

Minority report from the Australian Greens

Inquiry into the Foreign Investment Review Board National Interest Test

General support

1.1 The Australian Greens support the thrust of the main recommendations of the majority report, calling for a registry of agricultural land. This will bring a much needed improvement in the available information and so enable a more informed debate. The Greens also endorse the independent review of the foreign investment regulatory framework proposed in recommendation 4, but an appropriate membership for the review will be essential.

1.2 Recommendation 17 for more effective compliance measures to ensure adherence to undertakings given before Foreign Investment Review Board (FIRB) approvals would also be an important improvement. The Greens also endorse recommendation 24 for greater weight to be given to the interests of local communities in FIRB assessments.

1.3 While arguably straying from the topic of this report, recommendations 1 and 2 for a more rigorous approach to the taxation treatment of transfer pricing is also something we strongly support.

Food security

1.4 The majority report acknowledges the importance of the food security issue in Chapter 2 but the Greens wish to emphasize this.

1.5 Around 2007 global food stocks fell to low levels following extreme weather events, including drought in Australia. Food prices soared, in response, a number of countries, such as Brazil, Russia and Vietnam, started banning the export of grain, exacerbating the situation. Climate change means many food importing countries fear such events will recur because of the increased intensity and frequency of dramatic events such as droughts, floods, and other natural disasters along with more subtle adverse impacts on crop yields from changing seasons, increased weeds, pests and diseases and shifting fresh water availability.

1.6 These concerns have led to government owned or controlled entities taking strategic ownership stakes in farmland in countries such as Australia.¹ Even if these

1 Oxfam released a report in October 2012 on this global 'land grab' which estimated 'in the past decade an area of land eight times the size of the UK has been sold off globally as land sales rapidly accelerate. This land could feed a billion people, equivalent to the number of people who go to bed hungry each night'; *Our Land, Our Lives*, p 1. This is occurring while the global amount of farmland is shrinking and the remaining farmland losing topsoil; Mr Julian Cribb, *Committee Hansard*, 9 May 2012, p. 1.

operations may operate commercially most of the time, when the crunch comes their priority will be providing food to the home country. And climate change will mean that crunch years occur increasingly often in coming decades.

1.7 Countries such as China, Qatar and Saudi Arabia appear to be pursuing this approach. Commendably transparent are the operations of Hassad Food, the agricultural arm of the Qatar sovereign wealth fund. Hassad Food has made clear that its primary goal is to secure food security for Qatar, a country whose desert landscape give it limited capacity for growing its own food:

...the initial plan that the Qatari government put in place under the banner of the Hassad Food company, their initial investment was driven by food security and, obviously, the mid-2000 issues of food shortages...they [the Qatari government] have preference on the produce from our farms...²

1.8 While this approach is sensible from the Qatari perspective, it may not be in Australia's national interest. It should be examined by the independent review into the foreign investment regulatory framework

The threshold

1.9 The Greens support the majority report's recommendation 20 that the threshold that triggers a FIRB review of proposed private foreign investments in agricultural land be reduced from the current absurdly unrealistic \$248 million, which may be more than any Australian farm has ever been worth.³ It is also a significant improvement that 'creeping acquisitions' that cumulatively take investments over the new threshold will also be examined.

1.10 But the recommended new threshold of \$15 million is still quite high. The South Australian Farmers' Federation suggested \$2 million.⁴ The NSW Farmers' Association told the Committee that the average farm was worth around \$2½ million.⁵ When the FIRB framework was introduced in 1975 the rural land threshold was set at \$1 million, and then increased to \$3 million in 1986. It was subsequently hiked to \$50 million in 1999 and \$100 million in 2006 and \$219 million in 2009.⁶ The vast leaps in the thresholds from 1999 do not appear to have been properly considered or been

2 Mr Tom McKeon, Chief Executive Officer, Hassad Foods, *Committee Hansard*, 16 November 2011, p. 40. Hassad owns around 250,000 hectares of agricultural land over multiple states.

3 Cubbie Station, which has been described as 'the largest irrigated property in the Southern hemisphere', was rumoured to have sold for \$240 million; *The Australian*, 26 January 2013. The president of the South Australian Farmers Federation was unaware of any farms in that state worth that amount; Mr Peter White, *Committee Hansard*, 16 November 2011, p. 24.

4 Mr Peter White, President, South Australian Farmers Federation, *Committee Hansard*, 16 November 2011, p. 21.

5 Mr Bill McDonnell, Chairman, Business Economics and Trade Committee, NSW Farmers' Association, *Committee Hansard*, 17 February 2012, p. 9.

6 Mr Frank Di Giorgio, Principal Adviser, Foreign Investment and Trade Policy Division, Department of the Treasury, Senate Economics Committee Inquiry into Foreign Acquisitions Amendment (Agricultural Land) Bill 2010, *Committee Hansard*, 12 April 2011, p. 13.

the subject of sufficient community debate.⁷ Given subsequent inflation, the original \$1 million threshold and the \$3 million threshold in 1986 are both equivalent to a little over \$5 million in today's money and this would be a more appropriate threshold.

1.11 As noted in the majority report when negotiating international trade agreements governments should avoid commitments which unduly restrict the ability of FIRB to review foreign investment in terms of the national interest, such as by setting high threshold values.

Recommendation 1

1.12 That the threshold for private foreign investment in agricultural land and water licences be lowered to \$5 million.

Senator Christine Milne
Leader of the Australian Greens

Senator Peter Whish-Wilson
Australian Greens

7 Senate Economics Legislation Committee, *Foreign Acquisitions Amendment (Agricultural Land) Bill 2010 Dissenting Report* by Senator Nick Xenophon and Senator Christine Milne, p. 56.

