their activities by securing sources of supply or by gaining access to additional markets in Australia or in third markets (such as those in Asia). In other cases, the increased food prices have signalled the potential for profitable investment in agriculture, and investment funds with little or no established interest in agriculture have sought to buy Australian agricultural assets.

Impact of foreign investment in the Australian economy

Foreign ownership of Australian assets falls broadly into two categories: foreign direct investment (FDI) and portfolio investment.

FDI refers to investment in domestic structures, equipment, and organisations. It grants the investor control over the acquired asset in proportion to the percentage share of investment made. It involves a commitment from the investor in acquiring business facilities and hiring staff. Thus it is distinct from portfolio investment, which does not always offer such control. Portfolio investment refers to the purchase of shares or other instruments. It does not necessarily result in foreign management, ownership, or legal control, unless a large investor negotiates for some board representation. It can be more transient than direct investment, as shares may be bought and sold within a short period.

box 1 **Benefits of foreign investment**

Australia has always relied on foreign investment to meet the shortfall of domestic savings relative to its domestic investment needs.

Inflows of foreign investment increase the supply of capital, leading to increased domestic investment and thus to higher production, employment and income. Profits, a small proportion of the total revenue, are either reinvested in Australia or repatriated overseas. Without foreign capital inflows, investment in Australia would be limited to that provided by domestic savings. Production, employment, income, exports and taxation payments would all be lower.

Foreign direct investment typically, but not necessarily, brings new technology, or better management skills or systems. Productivity gains achieved by the foreign company may 'spill over' to others in the industry and to other industries, thus increasing output and incomes. Within the industry itself, however, the introduction of labour-saving technology may reduce employment in the short term.

Investment in the supply chain by foreign commodity trading or food processing companies may in some cases lead to enhanced export potential for Australian agriculture. For example, Japanese investment in the beef industry in the 1980s opened channels for beef exports to Japan (Young & Sheales 1991).

Foreign direct investment

FDI has always been an important component of the Australian economy, in agriculture as well as in the broader economy. It has, however, been a relatively small source of funds for investment, having been equivalent to around 7 per cent of gross fixed capital expenditure from the 1960s to the end of the twentieth century (Treasury 2009). Over the past decade, FDI inflows have demonstrated an upward trend in real terms. In 2000–01, foreign-owned businesses contributed 21 per cent of the total value added and 25 per cent of gross fixed capital investment of all industries except agriculture, forestry and fisheries (Faeth 2005).

ABS data show that at June 2010 98 per cent of all Australian businesses were fully Australian owned. Larger businesses, however, have a higher level of foreign ownership. Of those businesses employing more than 200 people, only 73 per cent were fully Australian owned. The mining industry showed a lower level of Australian ownership than did other industries (ABS 2011d).

FDI can be expected to affect the economy in several ways. It can promote growth in an economy, particularly one with high education levels, openness to trade and low rates of population growth (Faeth 2005). Foreign investment augments the local capital stock, leading to an increase in output and, providing the servicing cost is less than the increase in output, the nation's income (Layton & Makin 1993). Layton and Makin (1993) estimated that per capita gross national product in Australia in the five-year period 1984–85 to 1988–89 was around 15 per cent higher than it would have been in the absence of the foreign capital inflow. In the case of the United States, Keller and Yeaple (2005) estimated that 14 per cent of US productivity growth between 1987 and 1996 was attributable to technology spillovers emanating from foreign affiliates.

FDI also introduces new technology and, by improving productivity, tends to have a larger impact, per dollar invested, on economic growth than does domestic investment. According to Vo and Batten (2006), FDI boosts economic growth through productivity gains arising from technology transfer and diffusion, including the introduction of new processes, managerial skills and know-how in the host countries, and because of this has a larger effect on economic growth than does domestic investment (Vo & Batten 2006). Foreign companies often bring technology with them. Technological spillovers flow beyond the foreign-owned firm, so that productivity through the industry involved will also improve. This happens as workers move between foreign and domestic firms; as supplying firms are provided with technology by their foreign-owned investors; and as other firms observe and adopt the practices by their foreign-owned competitors.

FDI's effect on trade is ambiguous, at least in the short term, depending on the nature of the investment. There is some international evidence that multinational firms are more export-oriented than domestic firms, and that this export orientation spills over to the domestic competitors, leading to higher exports. FDI may also lead to increased imports, especially of capital equipment and machinery, which are mostly imported into Australia. Foreign investment in export-oriented primary industries, by firms seeking to enhance their supplies of raw materials from Australia, can be expected to have a positive impact on commodity exports.

Effects of foreign investment could be important in some developing countries if governments were to be tempted to reduce standards in order to attract investment (see OECD 1998) but this would be less likely to happen in Australia. FDI may lead to a loss of sovereignty in a country where governance is weak and lacks transparency and a large foreign company may be able to exercise influence. While concern about sovereignty appears to be the reason that the proposed Multilateral Agreement on Investment failed in 1998, it is unlikely to be a problem in developed democracies with strong and transparent regulatory mechanisms. Purchasing a property allows an owner, whether local or foreign, to exercise certain rights over that property, but any owner of property is bound to abide by a range of laws and regulations imposed by federal, state and local government.

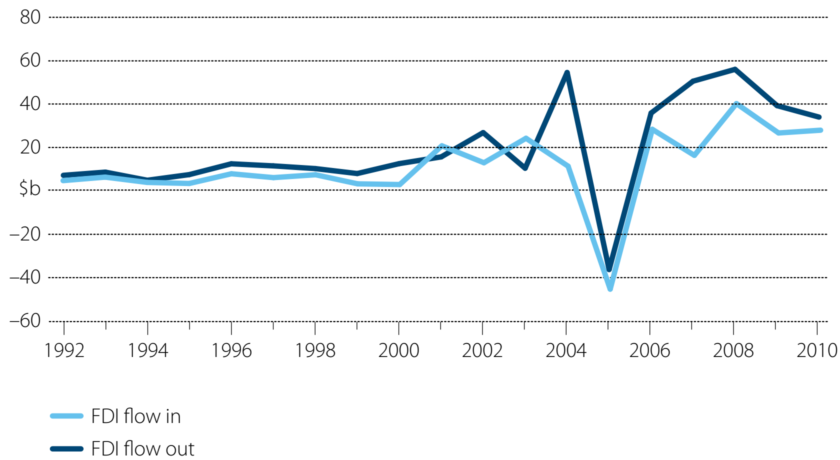
Foreign portfolio investment

Foreign portfolio investment (the purchase of shares or other instruments) in Australia is much larger than FDI in Australia. The stock of foreign portfolio investment in Australia stood at $1146 billion at 30 June 2010, compared with foreign direct investment in Australia of $474 billion (ABS 2011a).

Australia's direct investment overseas

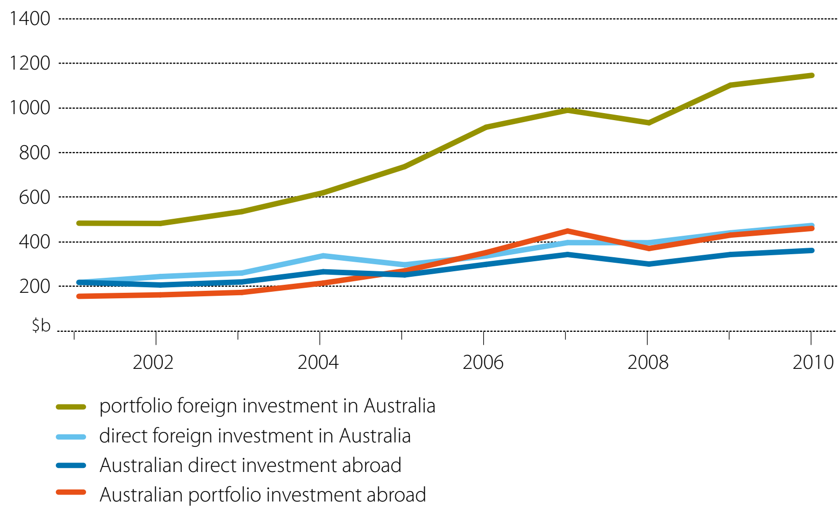
Australian direct investment in overseas countries is also significant. At $362 billion at 30 June 2010 (ABS 2011a), it was equivalent to almost 75 per cent of the stock of FDI in Australia. In some years, such as 2001 and 2003, the flow of capital out of Australia exceeded inward flows (figure 2). Australia's stock of portfolio investment abroad, the cumulative total of flows over time, was at $460 billion at 30 June 2010 (figure 3). One significant contributing factor to this trend is probably the large growth in Australian superannuation funds.

2 FDI flows in and out of Australia



Source: ABS 5352.0

3 Inward and outward investment stocks



Source: ABS 5352.0

box 2 Historical impact of foreign investment in agriculture

Foreign direct investment has, since the earliest years of settlement, played an important part in the development of Australian agriculture and agribusiness. Foreign investors have taken risks to pioneer new enterprises. For example, The British-funded Australian Agricultural Company purchased more than 500 000 acres (202 000 hectares) on the Peel River and the Liverpool Plains in 1824, and developed a sheep and cattle grazing enterprise (Davidson 1981). In 1825, the Van Diemen's Land Company bought 350 000 acres (142 000 hectares) in north-eastern Tasmania and invested £170 000 in its first seven years (Davidson 1981). It also established Australia's first commercial cheese factory (Dairy Australia 2011).

Foreign investment has also contributed to the development of irrigated agriculture. In the 1890s, Canadian brothers George and William Chaffey were granted 250 000 acres (100 000 hectares) at Mildura to subdivide into smaller holdings and supply with water, involving investment of £300 000 over a 10-year period (Davidson 1981).

The development of the beef industry was promoted by foreign investment. The British–Argentinian family Vestey was a significant investor in the beef industry in the Northern Territory, and pioneered a number of innovations. To ship refrigerated meat to the United Kingdom, the Vestey family created a shipping company, the Blue Star Line, registered in 1911 (Blue Star Line 2011) and built a freezing and canning works in Darwin in 1914. Later on, most new foreign investment came from the United Kingdom in the period when that country was the major export outlet for Australian beef. By the 1960s, more foreign investment came from the United States, which had become a major market. By the 1980s, Japan had become both a major market and a major investor in the industry. Investment from the United Kingdom, the United States and Japan had, in turn, facilitated the export meat trade to those markets.

In 1956, Fogg Dam in the Northern Territory was built by an American–Australian company to irrigate rice at Humpty Doo. Rice crops were planted in 1958–59 and 1959–60, but the enterprise was not a financial success. Foreign investment in the Ord River Irrigation Area by Japanese and American investors in the 1970s was also unsuccessful (Davidson 1981).

A particularly successful investment was that by a group of American cotton growers who purchased land on the Namoi River in 1961 and pioneered what has become a major cotton-growing industry. Two Californian cotton growers, Frank Hadley and Paul Kahl, purchased a 728-hectare sheep property near Wee Waa in 1961 for £45 000 and planted cotton (Myers 2010). Despite a disappointing initial crop, they demonstrated that cotton could be grown successfully in that region. Other American cotton growers followed, bringing with them American cotton-growing technology. By 1967, 27 out of 60 cotton growers in the Namoi were American. These growers had brought with them the technology of producing cotton on a large scale, highly mechanised and with heavy use of chemical inputs (Henzell 2007).

Australia is now one of the world's major cotton producing and exporting countries, and in 2011–12 is forecast to be the world's third-largest cotton exporter, behind the United States and India (ABARES 2011).

Foreign ownership and food security

According to the FAO, food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life (FAO 1996).

Australia has a high level of food security. Food is abundant, and Australia is highly self-sufficient as well as food secure, producing more than twice the amount of food it consumes. Although items that cannot readily be produced in Australia are purchased freely on world markets, imports amount to a relatively small proportion of food requirements. Australians have a higher level of prosperity than most of the world's population and, with only a very small number of exceptions among disadvantaged groups, consumers can easily afford their food requirements.

