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# Farmers' perceptions of foreign investment in Western Australian broadacre agriculture

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## **Abstract**

Foreign investment can provide a flow of capital into Australian agriculture and has played an important role meeting the shortfalls in domestic savings throughout Australia's history. Despite the political and media attention on foreign investment in agriculture, there is little knowledge about stakeholders' perceptions of foreign investment in their community. This study assesses the opinions of farmers about foreign investment in the Wheatbelt. We investigate the economic, social and environmental opportunities and challenges associated with foreign investment. Interviews with agricultural experts identified three main operating structures of foreign investment: own-operate, own-lease and own-sharefarm. Semi-structured interviews with farmers in the WA Wheatbelt revealed that farmers generally have positive attitudes towards foreign investment, although there were clear advantages and disadvantages associated with the different operating structures. Overall, foreign investment was found to offer opportunities for capital injection, natural resource management, employment and community support in the Wheatbelt. This study provides evidence that, contrary to much speculation in the media, foreign investment is not having a detrimental effect on farmers and rural communities in the study locations.

**Keywords:** farming systems; foreign investment; attitudes; Australian wheatbelt

**JEL classifications:** Agricultural and Food Policy; Agribusiness

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## 1. Introduction

There has been a lot of attention from the agricultural industry, politicians, the media and the public on foreign investment in Australian agriculture<sup>1</sup>. A spate of large land acquisitions by investors has fuelled debate about the most appropriate structure of agricultural investment in the future, and the role of family farms compared with corporate farming<sup>2</sup> (Byerlee and Deininger 2013). The crucial issue in any discussion about foreign investment in Australia's farming and agribusiness assets is not just the extent of foreign ownership, but also the risks and opportunities that may arise from (different types of) foreign investment (Keogh 2012). There is information about the risks and opportunities of foreign investment in Australian agriculture available through reports and government documents (Moir 2011; Koegh and Tomlinson 2014; Kirchner 2014; Snayal 2014). These reports provide a detailed overview of the financial impacts and concerns about foreign investment in Australian agriculture. It is, however, not clear how farmers perceive the advantages and disadvantages of foreign investment in their communities. Despite a thorough search of the Web of Science and Google Scholar we found no academic research addressing the socio-economic risks and benefits of foreign investment in Australia. Farmers are key stakeholders in the discussion on foreign investment as risks and opportunities directly affect them. An informed debate about foreign investment in Australian agriculture will need to take farmers' perceptions into account.

Australia has traditionally relied on foreign capital and technology investment in agriculture to meet the domestic investment shortfall (Sanyal 2014). Successive Australian governments have largely recognised this and as a consequence adopted a relatively open stance towards foreign investment, although foreign investment is, nonetheless, subject to constraints imposed by Australia's foreign investment policy (Mendelsohn 2013). The Foreign Investment Review Board (FIRB) is an important part of that policy, as it exists to help the Australian government decide whether foreign investment proposals should be blocked on the basis that it is contrary to the 'national interest' (Mendelsohn 2013). The FIRB has a minimum threshold of \$244 million (or more than \$1,000 million for US investors) before it is required to consider whether it is in the 'national interest' (FIRB 2014). History suggests

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<sup>1</sup>See, for example, <http://www.abc.net.au/news/2013-12-09/mick-keogh-on-foreign-ownership/5143570>; <http://www.abc.net.au/news/2014-08-24/foreign-investment-in-agriculture-breathes-life-into-communities/5691970>; <http://www.farmonline.com.au/news/agriculture/general/politics/joyce-challenged-on-fdi/2703840.aspx>

<sup>2</sup> <http://www.theland.com.au/news/agriculture/agribusiness/general-news/farmings-foreign-fallout/2696051.aspx>

that foreign purchasers are looking for farmland assets valued between \$20 and \$50 million (Keogh 2012). Therefore these investments do not face scrutiny from the FIRB.

Economic and social links between traditional family farms and rural communities are well established (see, for example, Smailes, 1979, as cited in Tonts and Black 2002). However, very little is known about how different structures of corporate farm businesses affect local economic activity, local employment patterns, service and infrastructure use and forms of social interactions (Tonts and Black 2002). These themes are particularly important in the Western Australian Wheatbelt, which is facing a structural change and significant social and economic impacts from the expansion of farm sizes (Kingwell and Pannell 2005). Conclusions drawn from several studies of corporate farming in North America emphasize the main risks from corporate farming as: purchasing farm inputs and services from outside the local community; a more seasonal, mobile and lower paid workforce; and a lower level of integration of corporate farms into the social life and institutions of rural communities (Rodefeld 1978; Labao 1990; Barnes and Blevins 1992; Winson 1996 Tonts and Black 2002). While these negative impacts have received considerable attention in the media, there is also evidence to suggest that corporate farming can bring social and economic benefits to rural communities. For example, local employment opportunities on farms, funding for research and development, rapid adoption of new technologies and cost-effective and competitive operating structures (Tonts and Black 2002). To date, speculation within the literature and general public about the risks and opportunities from foreign investment in Australian farms has not been matched by a detailed examination of the social and economic implications for family farming (Weller, Smith, and Pritchard 2014).

In this study we address this knowledge gap by examining the perceptions farmers' hold about the advantages and disadvantages of foreign investment in their local community. Alongside this we will determine what types of business structures exist between Australian family farms and foreign investors. It is expected that perceived advantages and disadvantages might vary with the type of foreign investment business structure. Exploring farmers' perceptions provides insights into the broader themes and issues raised about foreign investment in Australian agriculture. This thesis is organised as follows. Section 2 outlines the methodology for investigating the types of collaborative business structures of foreign investors, the survey development and administration. Section 3 describes the advantages and disadvantages of foreign investment identified from farmer interviews. Section 4 is a

discussion of the results with respect to farmers' perceptions of foreign investment in the Wheatbelt and the main challenges and opportunities for the future.

