



September 2, 2011

Committee Secretary
Senate Rural Affairs and Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Jeanette,

Examination of the Foreign Investment Review Board national interest test

The Western Australian Farmers Federation (Inc.) (WAFarmers) thanks you for your letter of July 15, 2011 inviting our comments to the Senate Rural Affairs and Transport References Committee's *'Examination of the Foreign Investment Review Board national interest test.'*

As background, WAFarmers is the State's largest and most influential rural lobby and service organisation. WAFarmers represents approximately 4,000 Western Australian farmers from a range of primary industries including grain growers, meat and wool producers, dairy farmers, pastoralists, horticulturalists, commercial egg producers and beekeepers. Collectively our members are major contributors to the \$5.5 billion gross value of production that agriculture in its various forms contributes annually to Western Australia's economy. Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

In this submission, WAFarmers has not attempted to respond to all of the Inquiry's terms of reference, as we believe that there is a lack of detailed and reliable information on the level of foreign investment in not only Western Australian, but in Australian, agricultural businesses, and further, the Foreign Investment Review Board's assessment criteria has precluded its investigation of much of the investment that has already occurred. As such, the relative effectiveness of the national interest test in respect of agriculture investment is difficult to comment on.

The Foreign Investment Review Board's National Interest Test considers investment in terms of its *'Impact on the Economy and the Community.'* The explanatory notes for this consideration is that:

"the Government considers the extent to which the investor will develop the project and ensure a fair return for the Australian people. The investment should also be consistent with the

Government's aim of ensuring that Australia remains a reliable supplier to all customers in the future."

Whilst it is not with the foreign investment itself, WAFarmers concern is with the potential for large-scale sovereign-based investment to deliver unintended or perverse outcomes.

Significant levels of land use change last occurred on Western Australian agricultural land through tax-driven Managed Investment Schemes (MIS), which resulted in at least 100 000 hectares of land redirected, predominately into timber plantations. In their final report into the Food Production in Australia, the Senate Select Committee on Agricultural and Related Industries, (August 2010), noted that *"The effect of MIS is to distort investment decisions to the detriment of traditional farmers in these industries, and those competing for the same land and water resources. The allocation of resources towards agricultural activity should always be guided by price signals and profitability, rather than by personal tax incentives."*

WAFarmers raises this issue as there exists the potential for farm businesses to be dramatically impacted by foreign investment that is not aligned to the traditional market mechanisms.

WAFarmers believes there is a need for greater transparency in the current and future levels of ownership of Australian farmland by foreign interests. As such we seek a change in the current assessment criteria, which would result in the Foreign Investment Review Board being able to consider a greater number of applications by foreign investors into Australian agriculture. This change would allow the National Interests Test to be more broadly applied, and to identify the applicant's likely impact on rural communities, Australia's long term food security and capacity to develop and maintain export markets for agricultural products.

WAFarmers again thanks you for the opportunity to make a submission to this inquiry, and we request an opportunity to address the Inquiry, should you hold public hearings. To arrange that or to further discuss the issues raised in this submission, please do not hesitate to contact WAFarmers Director of Policy, Alan Hill.

Yours sincerely

Mike Norton
President