



Australian Grain Exporters Association

Submission to the Senate into Examination of the Foreign Investment Review Board National Interest Test

Background to AGEA

The Australian Grain Exporters Association (AGEA) was formed in 1980 and is the representative body for exporters of Australian grain. AGEA represents its members to facilitate an efficient and effective export industry. Members are active in grain accumulation, storage, handling and processing, as well as risk management and hedging strategies involving commodity futures, foreign currency and counterparty risk. AGEA member companies also have substantial investments in non-grain sectors of the rural economy, such as meat processing and intensive livestock production, oilseed crushing, fertiliser distribution, cotton trading and ginning, ocean freight ownership and bulk and container shipping.

AGEA supports open and contestable markets. AGEA's focus is on assisting Australia to grow its exports of grains and oilseeds. It brings the export sector together to focus on pre-competitive issues that underpin the position of Australian grains and oilseeds in world markets and to ensure that the export supply chain operates efficiently.

Further information about AGEA may be sourced via <http://www.agea.com.au>

Introduction

The Australian grains industry has responded favourably to the new marketing environment that has resulted from the deregulation of the wheat and barley marketing arrangements over the last decade. Australian grain remains in strong demand globally and growers now have more flexible access to a selection of accredited buyers, offering a variety of marketing options. Product differentiation provides opportunities across the value chain and a competitive deregulated system can best deliver this need, while also servicing large volume customers.

Since deregulation of wheat and barley market arrangements, the industry has seen renewed interest by offshore companies. The grains industry is a global business and foreign investment is one mechanism for ensuring the industry can build economies of scale and can access and leverage global knowledge, technologies and innovations.

Foreign investment in agriculture - benefits

AGEA contends that foreign investment has played an important role in the Australian food and agribusiness sector by supporting employment, economic growth and prosperity. Foreign investment inflows support the sector by potentially providing expanded access to cost effective capital and increasing productivity by attracting international know-how and competition.

Foreign investment has played an important role in enabling the grains sector to take advantage of growth opportunities where this has required investment in infrastructure and capital equipment. Foreign capital investment in the grains industry has, and is, supporting the Government's policy and stated objective of multiple exporters operating in the Australian market.

Concerns have been expressed in relation to foreign investment including:

- concern that revenue earned by companies investing in Australia will flow overseas - however, a proportion (typically the majority) is retained in the country through capital reinvestment, wages, indirect taxes and depreciation and company tax
- concern that some larger foreign companies may displace some smaller local companies - this will only occur if the foreign owned company is more competitive or offers a better product or service. Australian consumers will be made better off, just as if a more efficient domestic firm displaces a less efficient domestic firm. Counter to this, where investment by foreign parties helps to drive efficiencies in the industry and reduce costs, this is of benefit to growers and others in the value chain.

Policy settings

AGEA acknowledges the need to retain a policy framework around foreign investment in agriculture and some of the aspects that may need to be considered in relation to investment by foreign companies are the commitment to transparent pricing to farmers; commitment to continue to invest in Australian based R&D to maintain skills and secure quality improvement in Australia; guarantee open access to essential infrastructure; and commitment to further investment in and actively seeking to grow the Australian production base and value adding sector.

Furthermore, foreign capital investment can also play a role in relation to broader policy issues such as food security. Food security is increasing in global importance and the grains industry, in particular, has a key role to play as a supplier of food to world markets.

AGEA cautions that any policy shift to a more restrictive environment in relation to foreign investment may give rise to concerns about sovereign risk amongst foreign investors. This will influence future investment decisions that could impact on growth in the industry and may see capital allocated to other origins.

Conclusion

As a major global grain exporter, it is important that the Australian grain industry remains competitive and efficient. AGEA plays a role in facilitating and supporting the development of grain exports from Australia and there is a need for certainty in the investment environment if investment is to continue and support the export business.

AGEA encourages the Senate Inquiry to consider the positive impacts on the local industry and broader policy interests such as food security in reviewing the foreign investment national test.