## **2. Methods**

The first research objective was to gain an understanding the type of structures predominately used by foreign investors in broadacre farming. Information about operational structures and the impact these have for farmers and rural communities, were collected through expert interviews. Using the knowledge from these interviews, a farmers' survey was developed to assess the advantages and disadvantages associated with each operating structure.

### **2.1 Expert interviews**

Semi-structured interviews with experts in agriculture were conducted to identify the main foreign investment businesses, their operational methods and where they occur in the Wheatbelt. Using expert interviews in the exploratory phase of the research provide fast access to a new or unknown field and a quick way to obtain specific information (Kvale 2007). The other advantage of this method is experts are often well connected with other people in the industry and able to provide contacts for subsequent interviews with farmers (Kvale 2007). The experts interviewed were selected based on their experience with broadacre farming in the Wheatbelt, foreign investment in agriculture and farm management. Experts were initially identified through a 'friend of a friend' approach and then through recommendations from colleagues. The interviews were conducted between May and June. The average an average length of the interviews was one hour. Interviews were recorded and transcribed.

Twelve experts were interviewed. The expertises of the interviewees were: farm consulting; farm property real estate; agricultural science and research; agricultural investment management; agricultural investment and legal management; Western Australian government agricultural ministry; agribusiness and agricultural banking and foreign investment company directors.

The questions and topics discussed in the expert interviews were designed to broadly identify what experts perceived to be the key advantages and disadvantages to farmers. Lastly, we discussed the advantages and disadvantages to the local farming community from foreign

investment in the region. The full set of questions for the semi-structured expert interviews is available in Appendix 1.

## **2.2 Farmers' interviews**

Qualitative interviews with farmers provided a key avenue for exploring the ways in which farmers experience and understand their region and business (Kvale 2007). Face-to-face interviews were considered the most appropriate survey method in this research because of the exploratory nature of the questions. It was important to explain foreign investment as a research topic and build a level of trust so that farmers felt comfortable answering the questions. The timing of the interviews was planned for after seeding however farmers were in the middle of spraying and not always available for phone or email surveys during work or after work hours. As a courtesy the interviews were conducted at the best time and location for the farmer so as not to disrupt their work.

The farmers' interviews were a qualitative research method, which differs from quantitative approaches in many important respects, not the least of which is the latter's emphasis on numbers (Baker and Edwards 2012). Qualitative research generally studies fewer people, but delve more deeply into the issues, to generate a thorough understanding of how and why people perceive, reflect and interpret that topic (Baker and Edwards 2012). Twenty interviews were conducted in this study. The minimum recommend for qualitative research is approximately 20 to 30 interviewees (Morse 2000; Creswell 2007); 20 was considered acceptable within the time and cost limits of this research.

The interviews combined multiple-choice questions and semi-structured questions (Appendix 2). The first component of the interview contained a set of questions, designed to gather information about the respondent, their farm business and their perception of foreign investment in the Wheatbelt. This part also contained socio-demographic questions and farm production questions. The second part of the interviews included a series of semi-structured questions to identify farmers' perceptions of foreign investment operational methods and broader economic, social and environmental impact on the local farming region.

Farmers were selected based on the following criteria: proximity to foreign investment and if they were managing a foreign owned farm or had a connection to a foreign investment company via land sale or lease agreement. Areas in the Wheatbelt with known foreign investment were chosen as the target locations for the interviews because farmers had more



exposure and experience with them in their communities. The first was in the Great Southern Region (Shire of Gnowangerup, Shire of Jerramungup, Shire of Kent, Shire of Plantagenet and the Shire of Cranbrook) and Wheatbelt Region (Shire of Lake Grace and Shire of Kulin). The second area was in the Midwest Wheatbelt (Shire of Mingenew) (Figure 1).

The Mingenew Irwin Group provided contact details of farmers in the northern target region. This list was then reduced to ten based on the above selection criteria. Farmers in the southern target region were identified during the expert interviews. Potential respondents were contacted by email with follow-up phone calls. Interviews were conducted mainly in respondents' homes. Interviews lasted between 20 and 60 min, and, with respondent consent, were audio recorded and transcribed. The farmer interviews in the south were conducted between the 5<sup>th</sup> and 9<sup>th</sup> of August. Interviews in the north were conducted between the 12<sup>th</sup> and 16<sup>th</sup> of August. The total distance driven to do the interviews was approximately 4,700 kilometres.



**Figure 1: Map of Western Australian regions. Interview locations in the Mid-West, Wheatbelt and Great Southern regions.**

### **2.3 Data Analysis**

The recorded farmer interviews were played back and transcribed into a table format for thematic analysis. Thematic analysis is a qualitative analytic method for identifying, analysing and reporting patterns (themes) within data. It organises and describes your data set in rich detail (Braun and Clarke 2006). The aim of the analysis was to interpret the various aspects of the research topic. Interviewees were asked questions about four key areas of interest: 1) their farming business; 2) their perception of foreign investment; 3) advantages and disadvantages associated with each type of foreign investment; and 4) foreign investment interaction with wheatbelt communities in general (Appendix 2). These areas of interest became the broad themes for data analysis. The transcribed responses for each question were summarised by key words or statements. The key words or statements were selected on the basis of their utility in representing the emergent themes. These themes were selected to capture something important about the data in relation to the research, and represent some level of patterned response or meaning within the data set (Braun and Clarke 2006). Multiple quotations on the same topic are employed to indicate the frequency of sentiment elicited over all interviews (Leviston, Price and Bates 2011).

