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Foreign ownership in Australian agribusiness: results of a survey of firms

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Background

Foreign ownership of Australian agricultural and agribusiness assets has been the object of much recent attention from the press and political discourse.

2014 Lowy poll revealed that 60% of Australians remain opposed to foreign investment in Australian agriculture (KPMG, 2014)

A sample of firms across states of Australia, commodity sectors and stages of the value chain were presented with an on-line survey, which established presence, vintage, extent and form of foreign ownership.

Impressions of its effect were expressed in Likert scale form, covering conventional business performance as well as some media-focused variables such as employment, and competitiveness influences such as innovation and market access.

Background

Recent growth of FDI and land ownership in Australian agriculture is attributable to a number of factors:

- The recent 'surges' in global food prices have helped to generate a renewed international interest in agricultural investment.
- Widespread deregulation of key Australian agricultural industries has spurred the interest of foreign investment companies.
- Increasing emphasis on food security (e.g. China and Qatar).

Foreign investment and ownership has moved into many facets of the supply chain including the processing, distribution and the marketing of agricultural products.

Historical perspectives

- Since the establishment of modern Australia, the country has in a sense always relied upon foreign investment due to a small population, large size, abundance of natural resources and distance from international capital markets .

- Due to historical ties prior to the Second World War the majority of foreign investment within Australia came from the United Kingdom. - quick fortunes on mining and wool ventures… attractive to British direct foreign investment.

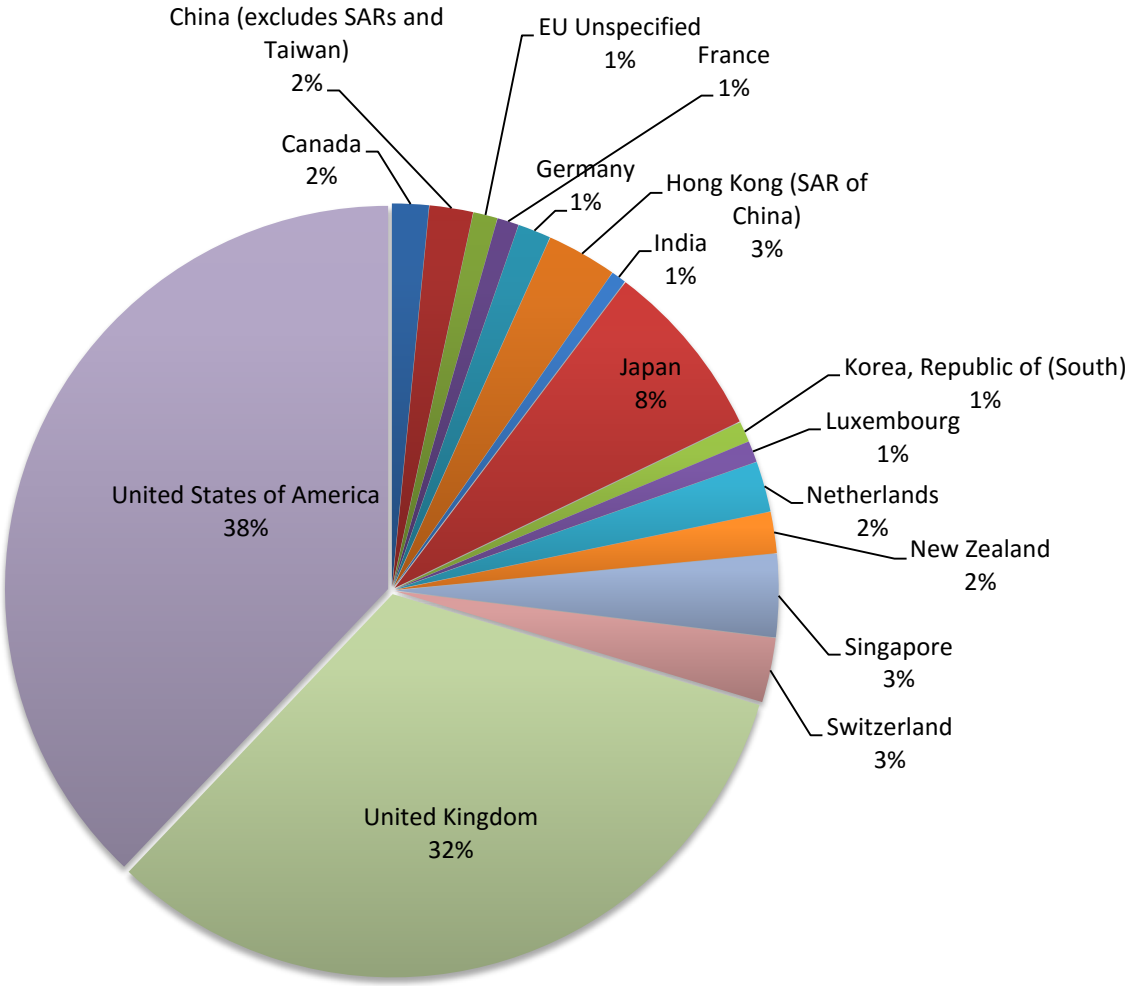
- In 1938 Australia accounted for 11.5% of British investment overseas

- Post WWII, rise of United States investment into the Australian economy - comparable to British investment by 1960.