Australia's food security is likely to be further enhanced by ongoing foreign investment in agriculture. For the economy as a whole, the flow of foreign funds leads to higher aggregate production in the economy and thus to higher incomes, which improve consumers' capacity to purchase food. At the sectoral level, new owners of productive assets may make additional investment or introduce new technology to improve productivity, increasing the supply of food and domestic food availability.

An issue associated with foreign ownership in agriculture is the use of farmland for non-farming purposes such as mining. Conversion of farmland to mining has the potential to reduce agricultural production, whether the mining companies are Australian or foreign-owned. However, the investment in infrastructure, such as improved roads, that typically accompanies mining developments is likely to benefit agriculture. Increased mining activity provides new employment opportunities, especially for rural and regional communities, and the increase in incomes and employment will leave consumers better able to afford their food requirements.

Factors driving foreign investment in Australian agriculture

The level of FDI flowing into the Australian economy may be expected to depend on a number of factors, but empirical results are not all in agreement.

The level of household income would be expected to have a positive impact on FDI inflows, where a foreign company is seeking to expand its sales in Australia (Faeth 2005). High labour costs would have a negative impact on FDI, as would high corporate taxes. Other factors such as domestic interest rates, exchange rates, inflation and industrial disputes and the level of unemployment would also affect FDI decisions. FDI, unlike portfolio investment, is driven by longer-term considerations. Consequently, considerations on the above factors would largely depend on perspective changes or movements over the longer term, rather than their current values.

FDI has been found to respond significantly to the investment provisions of preferential trade arrangements (Adams et al. 2003). Australia has signed such agreements with New Zealand, Singapore, Thailand, the United States and Chile, as well as the ASEAN–Australia–New Zealand Free Trade Area. Negotiations with other countries, including China, Malaysia, Japan, the Republic of Korea, Indonesia, India, and the Gulf Cooperation Council (GCC), are in progress (DFAT 2011). Depending on final agreements reached, there may be scope for increased investment flows, in both directions, between Australia and these countries.

The World Investment Prospects Survey conducted by the United Nations Conference on Trade and Development in 2009 in the light of the global financial crisis provides an outlook on future trends in FDI by the largest transnational corporations (UNCTAD 2009). The global financial crisis had heightened perceptions of risk and reduced the availability of FDI flows in 2009, but global FDI was expected to progressively recover in subsequent years. The factors identified as favouring investment in Australia included the presence of a stable and business-friendly environment, quality of infrastructure, access to natural resources and government effectiveness. The size of the local market and market growth were important global determinants of FDI but were found to be less important in the case of Australia than in many other countries. Access to international and regional markets was not given in the above survey as a strong factor behind foreign investment in Australia. This result appears surprising, because a number of investors in agribusiness enterprises in Australia have cited links to Asian markets as important considerations for foreign investors in their decisions to invest.

Companies active in food and agribusiness have expanded into Australia partly in response to deregulation of agricultural industries over the past decade, as they have sought various ways to expand their businesses, to reap economies of scale, and to capture additional sources of supply and additional markets. The higher global food prices since late 2007 have also stimulated global interest in investment in agriculture.

There has been investment from state-owned and sovereign wealth fund–owned food companies from, for example, Qatar, apparently aimed at securing their long-term food supplies. Some purchases of land have also been made by foreign investment companies with no established interest in the food chain, seeking to profit from holding and operating in Australian agriculture.

2 Regulation of foreign investment in agriculture in Australia

Foreign Investment Review Board

Under the provisions of the *Foreign Acquisitions and Takeovers Act 1975* (FATA), the Foreign Investment Review Board (FIRB) examines proposals by foreign interests to invest in Australia and recommends to the government whether those proposals are contrary to the national interest, in which case the Treasurer may make a decision prohibiting the proposed acquisition.

Australia's 'national interest' is not defined in the FATA or other legislation. 'What is contrary to the national interest cannot be answered with hard and fast rules. Attempting to do so can prohibit beneficial investments and that is not the intention of the regime. Australia's case-by-case approach maximises investment flows while protecting Australia's national interest' (Treasurer 2011).

The FIRB considers the following factors in examining applications from prospective foreign investors:

- National security—the extent to which investments affect Australia's ability to protect its strategic and security interests. When appropriate, advice is sought from the relevant national security agencies.
- Competition—a proposed investment may be refused if it would result in an investor gaining control over market pricing and production of a good or service in Australia, or if concentration could lead to distortions to competitive outcomes in global markets. The FIRB may seek advice from the Australian Competition and Consumer Commission (ACCC) on competition issues.
- Other Australian Government policies—the impact of a foreign investment proposal on Australian tax revenues, and consistency with the government's objectives in relation to matters such as environmental impact are among those considered.
- Impact on the economy and the community—the impact of the investment on the general economy and the impact of any plans to restructure an Australian enterprise following an acquisition are considered. The investment should be consistent with Australia remaining a reliable supplier to all customers in the future, and should ensure a fair return for the Australian people.
- Character of the investor—proposals by foreign-owned or controlled investors that operate on a transparent and commercial basis are less likely to raise national interest concerns than proposals from those that do not.

The acquisition of an interest in agricultural land or a primary production business is subject to the same monetary thresholds that apply to other foreign acquisitions of Australian companies or business assets. Foreign persons are required to notify the government before acquiring an interest of 15 per cent or more in an Australian business or corporation that is valued above $231 million. This monetary threshold is indexed annually on 1 January. Higher limits apply in the case of countries with which Australia has signed bilateral agreements, such as a threshold of $1005 million for the United States. The threshold of $231 million is above the value of most agricultural land transactions, with only large enterprises such as aggregations of properties in managed investment schemes being subject to FIRB examination.

Investment proposals from foreign governments and their related entities are subject to close scrutiny. Government approval is required for all such acquisitions, regardless of value of land, as well as investment in companies and business assets, without reference to the monetary threshold ($231 million in 2011). The Australian Government does not have a policy of not approving such investments but it looks at the overall proposal carefully. The FIRB considers whether the investment is commercial in nature or if the investor may be pursuing broader political or strategic objectives that may be contrary to Australia's national interest.

The FIRB defines agricultural land (rural land) as that used wholly and exclusively for carrying on a business of primary production. To be a business of primary production, the business must be substantial and have a commercial purpose or character. Sale of such properties to non-government foreign investors below the threshold value is not subject to FIRB scrutiny. However, properties of sub-commercial scale, including those operated for recreational or hobby purposes, are not classed as agricultural land, and purchases of such properties by foreigners, regardless of value, can be made only with government approval.

Australian Competition and Consumer Commission

The ACCC was formed in 1995 to administer the *Trade Practices Act 1974* (now the *Competition and Consumer Act 2010*) and other relevant acts.

The ACCC recognises that mergers and acquisitions perform an important role in the efficient functioning of the economy. They allow firms to achieve efficiencies such as economies of scale and provide a mechanism by which underperformers are replaced. However, the ACCC is responsible for preventing mergers and acquisitions that have, or would be likely to have, anticompetitive effects (ACCC 2006).

The ACCC investigates and reviews those proposed mergers and acquisitions it becomes aware of that have the potential to raise concerns. Mergers and acquisitions are generally brought to the ACCC's attention by parties involved who request an informal clearance. Alternatively, the ACCC may become aware of a proposal through media speculation, complaints or advice from other regulatory bodies. The results of these reviews are made public. Cases may be referred to it by the FIRB and the Australian Prudential Regulation Authority. These reviews are confidential and the decisions are not made public by the ACCC.

Foreign investment in agriculture in Western Australia

The Western Australian Government maintains a policy of not approving the transfer of pastoral leases to entities with more than 50 per cent foreign ownership, unless it can be shown that no Australian interest could be obtained. To gain approval to sell the lease to a foreign interest, the vendor needs to provide evidence that genuine attempts have been made to find an Australian buyer. This is not a statutory requirement, but has been a policy maintained by successive Western Australian governments since 1979 (DRD 2003).

3 Foreign ownership of Australian agricultural land and water

Foreign ownership of farmland

Data from the Australian Bureau of Statistics

The ABS provides several sets of data relevant to an understanding of foreign investment in Australian agriculture.

The most relevant are the results of a survey conducted in 2011 (ABS 2011c). This was a survey of 11 000 farms, which collected information on the number of agricultural businesses, the area of farmland, and the volume of water entitlements under Australian and foreign ownership. The results can, in principle, be compared with ABS data on foreign ownership as at 31 March 1984 (ABS 1985).

The survey showed that on 31 December 2010 1 per cent of Australia's 135 648 agricultural businesses was wholly or partly foreign owned (table 1). Some 44 million hectares, or 11.3 per cent of Australian agricultural land, was wholly or partly owned by foreigners, of which around half had majority Australian ownership (tables 2 and 3). The Northern Territory had 20 businesses, accounting for 23.8 per cent of agricultural land in the Northern Territory, wholly or partly under foreign ownership—the largest proportion among the states and territories. Victoria had the lowest proportion of whole or part foreign ownership of agricultural land, at 0.8 per cent.

1 Foreign control/ownership of agricultural establishments/businesses, by number

	March 1984			December 2010		
	total number of establishments	100% Australian control	joint and foreign control	total agricultural businesses	100% Australian owned	joint and foreign owned
	no.	%	%	no.	%	%
NSW	53 011	99.7	0.3	43 309	98.6	1.0
Vic	45 984	99.9	0.1	32 575	98.4	0.7
Qld	34 167	99.8	0.2	28 638	99.4	0.5
SA	19 479	99.9	0.1	13 847	98.2	1.4
WA	16 750	99.3	0.7	12 592	97.8	1.2
Tas	5 664	99.9	0.1	4 070	96.2	2.8
NT	255	88.2	11.8	617	96.6	3.2
Australia	175 412	99.7	0.3	135 648	98.5	1.0

Sources: ABS 1985, 2011c

This recent information on wholly or partly foreign-owned land may be compared with earlier ABS data for 1983–84 (ABS 1985). At the end of March 1984, 28.5 million hectares, or 5.9 per cent of the total area of Australia's agricultural land, was wholly or partly foreign owned. Foreign ownership, whole or part, amounted to 18.2 per cent of agricultural land in the Northern Territory, and 5.3 per cent in Queensland. In 1984, 0.3 per cent of agricultural establishments were under foreign control.

The ABS data for 1983–84 also included information on the value of production under foreign control, and on the nationality of foreign land owners. Neither of these was covered in the 2011 survey. In 1983–84, agricultural establishments with foreign ownership (whole or part) accounted for 1.8 per cent of the total gross value of agricultural production. In some industries, however, foreign participation was higher, accounting for 14.3 per cent of the value of cotton produced, 8.7 per cent of pig numbers, and 5 per cent of meat cattle and calf

2 Agricultural land, Australian and foreign owned, by state

	March 1984				December 2010			
	Total area	100% Australian		Foreign and part-foreign	Total area	100% Australian		Foreign and part-foreign
	'000 Ha	'000 Ha	%	%	'000 Ha	'000 Ha	%	%
NSW	64 016	63 290	98.9	1.1	56 187	54 541	97.1	2.7
Vic	14 255	14 198	99.6	0.4	12 245	12 059	98.5	0.8
Qld	158 110	149 743	94.7	5.3	138 706	122 337	88.2	11.8
SA	62 063	59 372	95.7	4.3	45 131	39 654	87.9	12.1
WA	114 287	110 733	96.9	3.1	84 657	77 377	91.4	8.5
Tas	2 162	2 116	97.9	2.1	1 841	1 737	94.3	5.6
NT	71 666	58 617	81.8	18.2	59 223	45 102	76.2	23.8
Aust	486 559	458 067	94.1	5.9	397 991	352 808	88.6	11.3

Sources: ABS 1985, 2011c

3 Proportion of area of agricultural land fully Australian owned, by industry

		1984	2010
ANZSIC code	Industry	%	%
011	Nurseries/floriculture	99.8	99.0
012	Vegetables, mushrooms	99.9	97.7
013	Fruit and tree nuts	99.2	92.0
0131	Grape growing	95.6	96.2
014	Beef/sheep/grain **a**	93.9	88.2
0143	Beef feedlot	–	96.1
015	Other crops	95.2	94.6
016	Dairy cattle	99.7	94.2
017	Poultry	99.1	96.3
018/019	Deer, other livestock	99.9	98.7
other		99.7	94.5
Total		94.1	88.6

a 94 per cent of Australia's agricultural land is in ANZSIC 014: Sheep, Beef Cattle and Grain Farming.
Sources: ABS 1985, 2011c

numbers. The proportion of the value of agricultural production under foreign ownership was much smaller than the proportion of land owned by foreigners, suggesting that foreign ownership was concentrated in the less-intensive forms of agricultural production.