### 3. Results

#### 3.1 Foreign investment structures

Information collected from the literature and expert interviews identify three types of foreign investment operating structures in the Wheatbelt. The characteristics of each type are provided in (Figure 2). The first, ‘own land and operate’ is where active investors have control over the entire operation. The second, ‘own land and lease’ is where passive investors do not wish to operate the farm, instead leasing out the land. The third, ‘own land and sharefarm’ is where the investor takes on some of the operating risk. Usually the owner provides the fixed farm assets and the sharefarmer provides labour, profits are shared depending on the agreement. Some structures may be a hybrid of lease, fully operate or share-farm.

<b>FI buys the land</b>		
<b>Own land and operate</b>	<b>Own land and lease</b>	<b>Own land and sharefarm</b>
<ul style="list-style-type: none"><li>• FI owns all assets</li><li>• FI employs their own staff</li><li>• FI own all profits/produce</li></ul>	<ul style="list-style-type: none"><li>• FI owns the land</li><li>• Farmer leases the land</li><li>• Profits/produce typically owned by lessee</li></ul>	<ul style="list-style-type: none"><li>• FI owns all fixed farm assets</li><li>• Sharefarmer may own some</li><li>• Sharefarmer provides labour</li><li>• Profits shared between both</li></ul>

**Figure 2: Operational methods of foreign investors (FI) in the Wheatbelt.**

Based on information from the expert interviews, it is perceived that foreign owned farms will tend to structure their operation based on the return on investment they are seeking. Active investors such as sovereign wealth funds, who are typically driven by maximising productivity and profit, will typically choose to own-operate as that gives them control of their assets. In good seasons, high yielding crops will contribute to a higher return than a straight lease structure. However, own-operate structures are run with all the operating risk, which can lead to a negative return in bad growing seasons. Passive investors such as super or pension funds have a long-term view and seek a lower return on investment and therefore choose an own-lease structure.

### 3.2 Socio-demographic characteristics and farm business structures

Of the 20 respondents, 60 per cent were mixed crop-livestock farmers and 40 per cent were cropping-only farmers (Table 2). The average farm size of respondents was 8,000 hectares (ha), double the average broadacre farm size in Australia (Productivity Commission 2005)<sup>3</sup>. Cropping was the predominant production objective on respondents' farms with an average cropping program of 7,000ha (Table 2). Pasture and livestock areas were smaller or not part of the farming mix. On 80 per cent of properties the average area remnant vegetation was 600ha, with one respondent having 2,900ha. The main crops grown by the survey respondents were wheat, canola and barley.

**Table 2: Socio-demographic and farm business structures of farmers in the survey.**

<b>Variable</b>	<b>Mean</b>	<b>Range</b>
<b>Age group</b>	45 to 54 years	18-34 to 55-64
<b>Years in farming business</b>	>20 years	<5yrs to >20yrs
<b>Type of farm enterprise</b>	Mixed crop-livestock (60%), or cropping only (40%)	
<b>Total arable land area</b>	8,000ha	3,600 - 15,000ha
<b>Cropping only</b>	7,000ha	3,600 - 15,000ha
<b>Pasture and livestock</b>	1,000ha	3,500 - 13,000ha
<b>Remnant vegetation</b>	600ha	300 – 2,900ha
<b>Farm average rainfall</b>	300-400mm	300mm - 500mm
<b>Seeding program</b>	Wheat, Barley, Canola	
<b>Main crop</b>	Wheat	

<sup>3</sup> The average Australian broadacre farm size in 2003 was 3340 hectares.

### 3.3 Farmers perceptions' about foreign investment

The majority of farmers (90 per cent) perceived that foreign investment in WA farms is increasing. The current level of foreign ownership of farmland in WA is 7.3 per cent (ABS 2013). About 25 per cent of farmers preferred to see an increase of foreign investment, while 25 per cent preferred to see a decrease. The main point given by farmers preferring an increase was the injection of capital into farm infrastructure and job opportunities for local people on foreign owned farms (Quote 1). Farmers who preferred a decrease were concerned that foreign investment could potentially impact on rural communities.

*“It’s all about the sustainability of our towns....there are knock on effects and little bonuses you don’t think about that keep towns going.”* (Quote 1)

To assess farmers’ awareness of foreign investment in the Wheatbelt, farmers were asked to list the country of origin for foreign owned farms in their region. The results showed a clear trend with 90 per cent of farmers listing China as a country of origin of foreign investment (Table 3). The United States, United Arab Emirates, Malaysia and the United Kingdom were also listed regularly. Other countries listed were Italy, Jordan, Korea and Indonesia.

**Table 3: Perceived country of origin for foreign investors in Wheatbelt farms named by farmers.**

<b>Origin of investors</b>	<b>Number listed by farmers</b>
China	18
America	13
United Arab Emirates	9
Malaysia	9
United Kingdom	6
Italy	2
Jordan	1
Korea	1
Indonesia	1

Farmers were asked their perception about the current trends in land prices in their region. Responses were mixed: in the Mid-West region the consensus seemed to be that the price of land had been stable or it had risen slightly but not due to foreign investment. In the Wheatbelt and Great Southern regions, on the other hand, 20 per cent of farmers perceived that foreign investment was pushing up land prices. In terms of what foreign investors pay for farmland, over 50 per cent of farmers across the sample thought that foreign investors paid the same market price as local buyers.