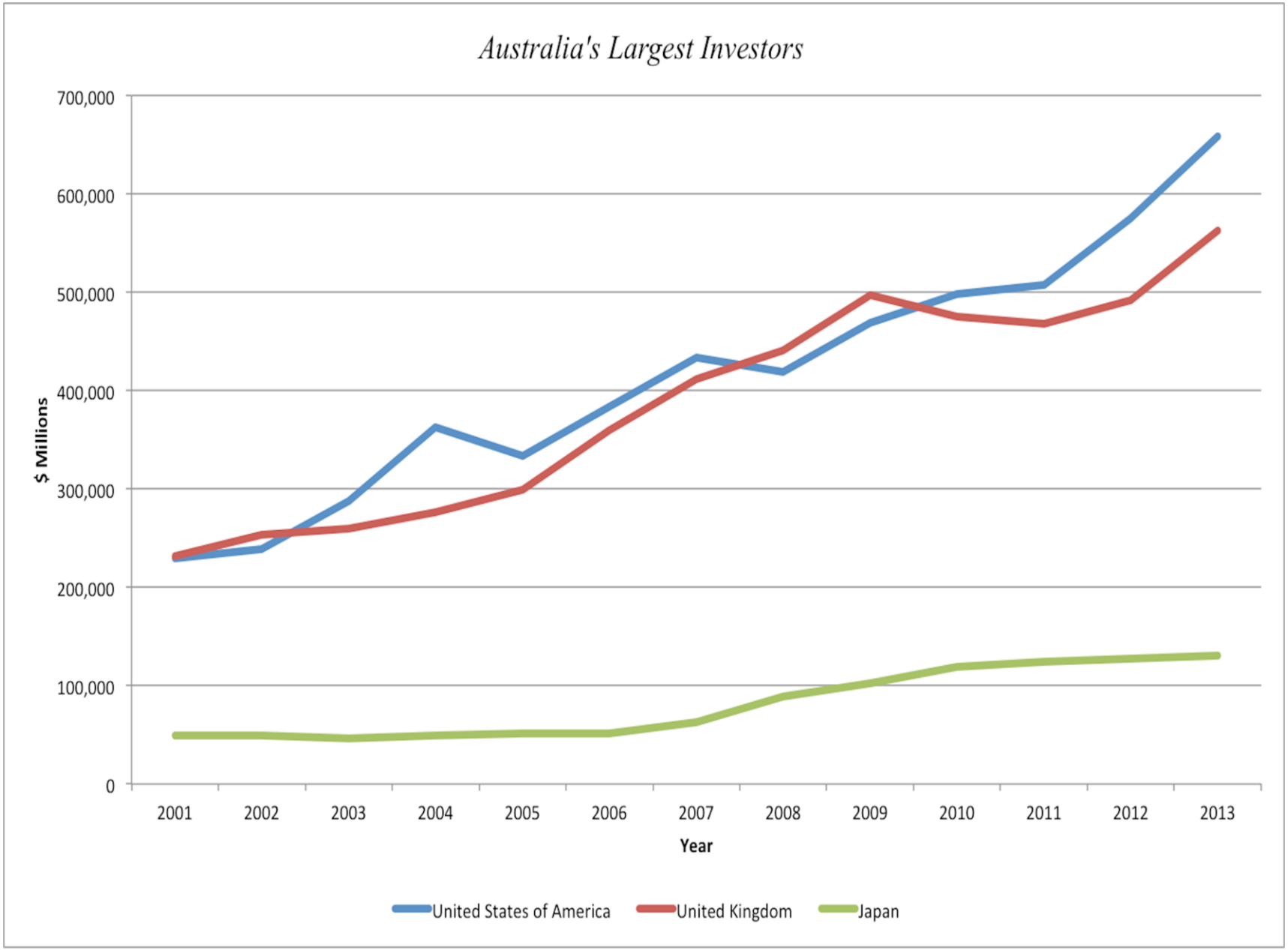
- Agricultural and mining booms that started in the 1960's, attracted countries such as Japan and raised public concerns that the economy was being 'sold off' to foreign entities .

Foreign Investment by Country

The United States, United Kingdom and Japan provide 78% of FDI in Australia.



Source: Australian Bureau of Statistics (ABS). (2014*). International Investment Position, Australia: Supplementary Statistics, 2013*. (Cat. No .53520).



