Too easy to sell off the farm

Foreign investment in Australian agriculture needs to be reined in significantly, writes John Dunne

When State and Federal politicians are questioned about selling our farmland to foreign government-owned or part-owned entities they usually trot out the well-worn statement that foreign investment has always contributed to Australia's development and prosperity.

They conveniently skirt around the specifics of actually selling the land and instead point to the success of foreign investment in value-adding businesses such as wineries, milk processing, abattoirs and sugar refineries.

This success is irrefutable but it is one thing to accept occasional targeted foreign investment in our agricultural industries and another thing entirely to actively encourage moves to sell off the farm, as the current State Government under Premier Colin Barnett and Agriculture Minister Terry Redman is doing.

In November Colin Barnett was reported as "strongly backing investment by Chinese Government-owned conglomerates" and Mr Redman, the Nationals MLA for Warren-Blackwood, welcomed Beidahuang Group's proposal to purchase freehold WA farmland and create an alternative to the CBH supply chain, setting up shiploading facilities at Albany to ship grain direct to China.

At the time the WA Department of Agriculture and Food website carried a brochure titled, "A compelling business case for investment in the WA wheat industry", promoting, among other things, "abundant land at competitive prices . . . all the necessary infrastructure to service wheat exports including modern shipping ports, an international airport, excellent accreditation systems, excellent road and rail transport and storage and handling facilities (and) proximity to the large markets of Asia and the Middle East resulting in rapid delivery times and reduced transport costs".


No competition: Local farmers are unable to compete against the buying power of foreign investors. Picture: Nic Ellis

> Farmland in WA is being snapped up by foreign entities at prices generally well above current market values.

The Barnett Government came to power in September 2008. Four years later the investment brochure was still prominently displayed on the department's website alongside several others, in case prospective investors might prefer beef or dairy cattle, sheep, barley and hay or other enterprises.

The Nationals' election strategy pledges $20 million to create an Office of Inward Investment "shopfront" as the first point of contact for overseas investors.

The new millennium has ushered in a series of below-average winter rainfall seasons and recurrent drought in South West WA. Ever-rising input costs coupled with the negative effects of industry deregulation and the high Australian dollar have seen farm cash flows and equities plummet and very little local interest in purchasing an unprecedented number of farms on the market.

But broadacre farmland in WA is being snapped up by foreign entities at prices generally well above current market values — way beyond the capacity of most local farmers to compete.

Foreign investors, including foreign government-owned entities, are making the most of the scramble by Australian governments for any possible injection of foreign capital. This, despite a submission by Treasury to a recent Senate committee acknowledging "there is insufficient data available to gauge the level of foreign ownership of rural land and water entitlements and whether that level is detrimental to the wellbeing of Australians". The submission repeatedly states that direct investments in agricultural land or agricultural businesses by foreign governments and their related entities should be notified to the Australian government for review, regardless of the size of the investment.

Transfer pricing laws do exist to prevent foreign owners shifting profits into tax havens and thus avoiding legitimate Australian taxes and gaining a competitive advantage over Australian companies. However, such laws do not necessarily apply in the case of commodities exported in the name of "humanitarian aid" or "food security", providing a convenient loophole for a business owned by a foreign government with billions of mouths to feed.

In 1975, when the Foreign Acquisitions and Takeovers Act was introduced, a threshold of $1 million was adopted for rural land before the government of the day considered any scrutiny of a proposed investment was necessary. This threshold has risen inexorably, especially in the past 15 years, and now stands at $244 million.

Foreign capital lets governments off the hook. It balances the books, maintains GDP growth, keeping AAA credit ratings intact while small business cops it in the neck. It saves the government from the responsibility of properly managing the economy in the interests of all Australians.

In his recent book, Politics with Purpose, former Federal minister Lindsay Tanner suggested that our room for manoeuvre in areas such as competition policy is much greater than many assume and that a totally different approach is required to accommodate what he terms "internationalisation". Mr Tanner acknowledges that a great deal of globalisation is broadly inevitable but is "entirely negotiable in detail". Indeed, a Financial System Stability Assessment conducted by the IMF as recently as November concluded that Australia is well positioned to respond to negative shocks, pointing to "a combination of low public debt, flexible exchange rate, scope for monetary easing, and a well capitalised banking system providing authorities ample policy space to respond".

In other words, our high dollar, the bane of Australian productive enterprise, is contrived.

Why would Treasury want a high dollar? In order to maintain the inflow of foreign capital so we can increase borrowings to fuel the unrealistic expectations of State and Federal governments?

Australia's international competitiveness won't improve until the Federal Treasurer takes action to lower the dollar and adjust fiscal policy to encourage local investment in all business, not just in agriculture.

We can blame consecutive Federal governments of every persuasion for the irresponsible relaxation of regulations in respect of foreign investment in our agricultural farmland. However, there are some astute hardworking politicians in Canberra contemplating winding back current lax foreign investment legislation.

Forthcoming State and Federal polls present opportunities to throw out every politician showing any inclination towards selling off the farm.

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