In general, respondents perceived the management of natural resources by foreign companies to be of the same standards as the rest of the region, and possibly even better. Over 50 per cent of farmers thought that foreign owned farms were more active in their natural resource management. Farmers noted that specific funding made available by foreign investment companies enabled continued best environmental management practice in tough years when other farmers might cut their spending of natural resource management. For example, in the case of one foreign owned farm business, property plans were implemented yearly to enhance the environmental standard of the farm. Rehabilitation of watercourses and salinity prone areas and planting vegetation corridors were some of the actions implemented through such property plans.

Over 50 per cent of farmers thought foreign investors managed capital assets to the same standards as other farmers in the region. It was mentioned that foreign owned farms generally have a fixed rotation of machinery (Quote 2). In the case of on-farm capital investment, some foreign investors may be prepared to invest in improved farm infrastructure to increase the value of farms. These could be minor improvements such as more water tanks, dams and improved roads, or major investments in on-farm grain storage, fertiliser storage and machinery sheds, which increase the value of their investment. Farmers also highlighted the importance of Occupational Health and Safety (OH&S) on foreign owned farms. Some of the safety precautions in place on foreign owned farms included bunded (secondary containment wall) fuel tank and chemical storage, sealed silos (ground operated silo lid openers), no smoking areas and high visibility work wear. Health and safety requirements will require investors to keep machinery and farm equipment assets up to date to stay within the guidelines. Unsafe or faulty equipment would not be acceptable as it exposes foreign companies to accident liabilities.

*“I think that they will turn machinery over every couple of seasons, where as we a trying to survive a lot of the time and we may extend the hours on our machinery. So I think the foreign corporate farms would have a more fixed or regulated reinvestment on machinery returns where as the family farm is more opportunistic depending on profits that season”*  
(Quote 2)

It was mentioned that the natural resource management and management of capital assets depends on the ethics of the investor. In the case of one investor, the company was mindful of the perception of the community and did not want to create an adverse reaction from bad management.

### 3.4 Perceived advantages to farmers of foreign investment structures

Respondents to the farmers’ survey were shown the operational business structures that could be used by foreign investors (Figure 2). The own-and-operate and own-lease structures were known to 90 per cent of farmers.

**Table 4: Perceived advantages of operating structures to farmers. The number of farmers who mentioned the advantage is in the parenthesis.**

Own operate	Own sharefarm	Own lease
<ul style="list-style-type: none"> <li>• Opportunity for off farm income through contracting work (3)</li> <li>• Managers employed bring families into the community (6)</li> <li>• Employment opportunities for young workers in a corporate environment (2)</li> </ul>	<ul style="list-style-type: none"> <li>• Share the financial burden of bad seasons (3)</li> <li>• No lease payment for the sharefarmer (3)</li> <li>• Less capital required by the sharefarmer, owner may provide some capital (3)</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity for farmers to expand their business (11)</li> <li>• Reduces the need to buy land (less debt) (3)</li> <li>• Long-term lease gives farmers surety of access to the land (3)</li> <li>• Emotion removed by negotiating with a company, rather than peers (2)</li> </ul>

All respondents mentioned that own and operate structures can provide employment opportunities to local farmers (through contracting work) and to younger people who wish to work in the industry (Quote 3). Some farmers indicated that the opportunity for young people to gain employment outside the family unit would give them a chance to build a career in agriculture.

*“This (foreign investment) gives opportunities, there is a lot more scope than the family farm. I’ve always been a frustrated when people say ‘you can’t be a farmer unless you’ve been brought up on a family farm or you own a farm’, that’s rubbish.... Three quarters of my work staff here were not brought up in agriculture and they love it”* (Quote 3)

Employment opportunities for local contract work on foreign own-operated farms were also seen as a benefit, by creating long-term employment stability in the region (Quote 4). Farmers thought that having long-term managers living with family on the property creates a ‘sense of place’ in the community. Respondents mentioned that most foreign companies have a mandate to use local labour and suppliers where possible. Six of the owner-operated farms

in the study regions employed local farm managers who lived on the farm with family and permanent local staff. A significant advantage for local farmers is the opportunity for additional work outside of their own farm business or for those not owning a farm, giving them an employment opportunity in agriculture.

*“We are doing a lot of contract work for them [foreign-owned farms]...It’s been quite positive financially for us... that’s enabled us to employ more people and there are actually more people living in town as a result”* (Quote 4)

The own-sharefarm operating structure was only known to 25 per cent of farmers. The farmers that were familiar with the own-sharefarm model thought it was a beneficial operating model because it didn’t involve a lease payment and spread the operating risk between investors and farmers.

The main advantage from an own and lease structure is the opportunity to expand a farm business without having to provide all the capital to purchase new farmland. Over 50 per cent of farmers interviewed indicated that the own and lease structure gave them an opportunity to grow their business sooner and at a faster rate than they could if they would have had to purchase the farmland (Quote 5). Leasing land to increase economies of scale holds much less risk than having to purchase farmland outright (Quote 6).