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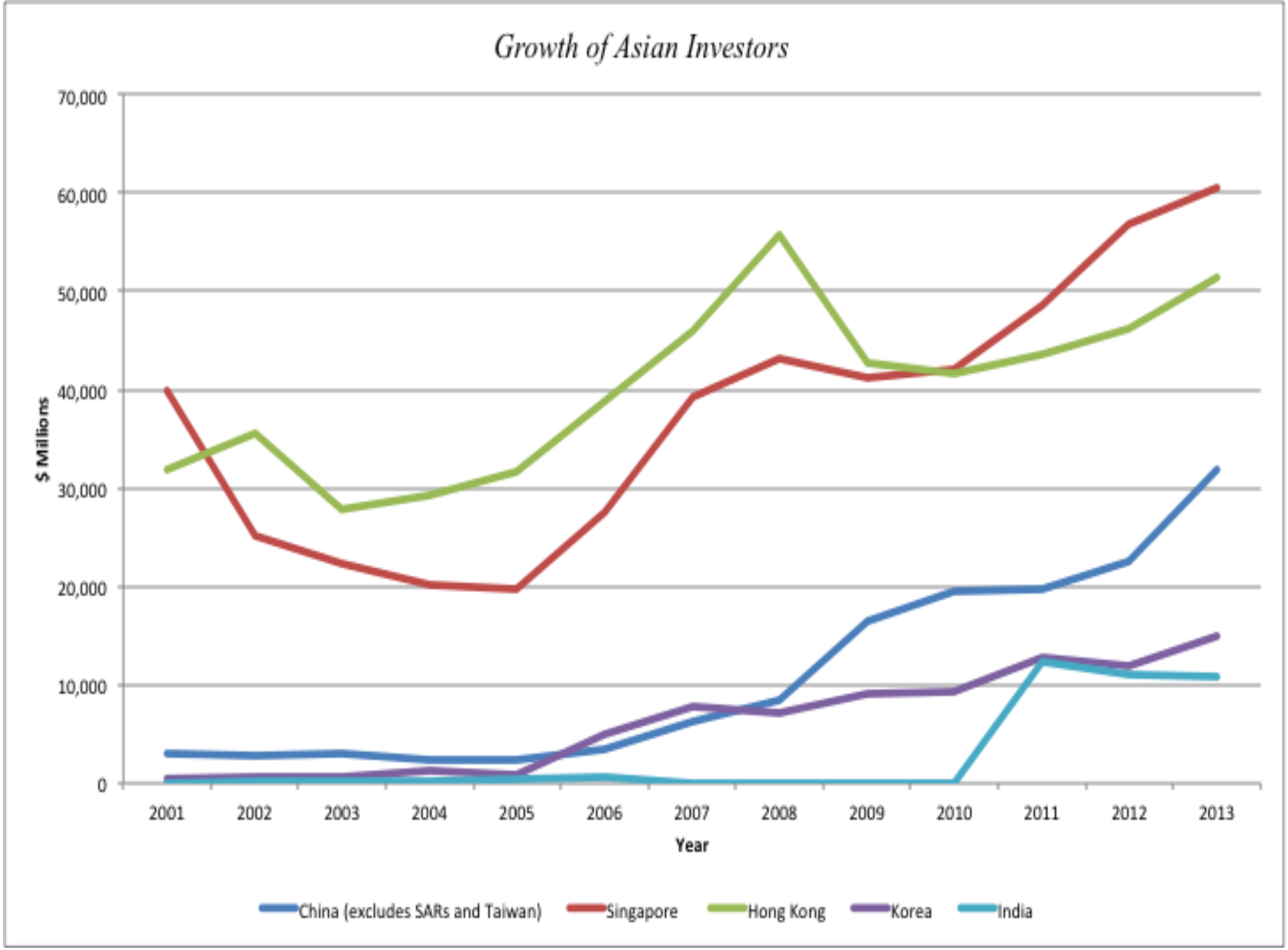

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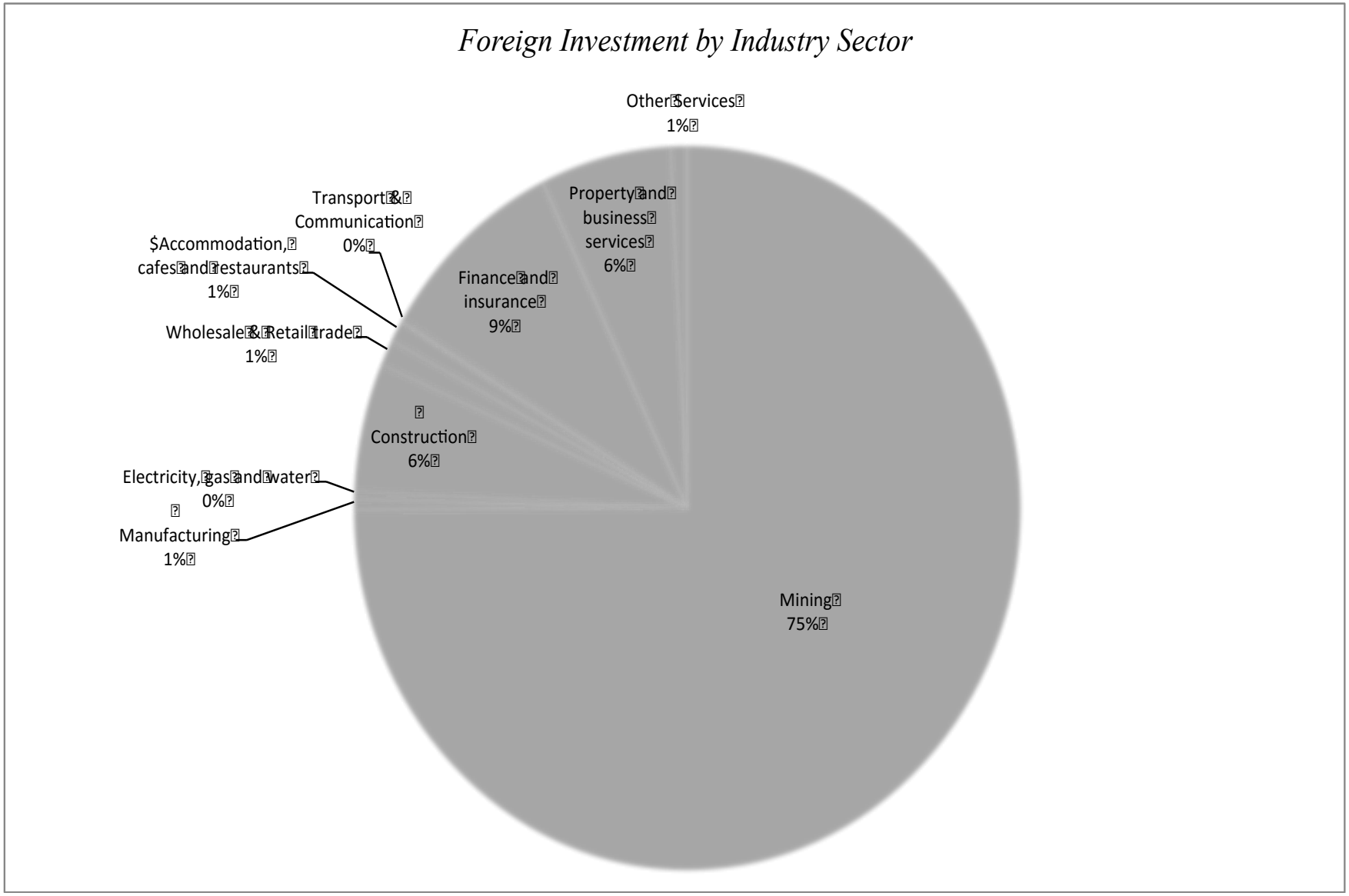

