



Submission to the

**Senate Examination of the Foreign Interest
Review Board National Interest Test**

Sept 2011

About Growcom

Growcom is the peak representative body for the fruit and vegetable growing industry in Queensland, providing a range of advocacy, research and industry development services. We are the only organisation in Australia to deliver services across the entire horticulture industry to businesses and organisations of all commodities, sizes and regions, as well as to associated industries in the supply chain. We are constantly in contact with growers and other horticultural business operators. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

The organisation was established in 1923 as a statutory body to represent and provide services to the fruit and vegetable growing industry. As a voluntary organisation since 2003, Growcom now has grower members throughout the state and works alongside other industry organisations, local producer associations and corporate members. To provide services and networks to growers, Growcom has about thirty staff located in Brisbane, Bundaberg, Townsville, Toowoomba and Tully. We are a member of a number of state and national industry organisations and use these networks to promote our members' interests and to work on issues of common interest.

Introduction

Thank you for the opportunity to make a submission to the *Examination of the Foreign Investment Review Board National Interest Test*.

Being the peak body for an intensive industry, Growcom is not aware of any properties that were purchased in the last 12 months which would have been valued over the \$231 million amount that triggers the involvement of FIRB. As such, we are unable to comment on Terms of Reference i-iii. Similarly we do not have any detailed knowledge as to how similar tests work in other countries and will not address reference term vi.

Growcom recognises that foreign investment has been a feature of Australian agriculture for over 200 years. We appreciate that without this investment much of the development in Australian agriculture would not have occurred. For a large period of the 20th Century the British Vestey family was the largest single landholder in Australia, and major pastoral companies continue today to have international shareholders. We see this investment by foreign individuals and private shareholder owned companies as a positive thing, which has brought many benefits to Australia.

However, the actions of government-owned entities, such as Sovereign Wealth Funds, purchasing land here to shore up their food security at the potential expense of Australia's food security are concerning.

Responses to Terms of References

(iv) the global food task and Australia's food security in the context of sovereignty;

Growcom's 2011 report, *Food security issues for the Australian horticulture industry*, found that 34% of the fruit we consume and 19% of the vegetables we consume in Australia are imported (Reeves et al 2011). As the Australian population heads for at least 36 million, demand for fruit and vegetables will increase. At the same time, a world population increasing to over 9 billion will likely see countries from which we currently import food reserving that food for their own consumption.

Many countries from which we import are also predicted to face cuts in production, as world supplies of fertiliser begin to run out and aquifers under China and India are exhausted. The effects of climate change on micro-climates and more extreme weather events will also contribute this decreased production.

Australia is already reliant on imports which may not be available into the future for a lot of its food needs. If we are not to face food security problems in the future, we will need to increase production to feed our increasing population and to replace imports that are no longer available. The loss of arable land to Sovereign Wealth Funds place our ability to do this in jeopardy.

(v) the role of the foreign sovereign funds in acquiring Australian sovereign Assets;

A number of foreign governments who have grasped the concept that they need to take action to remain food secure have already purchased productive agricultural land in Australia and other countries through government-owned companies and Sovereign Wealth Funds.

A number of policymakers and commentators have dismissed concerns about Sovereign Wealth Funds with comments that Australia has always had a large amount of foreign investment in agriculture. As we noted above with the example of the Vestey operations in the 20th century, we acknowledge that such investment from individuals and private companies has not posed a threat to Australia, but has benefited the nation. However, there is a key difference between a foreign private company or individuals producing food on Australian land and selling this on the open market for anyone to purchase, including Australians, and the operations of a Sovereign Wealth Fund. Sovereign Wealth Funds purchase agricultural land in other countries with the intention of shipping the food produced on that land directly back to their home country. This could see Australia face a shortage of a particular commodity or commodities while ample provisions of that commodity/commodities are grown here and directly exported with no chance for Australians to purchase it.

This is a possibility that policy makers need to examine closely, acknowledging that this is different to the types of foreign investment that have occurred before in Australia and therefore require a unique response.

The nationality of the owner of the land is not important. Whether the owner is a private individual/company or an entity owned by a foreign government - such as a Sovereign Wealth Fund or a government-owned company- is very important.

If there is ultimately a legislation change relating to the purchase of Australian agricultural land by foreign entities, then this needs to be based on the quality and suitability of the land for farming. The current situation, where a purchase must be worth \$231 million before it triggers the interest of the Foreign Investment Review Board is extremely high. This is particularly so in the horticulture industry, which is intensive and where just a few hectares can produce a large and valuable crop.

Conclusion

Growcom believes that there is a major distinction between the type of foreign investment in agricultural that Australia has experienced historically – by private individuals and companies – and investment in agricultural land by entities owned by foreign governments.

Any potential changes to legislation regarding foreign investment in agricultural land should focus on the ramifications of food security for Australia rather than the dollar value of land.

A policy that ensures foreign entities, particularly Sovereign Wealth Funds, were not depriving Australians of the chance to purchase, at market price, food grown in Australia would be more appropriate than the current policy where the an interest is only taken by regulators when the property is valued at relatively high amount.