*“In our case we lease land off foreign owners... so that enables us to increase our business size without the investment in the land”* (Quote 5)

*“From my perspective it’s enabled me to grow my business without having to find more capital”* (Quote 6)

Farmers were asked whether they perceived any differences between a lease with a local owner or with a foreign company. The main advantage mentioned regarding a lease with a foreign company was the availability of a longer-term lease agreement. Foreign owned farms were also perceived to spend more on capital improvements on the lease farm with a greater emphasis on improving or maintaining the production of the farm. The most significant advantage to farmers from foreign investment was the opportunity to expand their cropping program by leasing a foreign owned farm. This significantly reduced the cost of purchasing land outright.



### 3.5 Perceived disadvantages to farmers of operational structures

For owner-operated structures over half of farmers believed there were no direct disadvantages to them. The possibility of limited community engagement and support was seen as a significant, indirect disadvantage. However, this disadvantage was not actually experienced by most/any of the interviewed farmers.

**Table 5: Perceived disadvantages of foreign investment to farmers**

Own operate	Own sharefarm	Own lease
<ul style="list-style-type: none"> <li>• Competition for land and labour resources (4)</li> <li>• The farm is not managed to the district standard and can have an impact on neighbouring properties through spray drift or bad weed control (3)</li> </ul>	<ul style="list-style-type: none"> <li>• Perception of complex agreement between investor and farmer (3)</li> <li>• Farmer not having total control over farm operation (3)</li> </ul>	<ul style="list-style-type: none"> <li>• Possibly high lease price (4)</li> <li>• Land is locked away meaning less opportunity for local farmers to buy (2)</li> <li>• Loss of families through off farm management (2)</li> <li>• Capital growth of the property goes to investor (2)</li> <li>• Stricter rules/ regulation in lease agreement (4)</li> </ul>

Most farmers could not name any disadvantages associated with share farming because they were unaware of this structure. Farmers suggested less control of assets and operation, and the complexity of the agreement between owner and share-farmer.

A disadvantage identified by 20 per cent of respondents was competition for land and labour resources. This was particularly the view of farmers who are looking to purchase more farms and expand their business. The own and lease structure was particularly mentioned with this disadvantage, because rather than the land being available to purchase it remains locked away in a lease. 20 per cent of farmers commented that lease prices are much higher than normal, making it difficult to make a profit on properties leased from foreign investors.

### 3.6 Foreign investors and their interaction with communities

Foreign investments' impact on population, employment and interaction in Wheatbelt communities shared similar results across both study regions. There was a strong emphasis among farmers on investor participation and support for local communities and, overall, a positive view. 95 per cent of farmers viewed foreign investment as having no impact on

population growth or decline. A common comment made by farmers was that, quite often, new younger families come into the community as new farm managers are employed on foreign owned farms. Own and operate structures need permanent onsite managers and workers on the farm. 80 per cent of farmers believed that this provided job opportunities for local people.

Foreign investors' support for the local community was identified by 90% of farmers. Community participation at a retail level and participation in local sporting teams were perceived to be very important in rural communities. As some farmers pointed out, workers on foreign owned farms may or may not participate in sport or volunteering but farms will generally support grower groups and sponsor events. Own and operate farms were perceived by 50 per cent of farmers to mostly purchase their farm inputs from local suppliers, while 20 per cent of respondents believed they sometimes purchased locally. Farmers believed that foreign investors made an effort to buy locally first where possible. There was a similar trend for contract work on own and operate farms: over 50 per cent of farmers thought local contractors were hired first where possible and available before contractors from further away would be sought.

#### **4. Discussion and Conclusion**

The main objective of this study was to determine what advantages or disadvantages farmers in the Wheatbelt associate with foreign investment in their local community. This was done alongside identifying the types of business structures used by foreign investors in the Wheatbelt.

Farmers' perceptions of foreign investment in the wheatbelt were divided. The main reasons farmers preferred an increase in foreign investment were injection of more capital into the region and an increase in job opportunities for young farmers and contract farmers (Quote 7).

*“We don't care where the money comes from, it could be from within Australia, outside Australia, it doesn't matter. But, the thing is, it's outside capital coming into the industry to help us farm to where our potential is” (Quote 7)*

Employment opportunities for contract workers and younger people pursuing a career in agriculture were seen by most farmers in the sample as an important advantage arising from foreign investment. High land prices and capital costs make it very difficult for new entrants to farming. For people pursuing a career in farming, working with a corporate structured

business gives a scope for a career within the industry. Of key importance to farmers, was that foreign investors recognise the social dividend expected from living in Wheatbelt communities. Local-scale economic, social and demographic benefits to Wheatbelt communities clearly emerged as a prominent theme from the results. Reasons for opposing increased foreign investment were that it tends to pressure land prices up, making it harder for local farmers to compete. Farmers were also concerned that money wouldn't be invested at a local level.

Demographic changes such as smaller family sizes and other influences such as more family members working off-farm, have reduced the supply of family labour and hence, increased the need for hired labour (Productivity Commission 2005). Drawing people back into the agricultural workforce has been identified as a considerable challenge for Australian agriculture (Kingwell and Pannell 2005). One of the issues raised about foreign investment is that labour may be sought from overseas, leaving no opportunities for local people (Keogh 2010). Ironically, many family farm businesses hired overseas workers due to the shortage of local or domestic labour (Quote 8). Furthermore, in the two case study regions, there are at least six examples of foreign own-and-operate farms that employ Australian farm managers who reside on the property with their family. In some cases the previous owner of the farm is employed as the farm manager for foreign investors. 80 per cent of farmers believed foreign invested farms always provided local employment opportunities for local workers. Alongside this, contract work on foreign owned farms also provides a source of off-farm employment and an opportunity for off-farm income to farmers. Off-farm employment has become increasingly important to maintaining family farm incomes (Productivity Commission 2005). The fear of foreign labour on owner-operated farms may be true in other areas, however given the shortage of local labour in agriculture, many farmers, as in the example above, rely on temporary overseas workers.