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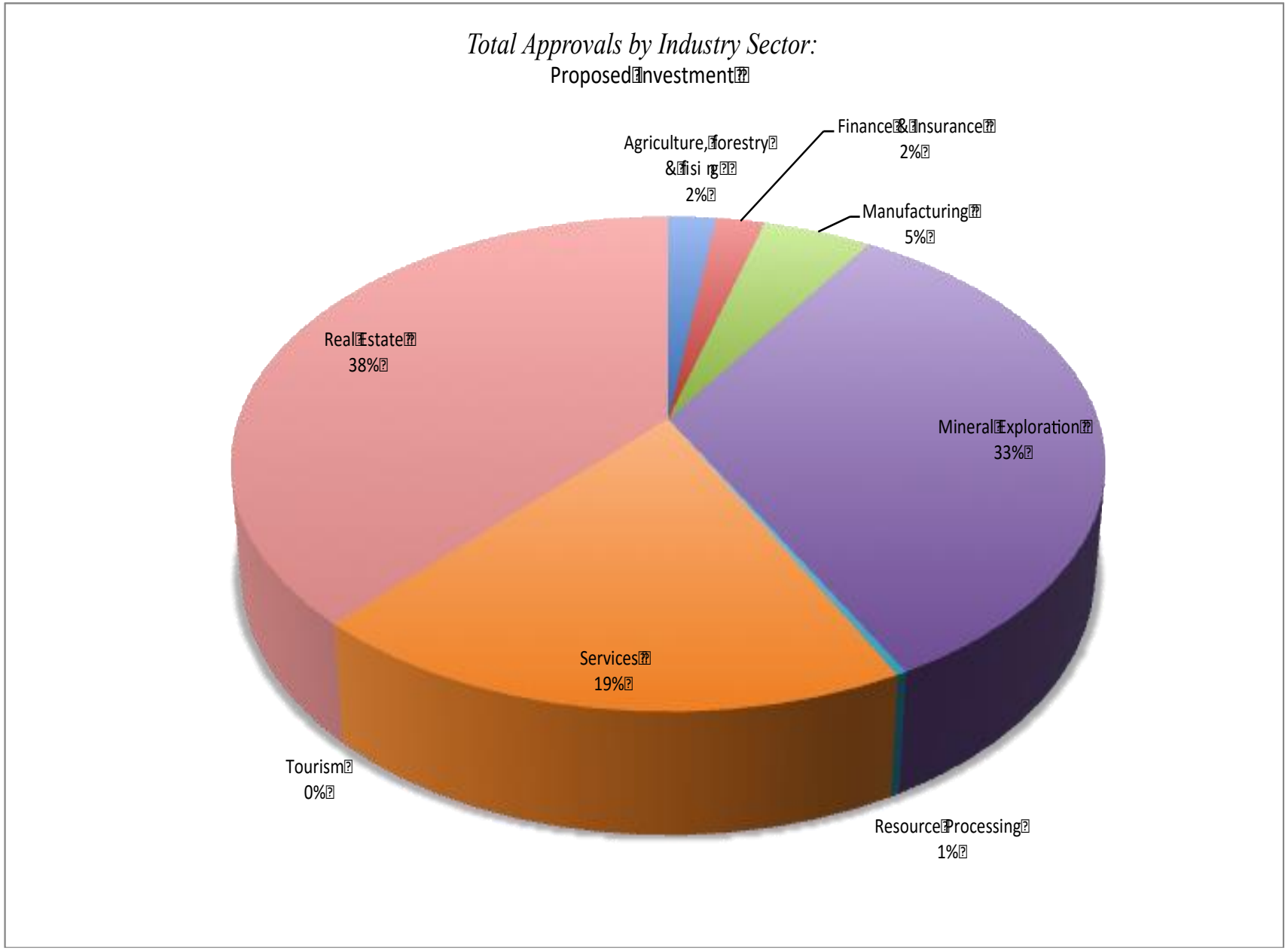
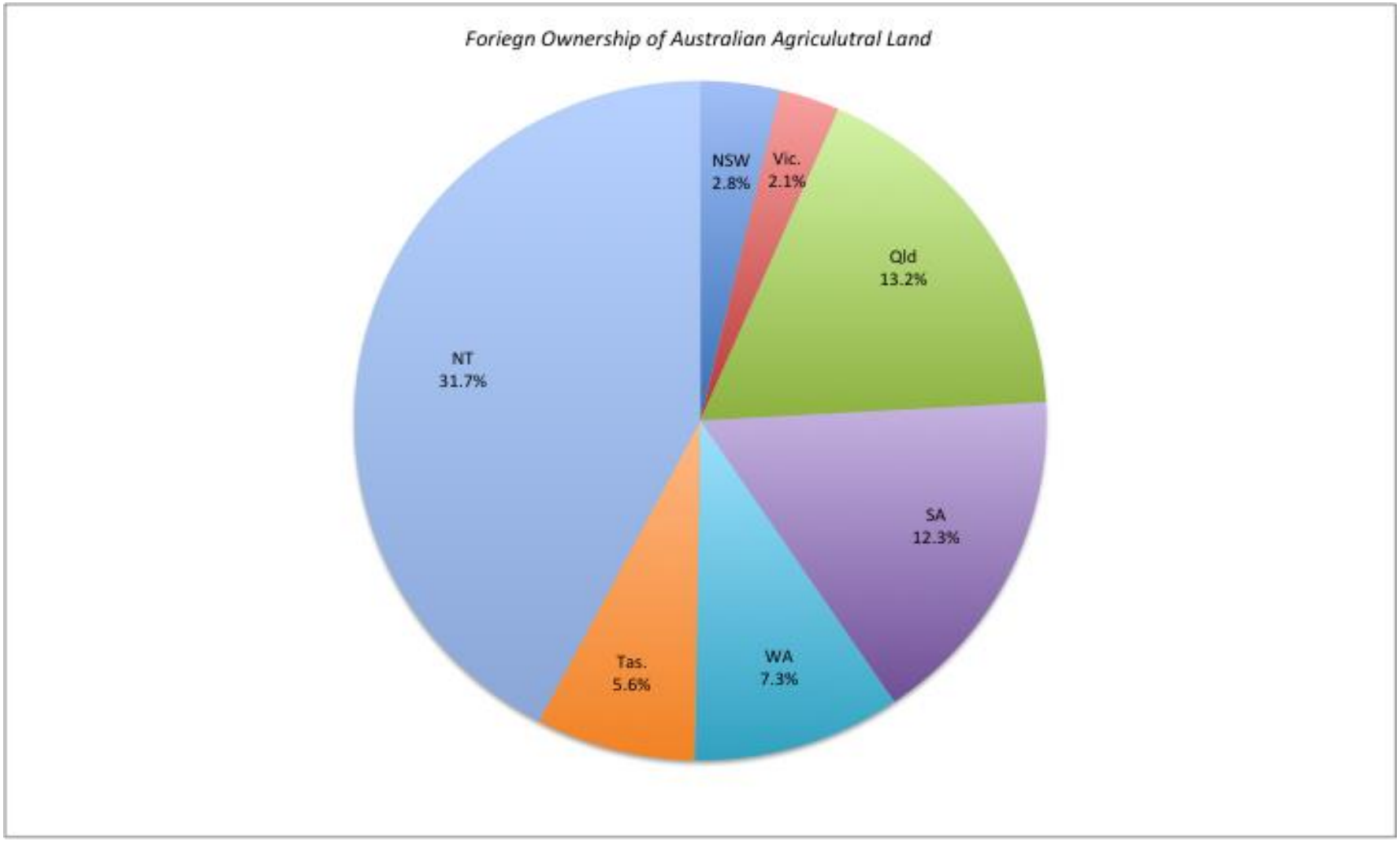