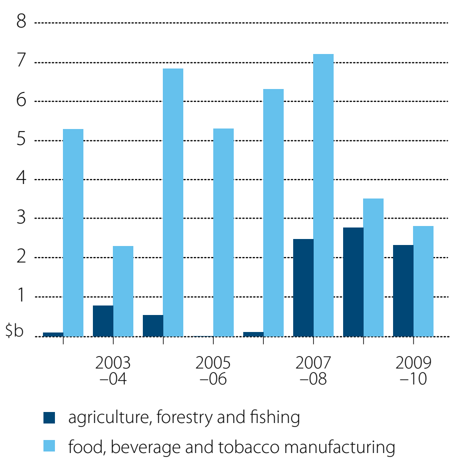
In 1983–84, the United Kingdom and the United States were by far the largest foreign landholders, accounting for 70 per cent of foreign-owned agricultural land. The 2011 survey did not collect information on the nationality of foreign owners. Neither source provides information on the nature of the foreign entities involved, whether family, corporate or government-owned.

The ABS also provides data on the international investment position in Australia (ABS 2011b). In 2008, foreign investment in agriculture, forestry and fishing amounted to $700 million. However, this may be an underestimate of the actual foreign investment in agriculture—first because smaller investments fall below the threshold of $35 million for categorisation in the survey, and second, because investment in agriculture may be made in entities that are classified under headings other than 'agriculture', such as investment in a 'finance and insurance' company that owns land. Other ABS publications provide data on foreign investment and the balance of payments (ABS 2011a), but these data are at an aggregate level and do not show investment in agriculture. Data on the characteristics of Australian business include information on foreign ownership (ABS 2011d).

Data from the Foreign Investment Review Board

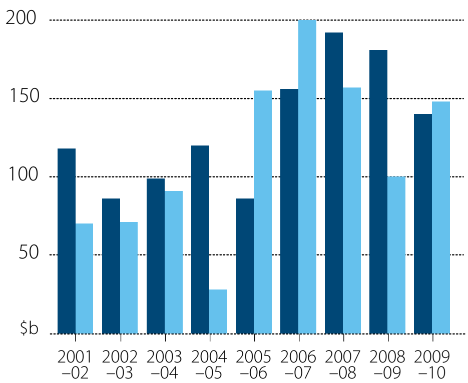
Data from the FIRB (FIRB 2011) show that approvals for foreign investment totalled $139.5 billion in 2009–10. The bulk of approvals (58 per cent of the total value of approved investment) for foreign investment in that year were in mineral exploration and development. Only 1.6 per cent ($2.33 billion) was in agriculture, forestry and fishing, and a further 2 per cent ($2.82 billion) in food, beverage and tobacco manufacturing (figure 4). The United States was the country with the largest value of approvals across all sectors, as well as the largest value of approvals in agriculture, forestry and fishing. The United Kingdom was the second largest source of approved funds across all sectors, but was third to Malaysia in agriculture, forestry and fishing. China, the third largest across all industries, had no investment in agriculture, forestry and fishing approved in 2009–10. Data provided by FIRB on approvals for foreign investment show considerable variability from year to year, with a notable increase in approvals for agriculture, forestry and fishing in the three years from 2007–08 to 2009–10, but with a marked decline in food, beverage and tobacco manufacturing in the most recent years.

4 FIRB approvals



However, the data provided by FIRB on approvals for overseas investment in Australia are of limited value in developing an understanding of the

5 FIRB approvals vs. actual investment, all sectors



Sources: ABS 5302.0; FIRB annual reports

amount of foreign investment in Australian agriculture. This is because, first, investments by non-government foreign entities below the value of $231 million in 2011—or more in the case of those subject to higher thresholds under bilateral agreements—are not subject to approval and are not captured in these data. Second, the FIRB provides data on prior approvals for foreign investment but does not track actual investments (figure 5). Approvals might be given for investments that subsequently are not made, or which might be made only partially. Assets, once bought by foreign entities, may subsequently be sold to nationals, or the owners may later become naturalised citizens.

Queensland Land Register

The state of Queensland, under its *Foreign Ownership of Land Register Act 1988* maintains a register of foreign-owned land, rural as well as urban, and water entitlements. Any transactions involving foreign individuals or companies must be notified to the titles office. The titles office reports each year to parliament on the transactions that have taken place within the year (to 30 June) and on the accumulated holdings by foreigners.

Foreign landholding in Queensland increased through the first few years of the past decade, declined in the years to June 2004 and 2005 as foreigners sold off their holdings, then increased through the second half of the decade. The most recent data show that around 2.5 per cent of Queensland's land area is in foreign hands (DERM 2010), of which the United Kingdom accounts for almost half, with the United States, Germany, Netherlands, Switzerland and Hong Kong being other significant landholders.

4 Foreign land ownership, Queensland

	2000 –01	2001 –02	2002 –03	2003 –04	2004 –05	2005 –06	2006 –07	2007 –08	2008 –09	2009 –10
Land owned at 30 June '000 (Ha)										
	1 454	1 515	1 673	1 244	1 047	1 234	1 296	1 537	3 893	4 444

Source: DERM (2010)

The large increase in foreign holdings in 2008–09 was dominated by a single purchase, that of 90 per cent of the Consolidated Pastoral Company by the British private equity company Terra Firma Capital, involving approximately 2.6 million hectares in Queensland. This company purchased a further 600 000 hectares in 2009–10.

In 2010, there were 43 purchases of farmland by foreigners in Queensland. Of the total value of farmland that changed hands, 14 per cent or $203 million was accounted for by foreign purchasers. The average value of farms sold in Queensland in 2010 was $1.18 million, but the value of farms bought by foreigners averaged $6.28 million.

In 2010, mining companies constituted a significant proportion (around 60 per cent by value) of the foreign purchasers of farmland in Queensland.

Foreign owners of agricultural land in Australia

Foreign owners of agricultural land in Australia appear to fall into three main groups. First, some are agribusiness companies, private or government owned, seeking to expand into other countries, typically to extend their activities up the supply chain. While this is more commonly a motivation for investment in agribusiness companies rather than land, some purchases of land fall into this category.

Examples of this type of investment may include purchases by Hassad Food of several farming properties in Australia as part of its stated strategy to ensure food supplies for Qatar. Investing upstream in the food supply chain would appear to be a natural part of the long-term strategy for such a firm, which has also invested in other countries, including within Qatar, as part of its mission (Hassad 2011).

Similarly, a partnership between IFFCO, a company marketing food and other consumer products based in the United Arab Emirates, and Felda Global Ventures Holdings of Malaysia has a 19.9 per cent interest in AAco, the holder of approximately 7.7 million hectares in the Northern Territory and Queensland. IFFCO took a stake in AAco because it complemented its business in India, South Asia, the Middle East and North Africa (Taylor 2009). The IFFCO–Felda investment brought AAco greater market intelligence, access to skills and global marketing contacts.

The purchase of failed Timbercorp's assets in two transactions by Olam International Ltd of Singapore, which describes itself as a 'leading global integrated supply chain manager of agricultural products and food ingredients', was described as a logical part of their expansion. It gave Olam entry into the domestic Australian market and gave it participation in the export trade in almonds between Australia and the fast-growing markets of China and India (Olam 2009).

Second, land has been bought by entities seeking to benefit from owning and operating farmland, but where those operations do not form part of any larger agricultural or food business. Some larger purchases by investment or pension funds have received media attention.

For example, the US-based Westchester Group has a strong agricultural interest, managing and advising on investment in agriculture. It is owned by the Teachers Insurance and Annuity Association of America. It has made several purchases in Australia in recent years, and in 2010 claimed to have around 73 000 hectares under ownership and management (Westchester 2010).

Purchases by the UK-based private equity investment company Terra Firma Capital, which has investments in a range of sectors including energy, catering, housing and entertainment, also fall into this category (Terra Firma 2009). Terra Firma purchased 90 per cent of the Consolidated Pastoral Company from the Packer family in 2009 for $425 million (Reuters 2009). Terra Firma is seeking to invest additional capital to increase productivity by making more efficient use of water resources (Terra Firma 2009).

The pension fund MHPF, also based in the United Kingdom, purchased 11 rural properties in New South Wales for a total of $127 million since 2007 (Chancellor 2011).

Third, some of the most publicised purchases of farmland by foreign interests are those by mining companies. For example, the Chinese company Shenhua Watermark Coal bought 43 farms near Gunnedah, New South Wales, to explore for coal. Recent Queensland data suggest that around 60 per cent (by value) of foreign farmland purchases in 2010 were by mining companies. These purchases lead to concern about land being lost to agricultural production, although in some cases the new owners have leased the farms back to farmers. The public concern surrounding these cases is arguably more about land use and possible impacts on water and the environment than about foreign ownership.

While there has apparently been an increase in foreign ownership of Australian agricultural land in the past two years, the trend has not always been upward. Foreigners, on occasions, sell land, and foreign landholdings have expanded and contracted at different times. As discussed above, the Queensland data on foreign ownership of land show that foreign holdings in Queensland contracted by 25 per cent in the year to June 2004, and by a further 15 per cent in the following year.

Other examples include the British–Argentine Vestey family, which once held a number of cattle properties in the Northern Territory totalling 63 000 square miles (163 170 square kilometres). Vesteys liquidated their holdings in 1992 (Milliken 1992). The Texas-based Tejas Land & Cattle Co sold its three stations in the Northern Territory's Victoria River district to the AAco in 2004. Two years later, the Sultan of Brunei sold three of the five NT cattle stations he had owned for two decades to a Queensland buyer. In 2005, Greek shipping magnate Gregory Hadjieleftheriadis sold off his Alice Springs Pastoral Co properties around Rockhampton (Agriculture Investment 2009).

Foreign investment in agricultural land in Australia appears to have been increasing in 2010 and 2011. This trend may be expected to continue while food prices remain high and while investment funds in other countries continue to seek investment opportunities in agriculture. Should food prices experience a significant downward correction, or should economic conditions result in a contraction of the supply of funds in the investing countries, then the flow of investment funds into Australian agriculture may halt or possibly reverse.

Foreign ownership of water entitlements

Reforms in all states, which began in the late 1980s and continued until as recently as 2009, have made it possible for water entitlements to be traded independently of land. This has increased the potential for foreign as well as local investors to participate in the market for irrigation water in Australia. Trading in water has expanded rapidly, from 258 gigalitres (GL), or 0.8 per cent of the total entitlements on issue, by volume, in 2004–05 to 1949 GL, or 7 per cent of total entitlements on issue, in 2009–10 (ABS 2006; DSEWPaC 2011).

ABS (2011c) data show that of the total water entitlements of 13 731 GL at the end of December 2010, 90.8 per cent was fully Australian owned.

In total, 8.5 per cent of the Australia's total agricultural water entitlement is wholly or partly under foreign ownership. New South Wales has the largest volume of water entitlements, of which 10.6 per cent is wholly or partly foreign owned. The other major water-using states, Victoria, Queensland and South Australia, have lower foreign ownership of water entitlements. Western Australia has a relatively low use of irrigation water in agriculture, but the highest proportion of foreign ownership at over 31.4 per cent.