*“...Unless the whole culture of the Australian work force changes we are in trouble. We rely on backpackers and or 457 visas without them we are stuffed. I employ six permanents, 4 of them are 45 years plus” (Quote 8)*

We hypothesised that farmers' perceptions towards foreign investment would vary between own-operate, lease and sharefarm structures. We found that over 50 per cent of farmers viewed the lease model as a good opportunity for them to expand their farm business without having to buy land. As land values increase it is difficult for new farmers to finance the purchase of land and for farms to expand to bring a successor into the business (Lobley and

Baker 2011). Furthermore, in situations where the farmer purchases land using borrowed funds, expanding can increase the risk of the failure of the farm business due to either crop or market failure (Lobley and Baker 2011). Farmers looking to expand acknowledged this risk and hence the advantage of expanding through leasing farmland (Quote 9).

*“We are using it as a stepping stone for purchasing more land....you get your operational scale to where you need it then hopefully your economies of scale put you in a position where you can buy”* (Quote 9)

The other advantage of leasing is that it frees up capital saved from buying land to spend on new equipment and farm inputs. When farmers were asked if there were any differences between a lease agreement with a foreign company, compared to a lease agreement with a local owner, over 50 per cent thought it was more suitable to them due to longer- term lease agreements. A longer lease agreement provides the lessee access to the land for a number of years and therefore ensures a greater interest in maintaining its productivity capacity (GRDC 2014). This also helps to justify one of the disadvantages of leasing from a foreign investor, which is a higher lease price (Quote 10)

*“They have an expectation for a return on their investment that relates to the original purchase price rather than what the market is. So if the market is a bit flat they still expect their high dollar”* (Quote 10)

Farmers’ perceptions of foreign investment could be influenced by their position in the market as a buyer or a seller. Some risks from foreign investment that farmers mentioned were the potential for higher land prices, or less available land for sale, if foreign investors come in. In the case study regions, foreign investment has impacted on some farmers directly through buying land that could have been used by local farmers as an investment.

To maintain or enhance ecosystem quality and biodiversity on agricultural properties, government and non-government organisations commonly design and implement conservation policies and programs to provide support and incentives (Moon, Marshall and Cocklin 2012). The capacity of landholders to take action, sustaining land productivity and managing natural resources are affected by personal circumstances (Moon, Marshall and Cocklin 2012). Foreign investors were found to have better natural resource management because they have more funding available, which gives them more capacity to take action. Foreign owned farms are also held accountable by company environmental policy for the way they manage their natural resources. In one example foreign investors were prepared to

commit capital to improve the value of the property in the long term. Having access to the latest technology and farm equipment also has a positive feedback on improving farm performance and environmental management.

For understanding the impact of foreign investment in the Wheatbelt, face-to-face interviews provided a unique access to the region, and allowed farmers to describe their experiences and explain their point of view. The farmers interviewed all showed a keen interest in the topic of foreign investment in agriculture. Media attention has painted positive and negative pictures of foreign investment in Australia. This has divided public perception and often focused on social and economic issues effecting local communities, such as farm inputs purchased outside the local economy, foreign workers and environmental degradation. Interestingly the results in this research show that many farmers didn't perceive these disadvantages to be occurring. The results also indicate that many farmers thought there were no disadvantages to them at all (Quote 11). Farmers not looking to expand or exit saw foreign owned farms as just another competitor and that there was fundamentally no difference between their operations (Quote 12).

*“I know of two foreign-invested farms that are operated, but they are all operated by Australians, so they adopt similar farming practices to everyone else, so no, there are no differences”* (Quote 11)

*“It's pretty much run of the mill, just a different way of farming, same process, get to the same result at the end”* (Quote 12)

The general perception of foreign investment from the farmers in this research was positive. We should note that the interviewed farmers based their perceptions on foreign investment in their local community. Therefore farmers' perceptions of foreign investment in other regions may not yield the same results.

Foreign investment in agriculture provides important advantages and opportunities for farmers and rural communities. Operating alongside family farms, foreign corporate structured farms are following similar farming practices and maintaining and improving land assets. This is in the interest of foreign investors from a production side and also in some cases as a company mandate to show their long-term intentions and commitment to the local community. Possible implications of this study are that companies looking to invest should be made aware of the need to have a socially and environmentally responsible approach to their operation. By promoting community development through support and participation,

foreign owned farms could gain a lot of goodwill from stakeholders. This study provides evidence that public perceptions about detrimental effects of foreign investment in Australian agriculture are not evident in every case. Exploring stakeholders' perceptions provides a clearer picture of the advantages and disadvantages occurring.

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## Appendix 1: Expert Interview questions

I would first like to ask you a few questions about you and your professional background.