Source: Foreign Investment Review Board (FIRB). (2014). *Annual Report 2012-13.* Canberra, Australia.

- Foreign Investment Review Board data indicate that 2013 approvals for proposed foreign investment in the agricultural sector amounted to 2% of the total approved foreign investment in the economy of $170 billion, investment in agriculture was $3.6 billion. The share of agriculture in total foreign investment had risen from 0.1 per cent in 2006–07 to 2.1 per cent in 2011–12.

- As of 2011, 99 per cent of Australian agribusinesses, 89 per cent of agricultural land and 91 per cent of water entitlements were entirely Australian owned (RIRDC).

- In conclusion it can be seen that foreign investment in Australia is dominated by three major nations however this may change due to major growth in investment interest from Asian nations.



Source: Australian Bureau of Statistics (ABS). (2010, 2013). *Agricultural Land and Ownership Survey.* Canberra, Australia (Cat. No. 71270.)

- Between 1984 and 2013, foreign ownership of agricultural land nationwide has increased by about 6.4%. This expansion can be attributed to some states such as the Northern Territory where fully or partly owned foreign land increased by around 13.5% and in Queensland and South Australia where foreign ownership increased by around 8% (ABS, 1985, 2013).

Foreign owners of agricultural land within Australia fall into three main categories.

1. Privately or publicly owned agribusiness companies who are seeking to extend their activities further up the supply chain.

- e.g. -purchases of agricultural land by Qatari agricultural company Hassad Food to address food security concerns
- United Arabs Emirates food marketing company IFFCO and Malaysian company Felda Global Ventures Holdings as a partnership possesses a 19.9% interest in AAco, an Australian Pastoral Company that holds around 7.7 million hectares in Queensland and the Northern Territory.

2. Foreign owners of agricultural land in Australia that do not participate in any agricultural activities but purchase the land for investment purposes.

- e.g. British investment company Terra Firma Capital purchased 90% of the Consolidated Pastoral Company from the Packers for $425 million.

3. Mining companies purchasing agricultural land.

- e.g. Chinese company Shenhua Watermark Coal's purchase of 43 farms of prime agricultural land in Gunnedah, NSW for coal exploration (Moir, 2011).

Major foreign investors within Australian agribusinesses are mostly involved with the agricultural industry.

Dairy processing: overseas companies process more than half of Australia's milk (Fonterra; Parmalat).

Red meat processing is approximately half owned by foreign entities (JBS 30%; Cargill and Teys 21%; Nippon Meat Packers(NH Foods) 6%).

Vegetable processing: U.S food processing giant Simplot has a large presence within Australia after its acquisition of Australia food companies such as Edgell and Leggo's. Others: McCain's and Heinz.

Wheat exporting industry: Approximately 50% of wheat exporters Australian owned (Viterra; ADM, Cargill).

Sugar milling and marketing industry. Foreign investors now process around 60% of Australian raw sugar (Sucrogen sold by CSR to Singapore company Wilmar; Bundaberg Sugar sold to Belgian company Finasucre; Tully Sugar purchased by Chinese state-owned enterprise COFCO Corporation .

Methodology

Online Survey –Qualtrics

1. Descriptive questions –

- industry sector
- primary commodity sector for that business,
- size and business structure.

- Is your business owned, to any extent by foreign individuals or firms?