Looking at foreign ownership of water entitlements by industry, the industry with the largest volume of foreign-owned water entitlement is Sheep, Beef Cattle and Grain Farming (ANZSIC code 014), where total entitlements are 9.5 per cent foreign owned. Almost 50 per cent of the entitlements for beef feedlots are foreign owned, but the volume is very small.

box 3 **Investment by foreign government entities in Australian agriculture**

Government-owned enterprises, including sovereign wealth funds, are among the foreign entities that have apparently shown interest in investing in Australia's agricultural assets in recent years. Government-owned enterprises are considered to warrant special attention because of the possibility that they may not operate solely on commercial principles. They may distort prices if they enter markets without being bound by profit-making considerations, possibly, for example, bidding land prices above purely market-determined levels or channelling production through non-market avenues or only to certain specific customers.

Successful investment in agriculture in unfamiliar countries is not easy to achieve, as experience in Africa in recent years has shown (Byerlee & Deininger 2011). Investments need to be based on sound analysis and executed under competent management with local expertise, elements that may not always be present or available to foreign government-owned entities.

The motivating factors behind foreign investments made by government-owned companies are not always clear. Objectives may be commercial, as in the case of a sovereign wealth fund or a state-owned enterprise seeking to increase profits. This could especially be the case for some fast-growing emerging economies, where domestic demand for high-quality food has risen in line with fast income growth. There is no comprehensive source of information on investment by foreign state-owned enterprises in Australian agriculture, although some information is available from media reports and company websites. While larger, more obvious investments are likely to come to attention, information on activities on a smaller scale may be overlooked. The few known examples of recent investments in Australian agriculture by entities owned by foreign governments include purchases of farms in the past year or so by Qatar's Hassad Food and, for exploration and mining purposes only, by the Chinese company Shenhua Watermark Coal, as well as the purchase of sugar milling assets in 2011 by Top Glory (Australia).

continued...

box 3 Investment by foreign government entities in Australian agriculture

continued

Top Glory (Australia) is a subsidiary of the Chinese state-owned COFCO Limited. COFCO describes itself as a leading grain, oils and foodstuffs import and export group in China and one of its largest food manufacturers (COFCO 2011). It is also active in real estate, hotel businesses and financial services. Top Glory purchased Tully Sugar in 2011. COFCO markets sugar in China, and sugar milling acquisitions may be seen as securing long-term access to sources of supply. Currently, Tully continues to market its sugar through Queensland Sugar (Sprague 2011).

Hassad Food, which has bought several farming properties in Australia, is owned by the sovereign wealth fund Qatar Investment Authority (QIA). The QIA is funded by the State of Qatar as part of Qatar's strategy to diversify its finances into new asset classes both inside and outside its territory, thereby reducing dependence on the country's oil and gas reserves (QIA 2011).

Achieving food security for Qatar is one of Hassad's strategic focus areas (Hassad 2011). But the suggestion that the purchase of farmland in a foreign country is an effective means of increasing the supply of food at home demands some analysis. Australia and many other world food suppliers have well-established and efficient marketing institutions for food exports, and bypassing these to make direct shipments from one or a few farms would be an expensive way to move produce abroad. To achieve economies in this process, and to have a significant impact on the food supply in the investing country, would require land purchases on a scale that vastly exceeds present levels. The cost would be extreme—purchasing food from the world market, even with the aid of government subsidies if required, is likely to be a significantly cheaper option. There is also considerable uncertainty as to whether such a strategy would be fiscally sustainable in the long term, if no consideration is given to profitability. For example, Cotula et al. (2009) conclude that evidence for the perception that China supports Chinese enterprises to acquire land abroad as part of a national food-security strategy is highly questionable.

In Australia, there is a safeguard measure in relation to the purchase of land by foreign government-owned entities. All investments by foreign governments and their related entities, regardless of the value of the investment, are subject to examination by the FIRB, and are thus subject to higher scrutiny than non-government companies seeking to invest in Australia. It is the role of the FIRB to examine proposals for foreign investment in Australia and to make recommendations to the Australian Government on those proposals. The FIRB may seek advice from other agencies relating to national security, competition and other issues that might arise. The investments by Hassad Food and Top Glory cited above would have proceeded only after being assessed by the FIRB and determined as not contrary to the national interest.

4 Foreign Investment in Australian agribusiness

The process of international economic integration has been underway for decades (OECD 2007). Increasingly open economic policies and reductions in cost arising from advances in transport and communication have fostered globalisation. FDI is, together with trade, one of the key channels for international economic integration. Technology transfer has also become an increasingly important factor.

Information and communications technology has made it possible for productive activities to be performed in any location that can help reduce costs. The various stages of a production process may be optimally located in different places as firms find it economical to source their inputs globally, leading to increased trade of raw and intermediate goods as well as final product. Domestic production in any country increasingly relies on foreign inputs.

Participation in economic integration was once largely restricted to OECD countries but now increasingly involves others, particularly the large emerging economies like Brazil, China, India and the Russian Federation.

The globalisation of value chains is motivated partly by the need to increase efficiency, as strengthening competition in domestic and international markets forces firms to lower their costs. Sourcing inputs from more efficient producers, either domestically or internationally, is one way to achieve this. Gaining economies of scale from expansion of the firm is another. Other important motivations are entry into new emerging markets and access to strategic assets that can help tap into foreign knowledge.

Investment in Australian agribusiness has given foreign companies access to the Australian market or to Australian sources of supply, and in some cases it has given those companies access to markets in third countries, especially in Asia.

The globalisation of markets and advances in technology have been important factors behind changes in the agribusiness sector. But the progress of market liberalisation for agricultural produce has been slower than for industrial goods, having first entered multilateral trade negotiations with the Uruguay Round only in 1986 (Dunne 2001). Privatisation of agricultural production and the supply chain in those countries where such enterprises were formerly under state control gave a further boost to the growth of international agribusiness companies (Swinnen & Maertens 2006). State-controlled vertical coordination gave way to opportunities for supply chains in those countries to be integrated into multinational enterprises.

Foreign investment in Australian agribusiness, as with foreign investment in other sectors, has increased the supply of capital in the economy. Higher investment has led to greater production, employment and income. The foreign companies engaged in agribusiness activities have typically financed expansion in productive capacity or restructuring in an industry to improve efficiency and viability.

Deregulation of Australian agricultural industries stimulated foreign investment. Processing plants and exporting organisations, whether cooperatively owned by producers or in the hands of private or public companies, became valuable and marketable assets. Faced with the opportunity of realising attractive benefits from selling these assets, shareholders—who, in many cases, were agricultural producers—chose to sell their grain marketing, dairy processing and sugar milling assets to foreign buyers.

The major companies investing in Australian agribusiness display a range of structures. They include private companies such as Cargill and Finasucre, public companies such as Wilmar and Parmalat, at least one farmer cooperative, Fonterra, and a state-owned conglomerate, COFCO. Foreign investment in agribusiness has typically been made by companies involved in the same or similar business in other countries seeking to expand their activities at an opportunistic time. However, Kirin (a brewing company) and Wilmar (active in a number of commodities not including sugar) each branched out into new sectors when they invested in Australia's dairy and sugar sectors, respectively.

In a very few cases, agribusinesses have been bought by foreign companies where they do not form part of an existing agricultural or food business, as in the case of Harmony Capital's investment in meat processing.

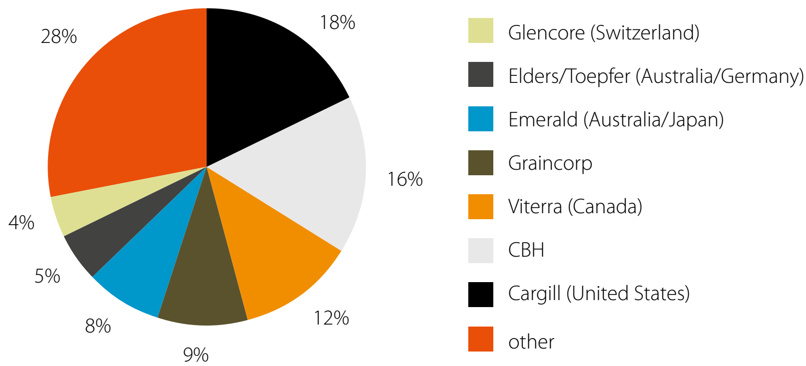
Foreign investment in Australian grain marketing

The Australian government decided in July 2008 to allow multiple wheat exporters in place of the 'single desk' arrangement whereby the Australian Wheat Board had long been the only exporter. Bulk wheat exporters must now be accredited by the Australian Government agency Wheat Exports Australia, (WEA), and as at September 2011 some 26 were accredited (WEA 2011). In 2012, the WEA is to be abolished, and the wheat export market is to be fully deregulated in 2014 (Ludwig 2011).

In September 2009, shareholders in ABB Grain backed the takeover offer by Canada's Viterra. Viterra saw the merger as creating a stronger and larger company, which would also give it access to Asian markets, where ABB had been active (Viterra 2010). Viterra, which is South Australian based in Australia, accounts for around 12 per cent of grain purchased from farmers (figure 6).

AWB Ltd was sold to Agrium, a Canadian fertiliser and agrochemicals company, in November 2010. Agrium was seeking additional markets for it sales of chemicals, fertilisers and advanced technologies both in Australia and in the markets in Asia established by AWB (SMH 2010a). In the following month, December 2010, the sale of the AWB grain handling and exporting business by Agrium to Cargill, a privately held American company, was announced, leaving Agrium with the Landmark rural services retail business. The Cargill aquisition was motivated in part by a desire to gain access to the expanding market for quality food in Asia (Cargill 2010).

6 Grain handlers' share of 2009–10 purchases from farmers



Source: Winney (2011)

Trade contacts with Asia—in this case, India—were cited as a reason behind the 2007 acquisition of Harvest Grain Australia Pty Ltd, a pulse company in Horsham, Victoria, by the Agtech Income Fund of Canada through its company Alliance Pulse Processors. Alliance subsequently made acquisitions in South Australia to further expand their business (Agtech 2007). In 2010, Alliance purchased Balco Grain Services and Northern Yorke Processors. The transaction gave Alliance growth beyond its Canadian and US operations and, by diversifying into another region, offered it greater stability of supply (Alliance 2010).

Emerald, a grain marketing company established in 2004, formed a partnership with the Japanese company Sumitomo Corporation in 2010. Sumitomo is the largest importer of wheat into Japan, and the partnership provides growers with improved access to Japan and other Asian markets where Sumitomo is active (Winney 2011). The joint venture between Elders and Toepfer International also provided international expertise and market access to an Australian company (Elders 2011). Other foreign-owned companies operating in the Australian grains market include Glencore International (Switzerland), Bunge Ltd (United States) and Louis Dreyfus (France). Winney (2011) noted that 'of the 23 licensed wheat exporters operating in Australia today, only 12 are Australian-owned'.

The entry of foreign companies into the Australian grain handling and export sector has generally occurred after review by the regulatory authorities, the FIRB and the ACCC. Investment in Australia has allowed those companies to expand and diversify their sources of supply, thus increasing the scale of their operations and reducing the impact that a poor harvest in one region of the world will have on their global operations. In some cases, buying an Australian company with existing marketing links to third countries, particularly in Asia, has provided additional markets for those companies. Investment in new grain handling, storage and port facilities by companies such as Viterra and Cargill has enhanced Australia's grain handling capacity.

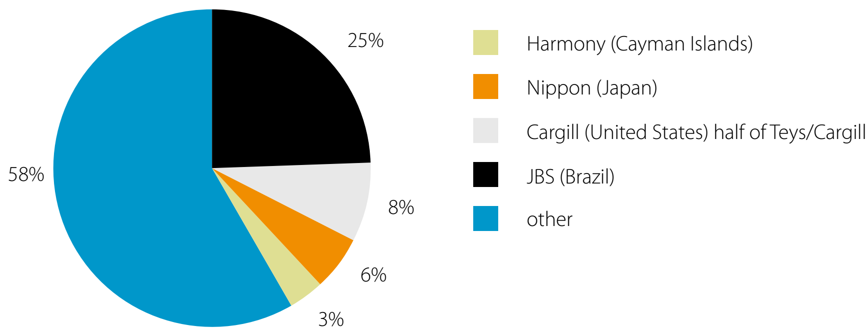
Foreign investment in Australian red meat processing

Meat processing in Australia is a diverse industry, with large and small plants owned by large and small international and domestic companies, as well as by families, individuals and local governments. Foreign investment has long been an important element in the development of cattle production and the processing and export of beef.

