



2 September 2011

Committee Secretary
Senate Rural Affairs and Transport Reference Committee
P O Box 6100
Parliament House
CANBERRA ACT 2600

By Email : rat.sen@aph.gov.au

Dear Sir/Madam

Re: Submission to the Inquiry into the examination of the Foreign Investment Review Board national interest test

For AAco, foreign investment is an essential constant in our past, our present and our future.

In 1824, by act of British Parliament the Australian Agricultural Company (AAco) was formed with a grant of one million acres and the stated aim of “cultivating and improving the wastelands” of the new Australian colony. A year later, the company’s two ships arrived in Sydney with 25 men, 12 women, and 726 sheep and 8 head of cattle.

Today AAco is listed on the Australian Securities Exchange and is one of the world’s largest agribusiness companies. The Company is a global leader in genetics, production and trading. Our breeding, feeding and trading operations include the world’s most technologically-sophisticated, efficient and well-resourced cattle stations, feedlots and farms.

Headquartered in Brisbane, we employ almost 500 people in regional, remote and international locations. We own 6.71 million ha of land and we manage a herd of over 600,000 head of cattle. A respected member of the communities in which we exist, we have an exemplary track record for sustainable business practices.

AAco shareholders—Australian and foreign—are an essential part of this company’s success. Foreign investors have and will continue to provide AAco with a valuable source of funding. They are predominantly investors who have longer-term investment horizons and are prepared to look through the seasonality and commodity cycles within the agriculture industry.

Importance of foreign investment

Australia has long been dependent on foreign investment to grow industries, create infrastructure and provide jobs.

Global companies have been attracted to invest in Australian agriculture because of this nation's reputation for high-quality production, proximity to key Asian economies, counter-seasonal production, relatively low levels of sovereign risk and an enviable productivity record.

The Australian agriculture industry has a long history of successful foreign investment and today Australia's largest agriculture businesses feature diverse ownership.

The recent increase in overseas buyer interest in Australia's agricultural, forestry and fishing assets has prompted concerns about such investment being a threat to the national interest, particularly in relation to food security. However, the perceptions regarding the risks of such investment are clearly outweighed by the benefits.

The growth of industries, creating infrastructure and jobs are undoubtedly in the national interest and Australia needs investment capital to fulfil these objectives. This is particularly the case within the agriculture industry which is short on working capital.

Foreign investors need to abide by Australian laws, employ Australian people and pay taxes in Australia so the origin of investment capital is irrelevant.

Australian legal framework

For Australia to continue to attract foreign investment in a capital constrained world it must create a regulatory regime which is conducive to such investment.

A foreign investor must, like any other investor, participate effectively in the social and commercial environment and abide by the laws of this country. The government has the power to regulate when there is a perceived risk in relation to foreign investment. For example, the government requires levels of corporate governance among Australian Securities Exchange listed companies which prevent large controlling shareholders from any actions which are against the best interests of minority shareholders e.g. expropriating assets or firm value. With appropriate safeguards in place, the arrival of a foreign investor on an Australian company's register need not pose any investment risk or risk to the national interest.

Food security and other foreign ownership benefits

Despite the perceived concerns about the impact of foreign investment within the agriculture industry, the best way to ensure food security is to increase agricultural output through increased investment.

As the scale and capital intensity of production increases, foreign capital will become increasingly important to boosting output within the Australian agriculture industry.

Free trade provides a further guarantee in relation to food security as Australia produces more food than it needs each year and is a net exporter of food.

Foreign ownership within the agriculture industry will not increase prices for Australians as these are predominantly set by world prices with little opportunity for significant variation.

Even in times of serious international conflict the risk to Australia's food security is minimised by the fact that food exports can be restricted by the government.

The restriction of foreign investment in the Australian agricultural industry has the potential to lower land values and equity in Australian farms.

This could be potentially damaging to farmers seeking to capitalise on the equity in their farm enterprise by selling into a competitive market. This in turn has the potential to dampen re-investment into the industry.

Despite the overall benefits of foreign investment within the agriculture industry, some concerns remain regarding sovereign companies controlling agricultural export "gateways" and processing assets in Australia, such as port facilities, silos, sugar mills and cotton gins. These entities may have the opportunity to favour the food security of one nation in preference to another and there needs to be greater transparency in relation to such investment.

Yours sincerely

Australian Agricultural Company Limited

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Donald McGaughie AO
Chairman