2. Questionnaire – Likert Scale

- Foreign ownership has resulted in higher profits
- Foreign ownership has led to greater growth in asset value
- Foreign ownership has enhanced innovation
- Foreign ownership has improved access to investment capital
- Foreign ownership has improved research and development (R&D) capabilities

- For your firm foreign ownership has created additional employment opportunities
- Foreign ownership has improved access to international markets
- Foreign ownership has led to superior access to inputs and agricultural service providers

Methodology

2. **Questionnaire – Likert Scale**

- The Australian Government should reduce barriers to foreign investment & ownership
- Foreign investment & ownership is a positive prospect for your industry
- Foreign investment can create a competitive advantage for your company over competitors
- Regulatory compliance is an important facet for foreign investors

27 responses from a sample size of 69 Australian agribusinesses

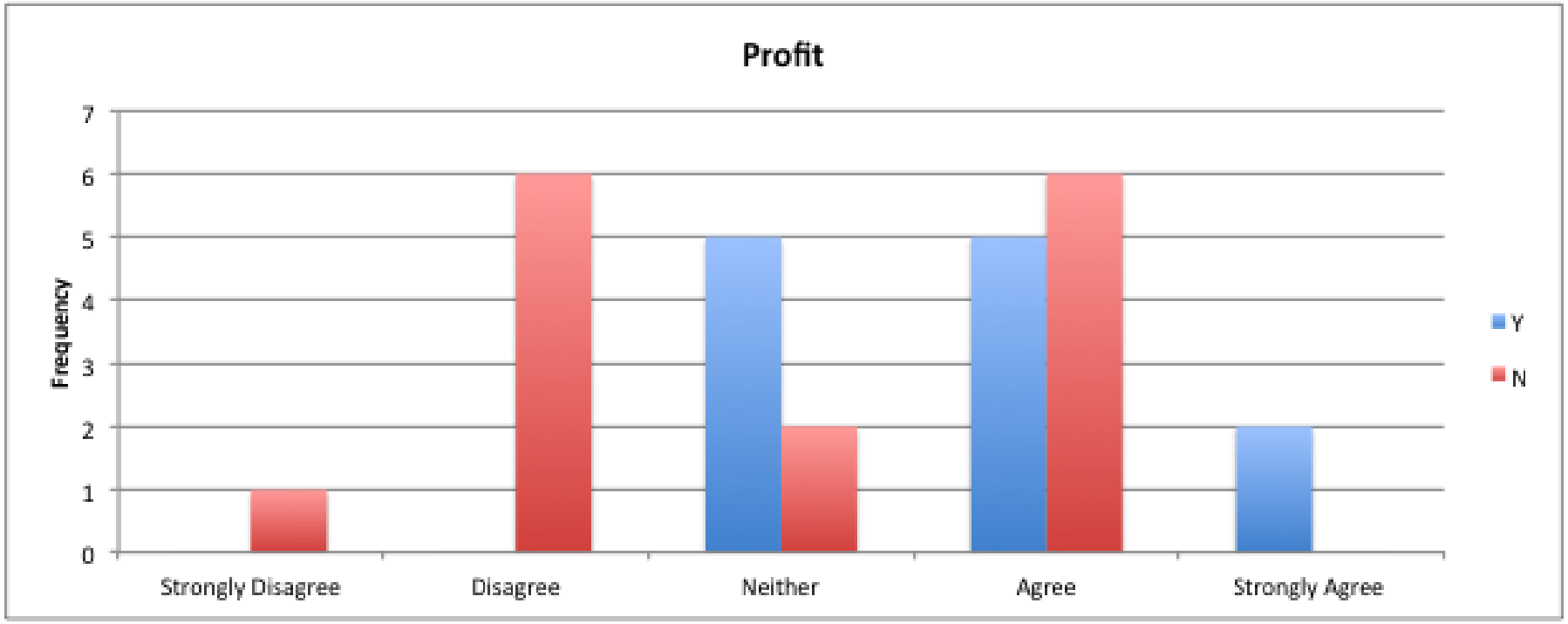
Survey area

Seven regions located in the eastern states of Australia.

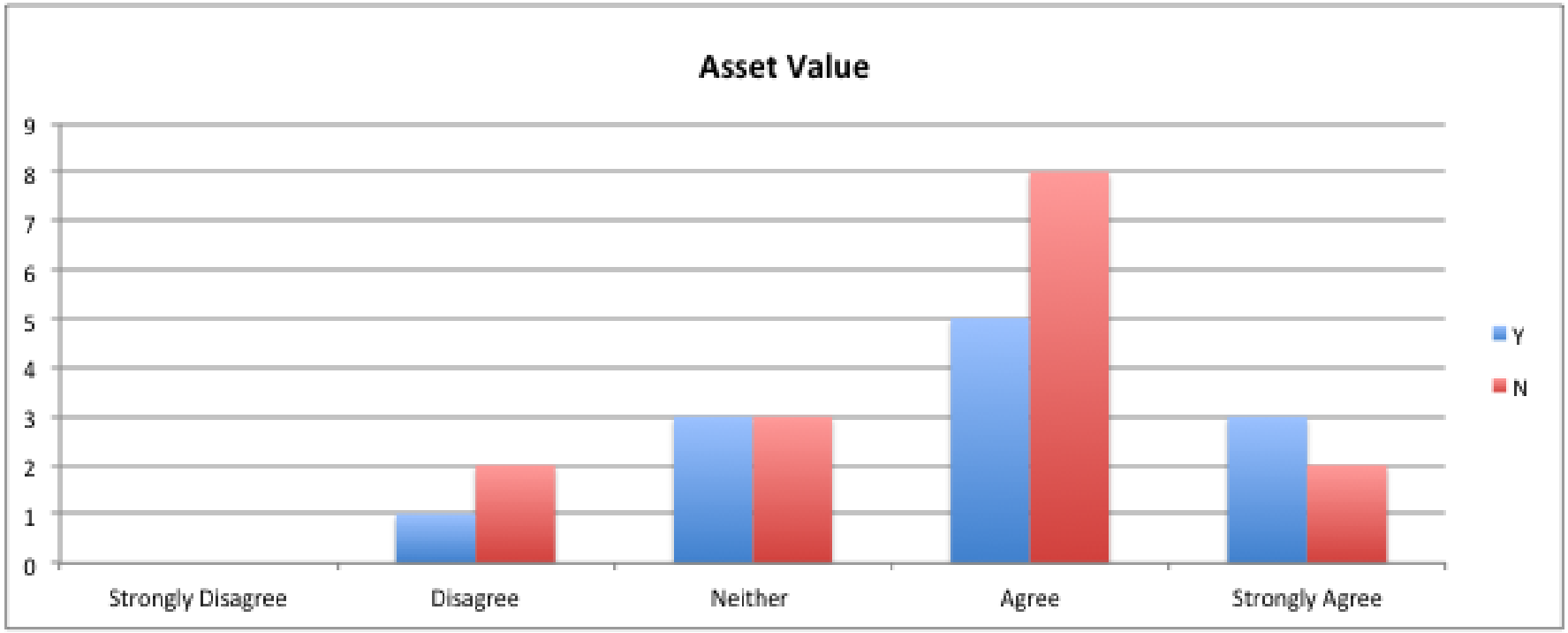
Armidale
Dubbo
Horsham
Gippsland,
Toowoomba
Townsville
Wagga Wagga.