Foreign investment in Australian meat processing has been undertaken largely by companies established in the meat industries of other countries, and their interest has been focused on export rather than domestic operations.

The largest player in Australian meat processing is the Brazilian-owned company JBS Australia, a division of JBS, Brazil's largest multinational in the food sector, and the world's largest meat company (figure 7). JBS acquired Australian Meat Holdings from the US-based Swift & Company in June 2007 (Swift had bought Australian Meat Holdings in 2002). According to Meat & Livestock Australia (2008), Australian Meat Holdings accounted for 15 per cent of Australian red meat slaughtering in 2006. Recent expansion has included takeovers of the Tasman Group in 2008–09, with several beef and sheep meat processing plants in southeastern Australia, Tatiara Meat Company at Bordertown, South Australia, in late 2009 and Rockdale Beef at Yanco, New South Wales, in 2010. The plants now owned by JBS accounted for around 24 per cent of Australian red meat production in 2006 and 2007.

7 Red meat throughput, foreign and Australian owned, 2011



Source: MLA (2008), updated for known changes in ownership

JBS claims to be the world's largest meat company and is active in meat production in Brazil, Argentina, the United States and Australia. Investment in Australia is a part of its international growth, and was seen as giving the group access to the Japanese and South Korean markets, while at the same time opening a wider range of markets to Australian producers (ABC 2007). JBS has invested in expansion and improved technology in its plants, providing benefits to cattle producers, workers, and the economy generally at the regional level (ABC 2010). For example, at the time JBS bought and injected funds into the Rockdale Beef feedlot and abattoir at Yanco there were fears that it might close (The Rural 2010). The purchase was welcomed in the region for the benefit it would have to the local economy, particularly its impact on employment.

The second largest group in Australian meat processing is Teys Australia – A Cargill Joint Venture, a partnership formed in May 2011 between the Australian family company Teys Bros and the US privately held company Cargill (Cargill 2011a). Prior to this, Cargill owned two abattoirs, while Teys had four; the new venture now owns abattoirs that, in 2006, accounted for 16 per cent of Australia's red meat slaughter. Cargill has interests in a range of industries, largely in the agricultural and food sectors. Its meat interests include beef, pork and poultry in the United States, Europe, Argentina, and Asia (Cargill 2011b).

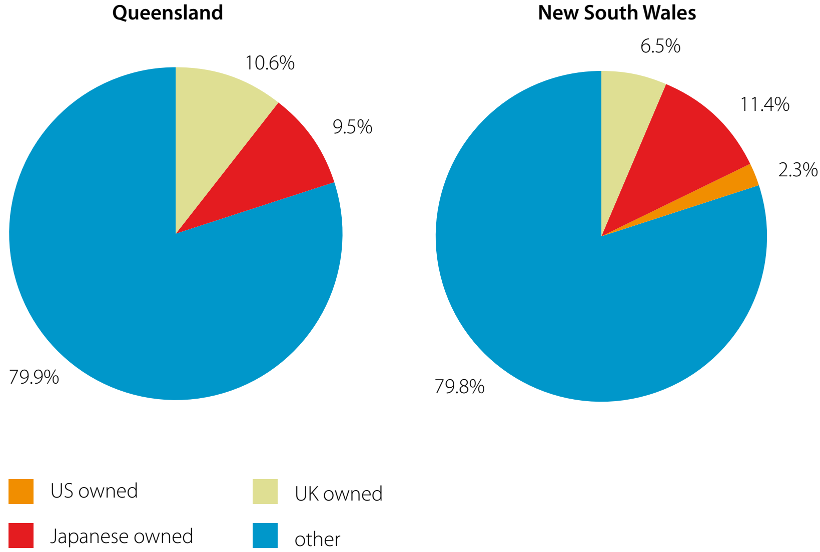
The Japanese-owned Nippon Meat Packers Australia, with abattoirs at McKay, Oakey and Wingham, produced 5.9 per cent of Australia's red meat in 2006. Nippon Meat is the longest-established major foreign player in Australian meat processing. It is a wholly owned subsidiary of Nippon Meat Packers a Japanese publicly listed company (Nippon 2011). While clearly well placed to supply meat to its parent company in Japan, Nippon also exports to other Asian countries and to North America.

Private equity investor Harmony Capital purchased the beef processing plant of Kilcoy Pastoral Company in Queensland in 2007, and it took full control of Harvey Beef in Western Australia in 2009 after being a part-owner for several years. Harmony is based in the Cayman Islands, with branches in Singapore, Hong Kong and Sydney. It appears to be the only significant foreign investor in the Australian meat industry not to have an established interest in meat industries outside Australia.

A 1991 report into foreign investment in the beef industry (Young & Sheales 1991) provides a basis for a review of changes that have occurred in the industry since that time. Of the 77 beef export abattoirs operating in Australia 20 years ago, 27 had some level of foreign ownership. Foreign ownership of abattoirs at that time was dominated by Japan, the United Kingdom and the United States (figure 8). New Japanese investment in the Australian beef industry had accompanied growth of the Japanese market for Australian beef. Japanese investment in the supply chain was, in part, aimed at controlling the quality of the product imported into Japan and ensuring the security of supply. Japanese companies exporting from Australia were able to benefit from their knowledge of the market and gain advantage. However, the particular circumstances of the export trade to Japan that existed in the 1980s are no longer apparent, and little growth in Japanese investment in the Australian meat industry has occurred since.

Recent information from AUS-MEAT indicates that there are 52 beef export abattoirs (AUS-MEAT 2011). Thus there are now fewer abattoirs producing more beef than at the end of the 1980s. The level of foreign ownership is now higher, with a rather different set of countries involved. Brazil was not present in 1990, but JBS of Brazil accounted for around 24 per cent of Australia's red meat processing in 2011. The United States had a small share (2.3 per cent of beef processing, only in Queensland) in 1990, while Cargill's (US) half of the Teys–Cargill joint venture amounted to 8 per cent of Australia's red meat processing in 2011. The Japanese share of 6 per cent in 2011 is a little smaller than the share reported for 1990.

8 Proportion of cattle slaughtered by ownership of abattoirs, 1990



Source: Young and Sheales (1991)

Foreign investment in Australian dairy manufacturing

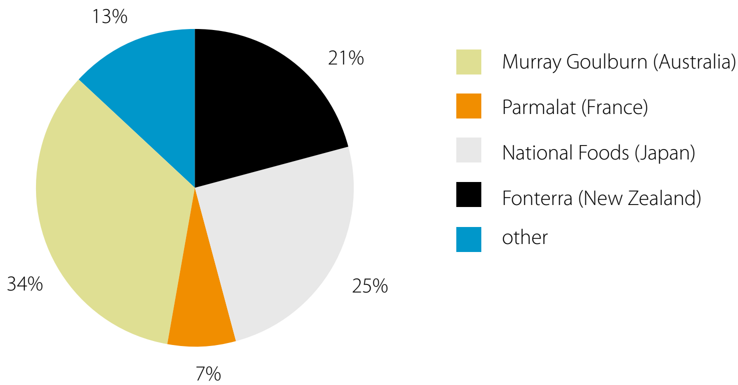
More than half the milk produced in Australia is now processed by foreign-owned firms (figure 9). Fonterra, a New Zealand farmer-owned cooperative, and the Japanese-owned Lion together handle around 45 per cent of Australia's milk production. Parmalat, formerly Italian but now under French control, accounts for a little over 5 per cent. Parmalat bought Pauls in 1998, but most of the foreign investment in dairy manufacturing in Australia followed deregulation in 2000. The Australian-owned cooperative Murray Goulburn is the largest dairy processor, taking around 35 per cent of milk produced. Fonterra, one of the world's largest dairy manufacturing and exporting companies, is cooperatively owned by New Zealand dairy farmers. It has a range of international marketing subsidiaries, joint ventures and other arrangements in the Americas and in the United Kingdom and other Europeau countries. Fonterra's expansion into Australia provided an additional market for the products of New Zealand milk, of which only 4 per cent is consumed domestically, the rest being exported. It also brought with it the advantage of the acquisition of new brands (Jason Minkhorst pers. comm.). Fonterra's brands now include Mainland, Anchor, Anlene, Brownes, Bega, Cadbury's ice-cream and Peters.

The former National Foods, now part of Kirin-owned Lion, passed from Australian to foreign ownership in 2005 when it was sold to the Philippine company San Miguel. Part of the motivation for this purchase was that National Foods provided potential as an operating base from which San Miguel could expand into the Asia–Pacific region (AP Food 2005). Kirin Holdings of Japan took over National Foods in 2007, and through National Foods acquired the cooperative Dairy Farmers in 2008.

Kirin's major shareholders are Japanese financial institutions (Kirin 2010). Its home market had been shrinking as the Japanese population and consumption of beer, which accounts for 60 per cent of the company's revenue, has been falling. Thus the company sought to further its expansion into other markets (Pearson & Fenner 2008). Unlike Fonterra and Parmalat, Kirin had not been active in dairy products prior to its investment in the Australian dairy industry. In purchasing National Foods, Kirin was diversifying into a new area, not expanding an existing value chain.

Kirin has since made investment in its facilities, including an announced $132 million in cheese manufacturing in Tasmania in 2011 (Lion 2011). The rationalisation of its holdings has resulted in winding down at some sites, but might be expected to strengthen the operation's long-term viability.

9 Milk processing, Australian and foreign



Source: ABARES estimate

Parmalat is the third of the major foreign dairy manufacturers in Australia. The then-Italian company acquired Pauls, a company operating in Queensland and northern New South Wales, in 1998. Parmalat's new investments in Australia in 2010 amounted to 27.4 million Euros ($A40 million) on expanded capacity at several plants, following investment of 8.9 million Euros ($A16 million) in 2009 (Parmalat 2010, 2011). In July 2011, the French company Lactalis took control of the international Parmalat group, with a shareholding of 83 per cent (AFN 2011).

Foreign ownership of milk processing capacity appears to have been beneficial for the industry. The three major foreign investors, Fonterra, Kirin and Parmalat, have, in common with others such as Murray Goulburn, injected funds to improve efficiency and maintain their profitability while at the same time engaging in some winding down of existing, out-of-date capacity.

Foreign investment in Australian sugar milling and marketing

The Australian sugar industry was one of the most tightly regulated in Australia until a process of deregulation took place in the past 10 years. The Industry Commission saw the regulations as inhibiting the growth of the industry, reducing competition, promoting poor agronomic and environmental practices, and, through higher domestic prices, reducing the competitiveness of other industries in the country (IC 1992).

Foreign interest in Australia's sugar industry began well before deregulation took place, but has accelerated since then.

Bundaberg Sugar Limited, which, under the name Fairymead, became a public company in 1912, was sold to Tate & Lyle of the United Kingdom in 1991. Tate & Lyle subsequently sold it to Finasucre of Belgium in 2000. Finasucre, a private company, owns sugar facilities in Belgium, the Netherlands, Congo, the United States and China, as well as Australia. In addition to mills, Bundaberg Sugar owns 9 000 hectares of cane-growing land, the Bundaberg refinery and an engineering company.

In common with other mill owners, Bundaberg under Finasucre ownership has participated in rationalisation of the industry. The Moreton mill closed in 2003, Fairymead in 2005 and Mourilyan in 2006. At the same time, the company invested in the capacity of other mills.

