National Farmers Federation

8 October 2020

Manager
Policy Framework Unit
Treasury
Langton Cres
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Via email: FIRBStakeholders@treasury.gov.au

To whom it may concern

RE: Submission to the exposure draft of the *Foreign Acquisitions and Takeovers Fees Impositions Regulations 2020*

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the exposure draft of the *Foreign Acquisitions and Takeovers Fees Impositions Regulations 2020.*

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council, and these organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services, as well as state-based policy and commodity-specific interests.

The NFF supports foreign investment into Australian agriculture and recognises the important role it has and will continue to play in a vibrant agriculture supply chain. It has delivered significant amounts of capital into our production systems which has improved our efficiency and ensured that our farmers can continue to compete in a highly distorted global marketplace for agricultural commodities.

To achieve this, a balance between continuing to attract foreign investment and ensuring it remains in the nation's interest, the NFF supports the following measures:

- Ensure that foreign investment adheres to Australian law, especially tax and competition law and complies with existing and new industry production and/or transaction levies.
- Continue to ensure the FIRB is well resourced to undertake clear assessment of investment proposals, and post-approval monitoring of any investment conditions.
- Harmonise the legislated time frames for assessing foreign investment with other the regulatory time frames, including the ACCC mergers and acquisitions impact assessment.
- Attract future foreign investment by creating clarity in the FIRB approval process for foreign investors and by maintaining an active FIRB presence overseas.

In accordance with these principles, the National Farmers' Federation is opposed to this draft legislation, which would cause significant harm to the agricultural industry. Foreign investment is crucial to the long-term growth of the Australian agricultural industry, in terms of both overall output levels and total factor productivity. The proposed fee increases outlined in this draft legislation would deter foreign investment in the industry and therefore obstruct this growth. The fees would effectively operate as a tax on investment in Australian agriculture.

Under the proposed reforms, the maximum fee payable for investment in agricultural land will increase from $107 100 to $500 000. The NFF considers this excessive for cost-recovery purposes. Should a fee of this amount be necessary to recover the costs of processing an application, the NFF would have serious concerns about the efficiency of the Foreign Investment Review Board.

Historically, foreign investment has delivered significant amounts of capital into agricultural productions systems. This has improved the efficiency of the industry and ensured that Australian farmers are able to compete in a highly distorted global marketplace for agricultural commodities.

We provide a case study which highlights the benefits of foreign investment in Australian agriculture.

Case Study 1

Qatar Investment Authority via Hassad Australia (HA) commenced acquiring farms in 2009 as a means of improving the food security of Qatar. The strategy of HA was to commence a large scale Awassi sheep breeding programme for export to Qatar as well as the production of grain in order to hedge grain prices. Between 2008 and 2014, HA acquired over $500 million of land in Australia. This included the aggregation of 11 properties in Western Victoria now known as Telopea Downs.

Prior to being acquired by HA, the 11 individual farms had five permanent residents, with the majority of owners living outside the region and travelling to Telopea Downs when required. Under the ownership of HA, approximately $12 million was spent on improving the soil, fencing, watering systems, sheds and houses. The productivity of the farm more than doubled as a result of this investment, enabling it to employ 16 permanent staff. This resulted in a total of 36 people living on the farm, including spouses and children. The district of Nhill was able to establish and maintain an additional class at the primary school and the ongoing investment from HA supported the local businesses and communities.

In 2018, HA divested Telopea Downs (and other assets) with a sale to AJ & PA McBride, an Australian owned family business. The purchaser will reap the benefits of the investment for many years to come.

It is estimated that, for Australian agriculture to remain competitive with other agriculture-exporting nations, the industry will need to fill a $515 billion capital shortfall between 2012 and 2050[1]. With industry debt already at significant levels and access to equity finance constrained, foreign direct investment will be critical in filling this gap unless major new sources of domestic investment emerge.

The task of recovery from COVID-19 makes foreign investment even more important. The Productivity Commission, in its recent research paper on foreign investment, notes 'As the economy begins to recover after the pandemic passes, the role of foreign investment will be more crucial than ever. Many struggling Australian brands will be shielded from damage by foreign investment, while other businesses and employers will be able to recover faster if they have access to foreign funding and expertise. Government policy needs to continue to recognise and facilitate these benefits, even as it acts to mitigate the risks from some investments[2].'

While the NFF does support a capped cost-recovery model for the Foreign Investment Review Board, the proposed fees greatly exceed what we consider to be fair and reasonable.

Should Treasury have any questions regarding this submission please contact Mr Liam Watson, Policy Officer (Trade and Economics) on 02 6269 5666 or at lwatson@nff.org.au.

Yours sincerely

TONY MAHAR
Chief Executive Officer

[1] ANZ insight 2012, Greener pastures: The Global Soft Commodity Opportunity for Australia and New Zealand
[2] Productivity Commission 2020, Foreign Investment in Australia: Research Paper