Variety and diversity of agricultural industries as a result topographical and climatic differences.

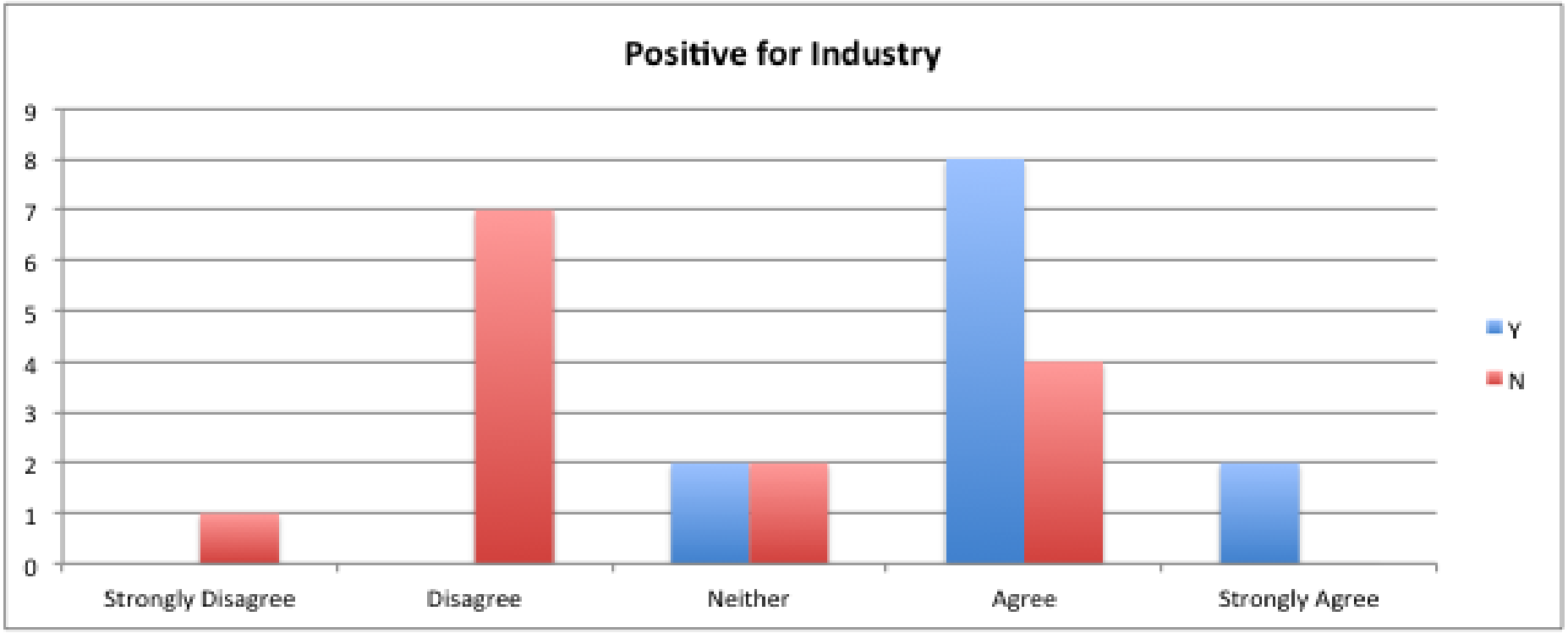
Is FDI of benefit to agribusiness firms in terms of profitability?