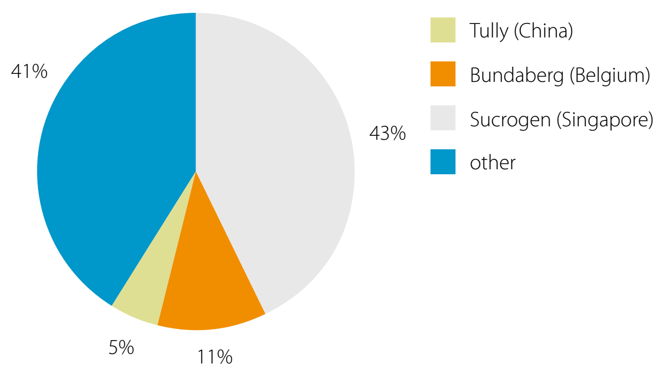
CSR, originally the Colonial Sugar Refining Company, was formed as a partnership in January 1855 and dominated the Australian sugar industry for well over a century. After diversifying into building materials and other interests, sugar had ceased to be its core business, and in July 2010 its sugar business, Sucrogen, was sold to the Singaporean company Wilmar. Wilmar International is a limited liability company, incorporated in Singapore, and is listed on the Singapore stock exchange. Wilmar said that Sucrogen's experienced management team and strong expertise in the sugar industry would help expand the group's sugar business (Wilmar 2010a). It intended to build a significant sugar business, utilising its proven integrated agribusiness model to replicate its success in other agricultural commodities. Wilmar was already active in oilseed products, rice and flour. With the acquisition of Sucrogen it diversified into sugar production and gained sugar exporting capacity through Queensland Sugar Limited (QSL); a refinery owned jointly with Mackay Sugar; brands including CSR, described as Australia's leading consumer sweetener brand, and Chelsea, a New Zealand icon; and bioethanol production (Wilmar 2010b).

Tully Sugar, which produces around 5 per cent of Australia's sugar, was the subject of three separate bids in 2011, two of which were foreign. Bunge Australia Holdings Limited, a subsidiary of Bunge International, a leading global oilseed trader and processor which also has sugarcane mills in Brazil, and the Australian-owned public company Mackay Sugar Limited, backed by French finance, were unsuccessful in their efforts to buy Tully Sugar, which the shareholders agreed to sell to Top Glory (Australia), a subsidiary of the Chinese COFCO corporation. As an investment by a government-owned foreign company, this purchase would have received close scrutiny by the FIRB.

In June 2011, Sucrogen made a $115 million cash bid to purchase the business assets of the Proserpine Co-operative Sugar Milling Association Limited. Shortly before the growers voted on whether or not to accept this offer, Tully Sugar made a rival offer, and on 31 August the bid by Sucrogen was rejected. Both Tully and Sucrogen made revised offers in September 2011.

The three foreign-owned milling groups, Sucrogen (Wilmar, Singapore–Malaysia), Bundaberg (Finasucre, Belgium) and Tully (Top Glory/COFCO, China), now undertake around 60 per cent of Australia's raw sugar production, with the Sucrogen mills accounting for around 43 per cent, Bundaberg for 11 per cent and Tully for 5 per cent (figure 10).

10 Sugar milling, foreign and Australian owned



Source: Foster (2010)

Sugar production has declined through the past decade as a result of low sugar prices, and a process of rationalisation has taken place, with a number of mills closing. The availability of additional capital from new foreign owners has facilitated this rationalisation and maintained efficiency in the industry. The foreign-owned company Bundaberg has closed several mills, while investing in the capacity of others at the same time. The foreign-ownership experience of Sucrogen and Tully is rather recent, but they are likely to have the capacity to invest where needed. The Proserpine mill has a high level of debt, and its prospects would be improved should it come under new ownership with sufficient liquidity.

Regulatory framework in Australia for foreign investment in agribusiness

Foreign entities seeking to invest in business enterprises, including agribusiness, in Australia are subject to several forms of regulation. Any proposed investment from a government-owned entity, and any investment that amounts to 15 per cent or more of an Australian business or corporation that is valued above $231 million (in 2011), unless covered by a higher threshold under a bilateral agreement, must be examined by the FIRB. If the proposed investment is found to be contrary to the national interest, the FIRB recommends to the Treasurer a decision not to allow the investment to take place. Some proposed foreign investments are approved conditionally, as in the case of the legally enforceable undertakings by Wilmar in its acquisition of Sucrogen, to limit the influence which the company could exercise over Queensland Sugar Limited and Sugar Terminals Limited (Swan 2010).

Mergers and acquisitions are also subject to a review of their impact on competition by the ACCC. In some cases the FIRB refers the proposal to the ACCC; in others the parties seek ACCC approval as a precaution prior to proceeding.

The ACCC has considered a number of proposals for mergers and acquisitions of agribusiness assets by foreign entities in the past few years. These include Cargill's acquisition of the commodity management businesses of AWB Limited from Agrium in 2010; the merger of Teys Bros and Cargill Beef Australia in 2011; the proposed acquisition of Sucrogen Limited by Wilmar International Limited in 2010; the acquisition of Proserpine Co-operative Sugar Milling Association Limited by Sucrogen Limited in 2011; the acquisition of ABB Grain Ltd by Viterra Inc in 2009; and the acquisition of Tasman Group Services Pty Ltd by JBS Southern Australia Pty Ltd in 2009.

In each of these cases, the ACCC concluded that the proposed merger or acquisition would be unlikely to substantially lessen competition, and it therefore did not oppose the proposed action. In the case of the proposed acquisition of all shares in National Foods Limited by Fonterra Co-operative Group Ltd, the ACCC opposed the action because it identified a number of competition concerns. However, it accepted undertakings by Fonterra to put in place arrangements to reduce the anti-competitive effect of the proposed acquisition, which would have allowed it to proceed, although in the event it did not go ahead (ACCC 2011).

The ACCC may also have considered merger or acquisition proposals from foreign companies, including government-owned entities, referred to it by the FIRB. However, such cases are confidential, with the ACCC's conclusions being provided to the FIRB.

Apart from considering proposals for mergers and acquisitions, the ACCC may review the state of competition in an industry and make appropriate recommendations at any time a need may arise, as it did in the case of inquiries into milk pricing in 1999 and 2011.

Inquiries by parliamentary committees are conducted on an ad hoc basis when public concerns arise about developments in an industry. An example is the Senate Economics Committee Inquiry into competition and pricing in the Australian dairy industry (Senate Economics References Committee 2010).

These mechanisms amount to a considerable level of scrutiny of foreign investment proposals and operations of foreign-owned agribusinesses in Australia. With such scrutiny, it appears Australia's regulatory framework is likely to be sufficient to ensure Australia's national interest in relation to new foreign investment in agribusiness and the competitive behaviour of foreign-owned agribusinesses in the Australian market.

box 4 Australian investment in foreign agriculture

Foreign investment funds flow out of as well as into Australia. As foreign companies have invested in Australia, Australian companies have also accumulated considerable investments in other countries. While only a small proportion of this is in agriculture and agribusiness, Australian companies nevertheless have a number of investments in foreign agriculture. This box provides some examples of Australian investment in agricultural enterprises in other countries.

Nufarm is an Australian company that manufactures and supplies agricultural chemicals. It has manufacturing and marketing operations throughout Australia, New Zealand, Asia, the Americas and Europe and sells products in more than 100 countries around the world.

GrainCorp is an Australian grain handling company. It has investments in malt production Australia as well as in Canada, the United States and the United Kingdom. In July 2011, it announced the purchase of a German malting company.

Elders has a significant investment in its subsidiary Elders New Zealand. It is also active in Indonesia with a feedlot and abattoir, and in China with Elders Fine Foods.

Capilano Beekeepers Ltd has a honey-producing subsidiary, Capilano Labonte Inc, in Canada, and is a joint venture partner with HoneyMax in Argentina.

The Kahlbetzer family, founders of the Twynam Agricultural Group, also founded LIAG, which owns 160 000 hectares of land in Argentina. The Packer family also has agricultural assets in Argentina.

Boundary Bend, an Australian olive-growing company, owns land for olive production in Argentina.

In February 2010, Australians owned 46 000 acres (18 600 hectares) of agricultural (including forestry) land in the United States.

Sanger Australia, a private meat-exporting company based in Sydney, established a chicken-processing subsidiary in Brazil in January 2007.

Treasury Wine Estates, which demerged from Fosters in July 2011, has wine-producing assets in various countries, including Chile, Italy, New Zealand, Canada and the United States.

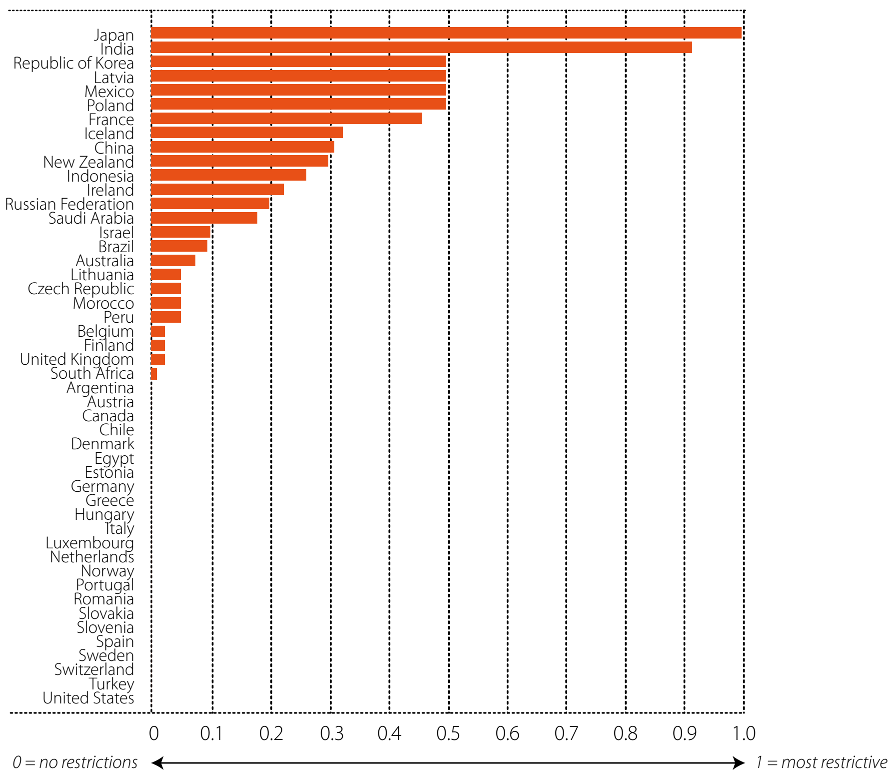
5 Monitoring and regulation of foreign investment in agricultural land in other selected countries

The OECD has undertaken a study at national level of the restrictiveness on FDI in each of its member countries, as well as in some selected major non-OECD countries (Kalinova, Palerm & Thomsen 2010). The authors summarised their results in the form of an index, with separate results for each of 22 economic sectors, including agriculture. Countries were scored in a range of 0 to 1, where 0 indicates that there are no restrictions on foreign investment, and 1 indicates the most restrictive.

Across all sectors as a whole, Australia had a score of 0.128, and ranked as the twelfth most restrictive of the 48 countries considered in the analysis. Australia's restrictiveness was highest in the air transport, communications and real estate sectors.