- 1) My research focuses on broadacre farming in the WA wheatbelt. In what ways are you involved or do you interact with farming communities in the wheatbelt?
- 2) I am looking specifically at foreign investment in agriculture. Do you think there has been an increase or decrease in foreign investment in the wheatbelt in recent years?
- 3) Can you think of any specific types of foreign investment companies that operate in the wheatbelt? i.e. livestock, cropping, agribusiness, mining, SOE, SWF or superannuation fund etc.
- 4) Who are some of the big investors I would be able to approach? (Names of companies)
- 5) I am specifically looking at how business structures and management structures affect foreign investment.
  - a) Do you know what business structures are used by the foreign investment companies (For example, outright purchase and corporate ownership, contract farming or joint ventures between foreign and Australian companies)?
    - i. Do some business structures provide key benefits to participating farmers?
    - ii. Are there any key risks associated with certain business structures?
    - iii. Would you be able to suggest a couple of farmers whom I could approach for an interview?
  - b) Next to the business structures, the ‘management structures’ that exist between investors and farm managers may be important. With management structures, I refer to the way in which strategic and every-day decision-making is organised. What different types of management structures exist between investors and farm managers?
    - i. Do some management structures provide key benefits to participating farmers? What benefits are these?
    - ii. Are there any key risks associated with different management structures?
    - iii. Would you be able to suggest a couple of farmers whom I could approach for an interview?
- 6) Can you identify any benefits to the local community of introducing foreign investment into farm business?
- 7) Do you think there are any disadvantages to the local community of introducing foreign investment into farm business?

## Appendix 2: Farmers interview questions

Dear Sir/Madam,

Thank you for participating in this interview. This interview is part of an independent study, undertaken by researchers from the University of Western Australia.

I am conducting interviews with farmers in the WA Wheatbelt. The purpose of these interviews is to gather information on foreign investment in the wheatbelt. More precisely, I am interested in the possible benefits and risks associated with these different structures – both for the participating farmer and for the local community.

I would like to interview you about your experience with foreign direct investment in the Wheatbelt. The interviews should take approximately 30 minutes to complete. There are no right or wrong answers – we are interested in your opinions.

Your participation in this interview is voluntary. You may choose to answer, or not answer, any of the questions. All the information provided will be treated as strictly confidential and only the researchers working on this project will have access to the data. I would like to record the interview so I can refer back to your answers. The recording will be destroyed once I have retrieved the information I need. Please let me know if you do not wish to be recorded.

If you consent to taking part, please read and sign the Participant Consent Form attached.

If you have any further questions following this research, please feel free to contact me or my supervisor on the address above.

Many thanks for your help,

Fraser Stewart (Honours Student)

School of Agricultural and Resource Economics

*Approval to conduct this research has been provided by The University of Western Australia, in accordance with its ethics review and approval procedures. Any person considering participation in this research project, or agreeing to participate, may raise any questions or issues with the researchers at any time.*

*In addition, any person not satisfied with the response of researchers may raise ethics issues or concerns, and may make any complaints about this research project by contacting the Human Research Ethics Office at The University of Western Australia on [REDACTED] or by emailing [REDACTED]*

*All research participants are entitled to retain a copy of the Participant Information Form relating to this research project.*

*All responses will be stored securely. Overall results may be published, but will not be linked to individual information. Only researchers working on this project will have access to the data*

My research looks at foreign investment in the wheatbelt. I am interested in the possible risks and benefits of foreign investment for individual farmers and for the local community.

Q1 Which age group do you fit into?

- 18-34 years
- 35-44 years
- 45-54 years
- 55-64 years
- 65-75 years
- 76+ years

Q2 For how many years have you managed, or been involved in managing, a farm business?

- Less than 5 years
- 5 to 10 years
- 10 to 20 years
- More than 20 years

Q3 What is the total arable land area that you farm? (in hectares; include owned and leased)

\_\_\_\_\_

Q4 How would you best describe your farm enterprise?

- Mixed cropping and livestock
- Cropping only
- Livestock only
- Other, namely \_\_\_\_\_

Q5 How much land area is dedicated to each of the following land uses? Please estimate the hectares.

\_\_\_\_\_ Cropping

\_\_\_\_\_ Pasture for Livestock

\_\_\_\_\_ Remnant bush  
 \_\_\_\_\_ Other, namely \_\_\_\_\_

Q6 What is the average annual rainfall for your farm?

- Less than 200mm
- 200-300mm
- 300-400mm
- 400-500mm
- 500-600mm

Q7a Over the past 5 years, what crops were included in your seeding program? (please tick all that apply)	Q7b Over the past 5 years, what has been your main crop? (please tick ONE)
Wheat <input type="checkbox"/>	Wheat <input type="checkbox"/>
Barley <input type="checkbox"/>	Barley <input type="checkbox"/>
Oats <input type="checkbox"/>	Oats <input type="checkbox"/>
Canola <input type="checkbox"/>	Canola <input type="checkbox"/>
Lupins <input type="checkbox"/>	Lupins <input type="checkbox"/>
Other, please describe _____ <input type="checkbox"/>	Other <input type="checkbox"/>

Q8 Is this farm business your main source of income?

- Yes, it is my **only** form of income
- Yes, but it is supplemented by less than 50% off-farm income
- No, this business is not my main source of income

Q9 Do you employ contractors or casual labour to help in any of the following activities?  
 Please tick those that apply

- Maintenance
- Seeding

- Stock management (Shearing, Feedlot)
- Fencing
- Spraying
- Harvesting
- Transport (livestock, grain, fertiliser etc.)
- Agronomic advice

Q10 Are you a member of an agricultural industry board or committee? *(For example are you a member of the local grower group?)*

- Yes
- No

Q11 There are a number of foreign companies that have purchased WA wheatbelt farms. Please list the origin of companies you are aware off, that have purchased farms in the wheatbelt? (i.e. country of origin).

_____	_____
_____	_____
_____	_____
_____	_____

Q12 The current ownership of farmland by foreign companies in Western Australia is 7.3% (Australian Bureau of Statistics 2013). Do you think foreign investment is increasing or decreasing in the wheatbelt?