In the case of agriculture, Australia has a score of 0.075. When 14 major non-OECD countries are included in the analysis together with the OECD members, Australia ranks as the seventeenth most restrictive of the 48 countries (figure 11). Countries such as Japan (with a score of 1), Korea (0.5) and New Zealand (0.3) are considerably more restrictive than Australia, and Brazil, at

11 OECD FDI restrictiveness index: agriculture
OECD member countries plus selected other countries



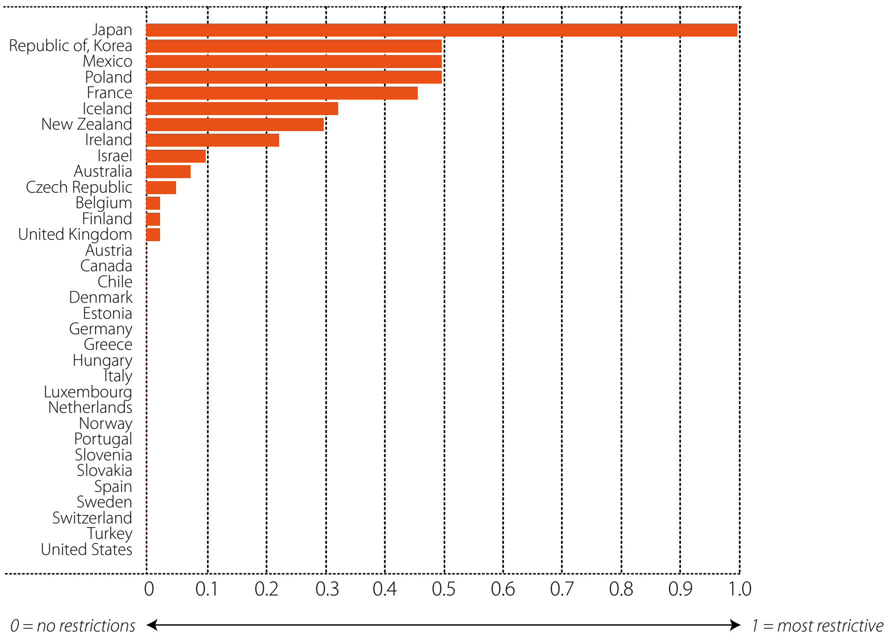
Note: Countries with no restriction appear alphabetically.
Source: www.oecd.org/investment/index

0.095, is slightly more restrictive. However, 26 countries in the study have scores of zero, being considered to have no restriction on FDI in agriculture.

Among the 34 OECD member countries, Australia is the tenth most restrictive for FDI in agriculture (figure 12). More than half the OECD countries have no national level restriction on FDI in agriculture. However, this assessment can be misleading in some cases. For example, the United States and Canada have quite restrictive conditions on foreign ownership in some states and provinces.

Comparisons of the measures employed by different countries need to be treated with caution. No two countries have the same history, traditions, economies or culture, and the measures employed in one country may have only limited application in another. It is nevertheless useful to review the types of measures that are used, illustrated in the five countries discussed below, as representing a range of alternatives that may have a broader applicability in some form.

12 OECD FDI restrictiveness index: agriculture
OECD member countries



Note: Countries with no restriction appear alphabetically.
Source: www.oecd.org/investment/index

New Zealand

Among the 34 OECD member countries, New Zealand is the seventh most restrictive recipient of FDI in agriculture according to the OECD (Kalinova, Palerm & Thomsen 2010).

New Zealand's Overseas Investment Act 2005 (OIA) derives from a history of intervention in land ownership quite different to that of Australia. Until the 1990s, acquisition and use of farmland, even by New Zealand citizens, was restricted. From 1877, New Zealand had legislation to encourage closer settlement and discourage aggregation of holdings. The Land Settlement Promotion and Land Acquisition Act 1952 sought to prevent the purchase of land by an intending purchaser who already owned sufficient land to support a family. It also required a purchaser to live on the land and actively farm it. Some of the provisions of this Act were relaxed over time, but until 1995 all purchases of farmland in New Zealand, including by New Zealanders themselves, required statutory approval in order to avoid undue aggregation of land holdings (Hansard 2011). The Act was repealed only in 2005, when some of its provisions were consolidated into the OIA (Heatley & Howell 2010).

The stated purpose of the OIA is to acknowledge that it is a privilege for overseas persons to own or control sensitive New Zealand assets by requiring overseas investments in those assets, before being made, to meet criteria for consent; and by imposing conditions on those overseas investments.

The OIA controls foreign investment in 'sensitive' land, and has less stringent controls over business investment. Any parcel of non-urban land of 5 hectares or more is defined as 'sensitive' (in some situations such as foreshores, land subject to a heritage order, or land adjoining reserves or parks or heritage land, areas of 0.2 and 0.4 hectares fall within the definition of 'sensitive') and comes within the ambit of the Act. Thus, with the exception of some very small holdings, all farmland purchases in New Zealand by foreign entities are subject to the provisions of the OIA.

A list of criteria is used by the Overseas Investment Office (OIO) in considering an application for foreign investment. These include elements such as mechanisms offered by the proposed purchaser for the protection of New Zealand's indigenous fauna and flora and of its monuments and icons; provision for control of pests, fire and erosion; and the provision of public walking access. Potential economic benefits are assessed, but these are interpreted narrowly; on employment, for example, the administrators of the Act seek details of people to be employed by the potential investor. Introduction of new technology, access to overseas markets, and potential value-adding are among the points considered, together with a catch-all 'promotion of New Zealand's economic interests'. The process does not specifically recognise the broader benefits of foreign investment flowing into the economy in generating employment and boosting incomes.

Investment by foreign governments appears not to be a matter of particular concern to New Zealand, and is treated the same as investment by foreign individuals or foreign companies.

The set of criteria used to test whether an investment proposal is of benefit to New Zealand has been changed on several occasions. Changes in December 2010 gave additional flexibility to the Minister for Finance and the Minister for Land Information in assessing applications. In this respect, the New Zealand practice is unlike that of Australia, where the FIRB explicitly does not have a set of codified criteria to apply in assessing foreign applications for investment.

The overwhelming majority (98 per cent) of applications by foreign investors to purchase farmland are approved. However, there is no information on the extent to which potential investors might be deterred by the existence of the OIA, although it appears likely that the cost and time involved would have a negative impact. The cost of submitting an application amounts to around $NZ20 000 in fees, and preparing the application could cost up to an additional $NZ50 000 in legal and other expenses. The approval period may take one or two months or longer, although it was announced in 2010 that processing times had dropped to an average of 38 days from 63 days in the previous year (English 2010). Potential investors might also be deterred by the public disclosure of the transaction that results from the process. There is no indication of how the type of investors who proceed with an application may differ from those who are deterred. Some 10 per cent of applications are withdrawn after being lodged.

To the extent that foreign investment is effectively deterred by the Act, the economic cost could be considerable. New Zealand is considered to be short of capital. It has a small pool of savings available for domestic investment and incoming capital is of considerable benefit to the economy.

In addition, the particular provisions of the Act lead to some distortions. The Act deters investment in land relative to other capital. Some joint ventures have been artificially structured to leave a land ownership component in New Zealand hands with other capital owned by the foreign investor.

Foreign debt is not restricted by the OIA. To the extent that the OIA restricts foreign equity in New Zealand land, it is likely to have increased foreign debt. Increased use of debt in place of equity will lead to upward pressure on domestic interest rates, increasing the risk of exposure to economic shocks (Nixon 2011).

Information on approvals for foreign investment is available to the public via the OIO website. However, the administration of the OIA does not lead to the maintenance of data on the foreign ownership of land in New Zealand, as there is no information collected on transactions subsequent to the OIO approval process. Approvals do not necessarily result in purchases; land purchased by foreigners may subsequently be sold to New Zealand citizens, and foreign land owners may become citizens.

While there is a lack of hard data, there are indications that foreign ownership of land is fairly low in New Zealand. For example, around 600 dairy farms change hands annually, with a maximum of 0.5 per cent of these going to foreign purchasers (Dave Heatley pers. comm.).

Overseas investment in business in New Zealand, including agribusiness, where ownership of sensitive land is not involved, is a simpler process. Foreign investments of less than $NZ100 million are not scrutinised, and the evaluation of those of $NZ100 million or more involves only a four-point check of business experience and acumen, financial capacity, good character, and eligibility under the Immigration Act 2009. Despite this relative freedom to invest in assets other than land, foreign ownership in agricultural processing and marketing appears to be lower than in Australia. The dominant player in New Zealand agribusiness is Fonterra, a dairy processing company owned on a cooperative basis by New Zealand milk producers. Fonterra processes around 90 per cent of New Zealand's milk, and is active in a number of other countries, including Australia. There is some foreign investment in the remaining 10 per cent of the dairy industry. Meat processing is dominated by two cooperatives and family-owned businesses, with one company, ANZCO, being jointly owned by Japanese and New Zealand interests. However, foreign investment in forestry and in wine production appears more significant.

United States

Under the Agricultural Foreign Investment Disclosure Act of 1978, it is compulsory for all foreign persons who acquire or transfer an interest in agricultural land to report that transaction within 90 days. Landowners who become or cease to be foreign persons, and foreign persons holding land that becomes or ceases to be agricultural land, must also file a report.

Based on these disclosures, the US Department of Agriculture's Farm Service Agency prepares a report each year on foreign holdings of agricultural land as at the end of February (agricultural land is defined to include forestry land). The most recent report, with data for 28 February 2010 (USDA 2011), shows that foreign entities held 22.7 million acres (9.2 million hectares), a slight increase from the previous year. These foreign holdings amount to approximately 1.8 per cent of all privately held agricultural and forest land in the United States. Canada was the largest source of foreign landholders in the United States, followed by the Netherlands, Germany and the United Kingdom. Australians held 46 000 acres, one-fifth of 1 per cent of the foreign-owned land in the United States. Forest land accounted for 55 per cent of all foreign-held agricultural and forest land. The proportion of privately owned agricultural and forest land held by foreigners varied considerable between states. In Maine, 14.7 per cent of privately held agricultural and forest land was foreign-owned, and in Hawaii the proportion was 8.8 per cent. In half the states, however, the proportion of agricultural and forest land held by foreigners was at or below 0.5 per cent.

Over the past 10 years, foreign landholding in the United States has increased slowly. In 1981, 12.7 million acres (5.1 million hectares) or 1 per cent of the agricultural and forestry land was foreign-owned. By February 2010, this had risen to 22.7 million acres (9.2 million hectares) or 1.8 per cent of the agricultural and forestry land.

The Committee on Foreign Investment in the United States is a government interagency committee chaired by the Secretary of the Treasury that reviews proposed foreign investment from a national security perspective. It takes a particular interest in computing technology and natural resources, and in activity by agencies of foreign governments. It does not appear to have relevance to purchases of agricultural land.

The US Federal Government does not impose restrictions on the ownership of farmland by foreigners, except that transactions must be reported. It is unlikely that this reporting requirement would act as a deterrent to foreign land purchases to any significant extent. It requires only the completion of a return within 90 days of purchase, and details of individual owners of land are not made public.

Although the Federal Government does not restrict ownership of farmland by foreigners, around half of the individual states of the United States do have some form of restrictions.

Under current laws, aliens (non-US citizens) may not own farmland at all in Nebraska, North Carolina or Oklahoma. A number of states forbid non-resident aliens from owning farmland—Colorado, Hawaii, Iowa, Michigan, Minnesota, Mississippi, Missouri, New Hampshire, North Dakota and Vermont. Some states impose limits on the area of land that aliens can own—Arizona (640 acres), Louisiana (640 acres), South Carolina (500 000 acres) and Pennsylvania (5000 acres). Some states impose limits on the area that non-resident aliens can own—Pennsylvania (100 acres), South Dakota (160 acres) and Wisconsin (640 acres). Alaska, Idaho, Indiana, Kentucky and Oregon insist that alien land purchasers have the intention of becoming citizens, and New Mexico restricts ownership of farmland to those who qualify for citizenship. Alaska, Nebraska, North Carolina, Virginia and Wyoming allow ownership of farmland by aliens only if those aliens are subjects of countries where US citizens are allowed to purchase land. Arkansas, Iowa, Missouri, Ohio and Wisconsin have requirements for aliens to report details of land purchases to state or county authorities (National Association of Realtors 2006).

The impact of these diverse restrictions is not easy to assess. Maine has no restrictions and a high level of foreign ownership, which has declined a little in recent years. Other states with no restrictions, such as Massachusetts and Connecticut, have very low and stable levels of foreign ownership. Some states that are moderately restrictive, such as South Carolina and Wisconsin, have experienced foreign ownership increases over recent years.