- Increasing

- Decreasing
- Not changing

Q13 Would you prefer foreign investment to increase or to decrease in wheatbelt farms?

- Prefer to see an increase from the current level
- Prefer to see a decrease from the current level
- Not concerned whether there is an increase or decrease

Q14 What is the main reason why you prefer an increase or decrease?

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**Thank you for completing the first section. The rest of the survey will be more like an interview, where I will ask you questions about foreign investment in the Wheatbelt.**

**I'd like to record the interview over the next three sections so I can refer back to points I may have missed as we go. Is it ok if I record the interview?**

**SECTION B The next questions are about the advantages and disadvantages that you associate with foreign investment**

Q15 What do you see as the main benefit to farmers in your local area from foreign investment in the region?

---

Q16 Do you think there has been an impact on the overall land prices within your region due to foreign investment?

- Yes, prices have gone up/down*
  - For example, the price of land has remained stable rather than decrease due to foreign investors purchasing the land in the local area*
  - Or for example, the price for land has become distorted due to a significantly higher price than the market price being paid for land*
  - No, prices have gone up/down but not due to foreign investment*
-

Q17 Is there a difference in the price foreign investors pay for land in your region compared to local buyers?

- Yes, foreign investors pay less
- Yes, foreign investors pay the same
- Yes, foreign investors pay more
- I'm not sure

There may be differences between the ways in which local farmers manage their assets, and the ways in which foreign investors manage their assets – such as environmental assets or machinery.

Q18 Do you think there are any differences to local farmers with the way foreign investors manage their natural resources? *For example, do they take more or less care of their soils than local farmers? Or do they take more or less care of the biodiversity on their farm than local farmers?*

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Q19 Do you think there are any differences to local farmers with the way foreign investors manage their capital assets? *For example, do they take more or less care operating the machinery than local farmers? Or do they take more or less care of farm vehicles than local farmers?*

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**SECTION C The next questions are about the operational setups on foreign owned farms and how these may impact on farmers and the community. Based on meetings with farm consultants, we've identified three broad structures for foreign owned farms. These are: Own and operate, own and lease, own and share-farm.**

Q20a An “own and operate” structure is where foreign investors buy the farm and run the farming operation with their own capital and staff. Are you aware of any foreign companies that have purchased a farm within your region that adopt this structure?

- Yes
- No

Q21 Do you think there are any advantages or disadvantages to you as a farmer, or to the wider local farming community, from foreign investors that are managed using this “own and operate” structure?

Q21b		Q21c	
Yourself		Other farmers	
advantages	disadvantages	advantages	disadvantages

Q21d Some “own and operate” structures hire contractors for their operations. Do you know of any “own and operate” farms that use contractors? If so, do know if these contractors are local or from outside the local area?

- Always hire local contractors
- Sometimes hire local contractors
- Always hire contractors from outside the local area
- I don’t know

Now let’s talk about the “own and lease” farm structure. *Point at the figure*

Q22a An “own and lease” structure is where foreign investors buy the farm and then lease it out to local farmers. Are you aware of any foreign companies that have purchased a farm and then leased it to local farmers?

- Yes
- No

Q22 Do you think there are any advantages or disadvantages to you as a farmer or the wide local farming community from foreign investors that are managed using this “own and lease” structure?

Q22b		Q22c	
Yourself		Other farmers	
Advantages	Disadvantages	Advantages	Disadvantages



Q22c Do you think there are any differences if you have a lease agreement with a foreign company, compared to if you had a lease agreement with a local owner? *For example, are there any differences in the capital inclusions and exclusions on the property? Or for example, are there any differences in the structure of the lease agreement?*

---

Now let's discuss the last type of foreign investment structure, "own and share-farm".

Q23 An "own and share-farm" structure is where the foreign investor buys the farm and then enters into an agreement with a farmer to cultivate the land. The profits or produce derived from the farming are shared between the foreign owner and the share-farmer, in proportions based on the share-agreement. Are you aware of any companies that purchase a farm or land and then enter into a share-farming agreement?

- Yes
- No

Q23 Do you think there are any advantages or disadvantages to you as a farmer or the wider local farming community from, from foreign investors that are managed using this "own and share-farm" structure?

Q23a		Q23a	
Yourself		Other farmers	
Advantages	Disadvantages	Advantages	Disadvantages

**SECTION D Thank you very much for your answers so far. I am at the last set of questions now. These next questions are about foreign investors, and their interaction with wheatbelt communities in general.**

Q24 Do you think that foreign investment is having an impact on the local population in terms of growth or decline?

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Q25 Foreign “own and operate” structures need permanent, onsite managers and workers. Do you think there are often permanent employment opportunities available for local people in the region, or only occasionally, or maybe even never?

- There are often permanent employment opportunities available for local people in the region
- There are occasionally permanent employment opportunities available for local people in the region
- There are never permanent employment opportunities available for local people in the region

Q26 Do foreign investors support the local community at all? *For example, do the workers or farm managers on foreign owned farms participate in sporting clubs or other groups? Or do foreign investment companies sponsor local events such as field days?*

- Fire Brigade
- Playing sport
- Local Shire
- Community projects
- Grower group
- Sponsoring events
- Other.....

Q27 Do foreign “own and operate” companies mostly purchase their farm inputs from local businesses, or from businesses outside the region?

- Mostly from local businesses
- Sometimes from local businesses
- Never from local businesses
- I’m not sure

That is the end of the survey. Thank you very much for your time and input! Do you have any remaining comments that we have not discussed but that might be important to my research?

If not, we will close it her, thank you again.