Canada

FDI in Canada is governed by the Investment Canada Act. The Act provides for a foreign investment review process to ensure that the investment is likely to be of net benefit to Canada. Only transactions where asset value reaches certain thresholds are subject to review. In 2011, the threshold for any direct acquisition of a Canadian business by an investor from a Word Trade Organization (WTO) country is C$311 million. For investments from non-WTO member countries and investments in certain sectors (cultural businesses, transportation, financial services, or the production of uranium) the threshold for direct investments is C$5 million. Farming property is exempt from the provisions of the Act, but may nevertheless be subject to review if, for example, land is included as part of a larger investment. In general, a non-resident of Canada can acquire, hold and dispose of real property in the same manner and under the same conditions as a Canadian citizen or resident.

However, the provinces have the right to restrict the acquisition of land by people who are not citizens or permanent residents, or by corporations and associations controlled by them.

In Prince Edward Island, Manitoba, Saskatchewan and Alberta there are measures to control purchases of land by foreigners.

In Alberta, for example, the Agricultural and Recreational Land Ownership Act and regulations were passed to 'ensure that Alberta's rich soil and picturesque recreation areas continue to be owned and enjoyed by Albertans and other Canadians' (Service Alberta 2011). The Foreign Ownership of Land Regulations, which came into force in 1979, are intended to monitor and control foreign acquisition of privately owned agricultural and recreational land (referred to as 'controlled land') in Alberta.

The law is designed to prevent non-Canadians from buying significant amounts of prime agricultural and recreational land in Alberta. However, it is not intended to discourage foreign investors from investing in manufacturing plants, processing operations, recreational developments and new home subdivisions or from expanding existing plants.

Generally, these arrangements prevent non-residents or foreign-controlled corporations from owning more than two plots of land exceeding 20 acres (8.1 hectares) in total. The average size of a farm holding in Alberta in 2006 was 1055 acres (427 hectares), 50 times the maximum area allowed to foreigners (Statistics Canada 2006).

All transactions reported to the Land Titles Office in Alberta must be accompanied by information on the citizenship or residence status of the parties, whether Canadian or foreign. Of a total of 16 825 transactions in the three years to June 2011, 545 (3 per cent) were from foreign entities.

Applications from foreign entities for transactions that exceed the limits of these regulations can be considered by Cabinet. These might allow transfers between family members, or allow other proposals that result in significant economic investment in Alberta. In the five years to June 2011, 47 such exemptions were granted.

In June 2011, foreign holdings in Alberta amounted to 295 130 acres (119 439 hectares), equivalent to 0.2 per cent of the total land area of Alberta, or 0.6 per cent of the area of land held as farms in Alberta.

Agriculture in Alberta is conducted on a smaller scale than in Australia, and farms generate lower incomes. More than half of Alberta's farmers depend on off-farm jobs to supplement their incomes (Statistics Canada 2006). Restrictions on foreign investment would have served to keep agriculture in Alberta on a smaller scale, with a lower capital than would otherwise have been the case. The regime applied in Alberta would probably not be appropriate to Australia's agriculture, which has a stronger commercial focus.

Other provinces that control purchases of land by foreigners are:

- Saskatchewan, where under provisions of The Saskatchewan Farm Security Act, foreign individuals and companies are ineligible to own more than 10 acres (4 hectares) of farmland.
- Manitoba, which restricts ownership of agricultural land by foreigners to 40 acres (16 hectares) under its Farm Lands Ownership Act.
- Prince Edward Island, where the Lands Protection Act means that non-resident buyers cannot purchase more than 5 acres of land, or land with a shore frontage greater than 165 feet (50 metres), without the approval of the Regulatory and Appeals Commission.

In each of these provinces, while there is legislation to prevent foreign ownership of more than a specified small area of land, there are provisions by which application can be made for exception.

Ontario imposes some restrictions on investment by corporations incorporated outside Canada but foreigners are otherwise free to invest in land in that province.

Other provinces (British Columbia, Quebec, Nova Scotia, Newfoundland and New Brunswick) have no restrictions on foreign ownership of real estate, including farmland.

Brazil

Purchases of farmland by foreigners have been restricted in Brazil since 1971. According to the OECD (Kalinova, Palerm & Thomsen 2010), Brazil's FDI restrictiveness index in agriculture is just a little higher (that is, more restrictive) than Australia's. Now Brazil is introducing new restrictive measures to control foreign ownership of farmland.

In August 2010, then-president Luiz Inacio Lula da Silva approved a 'juridical opinion' that restricts foreign ownership to 25 per cent of the area of any municipality, with a maximum of 10 per cent to be owned by any one nationality. Previously, up to 40 per cent of the land in any municipality could be foreign owned. The new rules have taken effect in advance of a Bill that will pass through Congress possibly in the second half of 2011. Land designated as rural must be used for creating agricultural or industrial projects with previously agreed statutory objectives, and the nature of the projects must have received approval by the Federal Ministry of Agrarian Development.

Additionally, registration processes for foreigners buying land have become more onerous, placing additional demands on Brazilian bureaucracy as well as on investors. The new arrangements also extend to local companies with majority foreign ownership, which were previously not covered.

The stated intention of the new measures is to give Brazil greater control and monitoring over the sale of land to foreigners. The Attorney-General referred to the principle of sovereignty over internal economic affairs. However, agribusiness groups see the new measures as populist and are concerned that Brazil will lose out on considerable foreign investment in agriculture.

According to INCRA (Brazil's National Institute for Colonization and Agrarian Reform), more than 10.7 million acres of farmland in Brazil are currently owned by foreign individuals, which amounts to 1.6 per cent of Brazil's agricultural area. However, this estimate does not include land held by Brazilian companies that are partly or wholly foreign owned (Gomes 2010).

Argentina

Argentina exercises no control over foreign investment in farmland; no specific process exists for foreign entities to obtain permission to buy land, and no official data are kept on land ownership by foreigners. However, a Bill has been introduced in Congress to limit the foreign ownership of rural land and to collect and maintain data on foreign ownership.

The Protection of National Dominion over the Ownership, Possession or Tenancy of Rural Land Bill was introduced by Argentine President Cristina Fernández in April 2011, with the stated aim of monitoring and regulating the foreign ownership of rural land, as well as the 'concentration of land in the hands of interests that might compromise strategic development objectives'. The Bill was introduced in the light of apparent increases in purchases of land by foreigners, particularly from the United States, and concerns about loss of sovereignty.

The Bill defines rural land as all establishments located outside urban areas, regardless of their location within the national territory or their intended use. It does not seek to affect acquired rights or 'promote xenophobic legislation which opposes responsible foreign investment'.

If the Bill is passed, foreign ownership of Argentina's total rural land would be limited to 20 per cent of the total area, and any given nationality will be able to own only up to 30 per cent of that limit (that is, 6 per cent of Argentina's total rural land). The Bill also states that any foreign entity will be allowed to purchase only up to 1000 hectares of rural land in Argentina. Foreign interests will have to seek prior consent from the Interior Ministry for the acquisition of rural land within a National Security Zone, those stretches of land along national (land and sea) borders, or circumferences of land around military or civil facilities, which are of interest for national defence purposes.

The Bill does not specify what the process will be for land outside a National Security Zone.

If the Bill is passed, the criteria to be applied to applications for permission by foreigners to buy land will include:

- the location of the land and its size as a proportion of the local municipal district
- the municipality and province where it is located
- the quality of the land
- the ownership of other rural lands by the applicant
- the amount of land to be purchased and the amount of land already owned by the applicant
- the amount of land owned by the applicant's countrymen.

At present no official data are available on the number and size of agricultural landholdings held by foreigners in Argentina. If passed, however, the Bill will mandate the undertaking of a survey within 180 days to determine the situation of foreign land ownership in Argentina and existing foreign owners of rural land will have to declare their holdings.

An unofficial estimate of rural land held by foreigners by the Argentine Agrarian Federation is around 20 million hectares, or around 7 per cent of the national territory, up from 7 million hectares in 2000 (Mercopress 2010).

Press reports on agricultural land held by foreigners in Argentina have cited US millionaire Douglas Tompkins, who owns 700 000 hectares, mostly in Corrientes province, US businessman Ted Turner's 40 500 hectares, and the Benetton family's ownership of 900 000 hectares of land in Patagonia. The Australian company LIAG owns 160 000 hectares in Argentina.

6 Concluding remarks

Foreign investment has been a significant force in the development of the Australian economy, including in agriculture and agribusiness. The inflow of foreign capital has contributed, and continues to contribute, to investment, boosting employment and incomes. The development of the beef industry and the introduction of cotton growing are two notable beneficial examples of the outcomes of foreign investment in agriculture.

In the past, foreign ownership of agricultural land in Australia has gone through periods of expansion and contraction. Data for Queensland show an increase early in the 2000s, followed by a decline and then a further increase late in the decade. Foreign investment in farmland is understood to have been increasing in 2010 and 2011, in part due to purchases of land by mining companies. At the end of 2010, around 11 per cent of Australian farmland was owned, wholly or partly, by foreigners. Foreign investment in agriculture, as in the economy at large, tends to be concentrated in larger enterprises.

Significant foreign investment has taken place in Australian agribusiness in recent years. Depending on the nature of the business, investment in Australia may give a foreign company a larger and more efficient operation; it may provide access to the Australian market for its products, and provide it with additional brands; it may give foreign firms access to supplies of raw materials, and thus enhance Australian exports to the country of the foreign investor; and it may give the foreign investor access to markets in third countries. In some cases, it simply provides a foreign company with a profitable investment for its own or its clients' funds.

The inflow of capital has boosted capacity and improved efficiency in agribusiness activities. New investment by foreign owners has facilitated restructuring in sugar milling, and expanded activity in meat processing and in grain handling and transport capacity.

At the same time, Australian companies have significant investments in farmland and agribusiness enterprises in other countries.

In boosting incomes and increasing agricultural production, foreign investment is likely to improve the food security of Australians by enhancing their ability to buy the food they need. Australia's relatively small contribution to the food security of other countries may also be enhanced.

The Foreign Investment Review Board assesses all investment proposals from foreign government-owned enterprises, and all other proposals of 15 per cent or more of a business where the total assets exceed $231 million (in 2011), unless subject to higher thresholds under particular bilateral agreements. The ACCC assesses the impact that proposed investments would have on competition in the Australian market. Assessment by these bodies may result in the government withholding approval for a foreign investment, or in an investment proceeding only with certain modifications or safeguards in place.

A number of other countries employ measures to regulate and monitor foreign ownership of farmland. These restrictions on foreign investment, reflecting the diverse histories and cultural backgrounds of those countries, are likely to result in economic costs to those countries in the form of reduced production and income. Many OECD countries do not have national policies restricting foreign investment in agriculture. However, some, such as the United States and Canada, have restrictions in various states and provinces.

Any measures that put further barriers in the way of foreign investors and reduce the flow of foreign capital into Australian agriculture would adversely affect the performance of the agricultural sector. Lower investment would result in lower output, exports and incomes than would otherwise be the case. Opportunities for improved efficiencies could be lost, and distortions, such as increased use of foreign credit, would be encouraged.

The regular collection of information on foreign ownership would be one way of providing greater transparency to the public, and may contribute to better-informed policymaking in the future. The funding of periodic collection of data on ownership of agricultural assets by, for example, the Australian Bureau of Statistics, possibly in connection with the five-yearly agricultural census or through sample surveys in intercensal years, may be an option worth considering.

An alternative would be to collect information on transactions from buyers and sellers of land in order to maintain a registry (or a registry in each state) of foreign land ownership. This could be part of the operations of a normal land registry office such as that maintained by Queensland, or a separate registry of foreign ownership of agricultural land as used in the United States. Collecting and maintaining data has a cost, to the agency charged with responsibility for it as well as to respondents providing information to that agency. Such data collection and maintenance should be initiated with an understanding of relevant costs and benefits.

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Foreign investment and Australian agriculture

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This report presents the results of the study undertaken by ABARES with financial support from RIRDC. It reviews the historical significance of foreign investment in Australian agriculture, and to the Australian economy. It incorporates the survey results provided by the ABS, and presents case studies of foreign investment in farmland and agribusiness. It also examines the driving factors behind foreign investment in Australian agriculture and describes processes by which foreign investment in farmland is monitored and regulated in Australia and other selected countries.

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