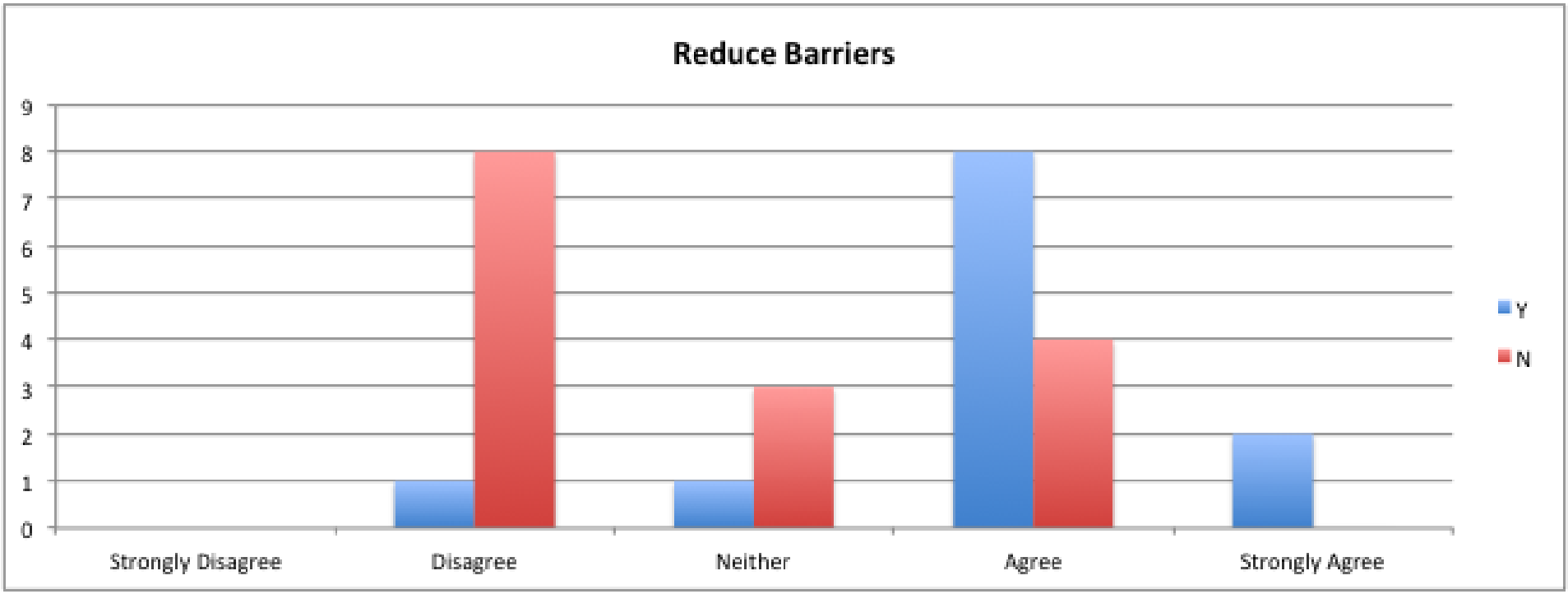
Is FDI of benefit to agribusiness firms in terms of asset value ?



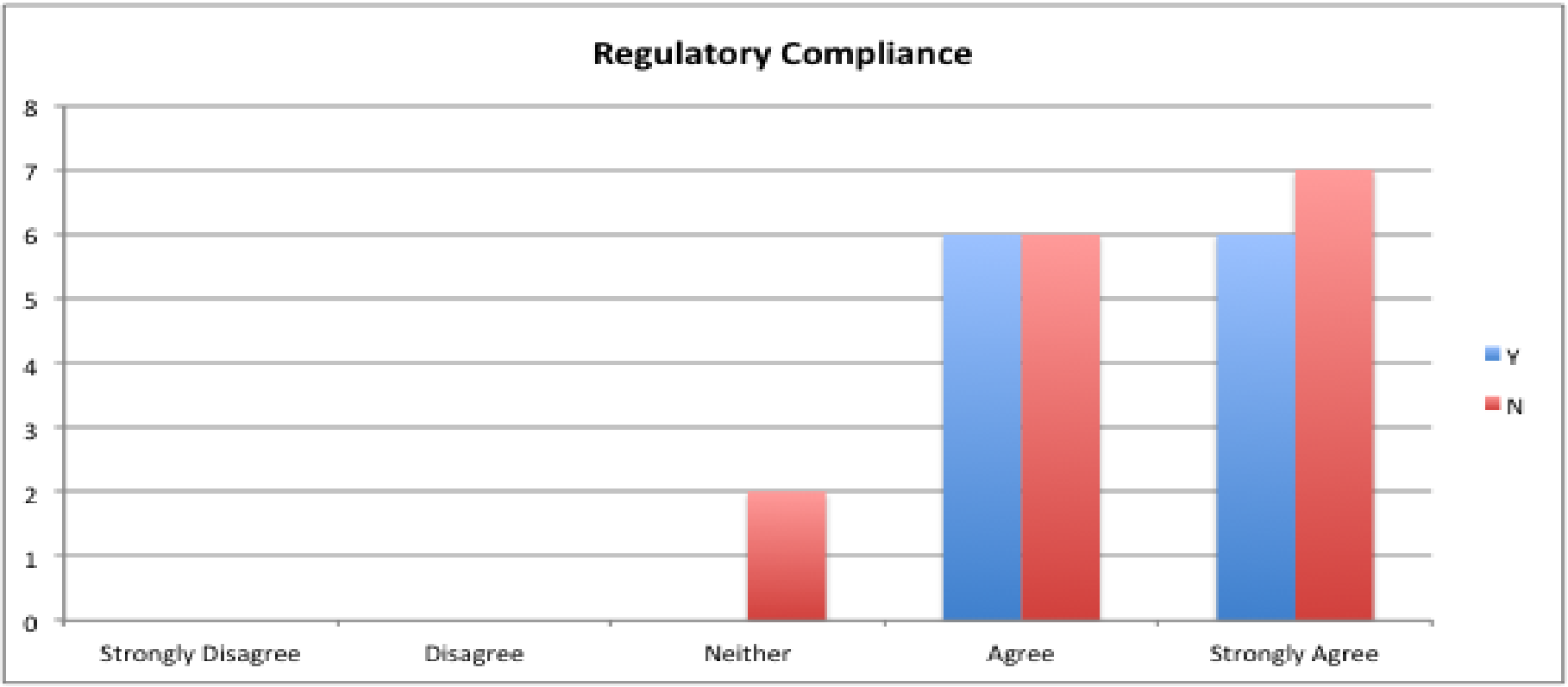
Is FDI, overall, a positive influence on agribusiness ?



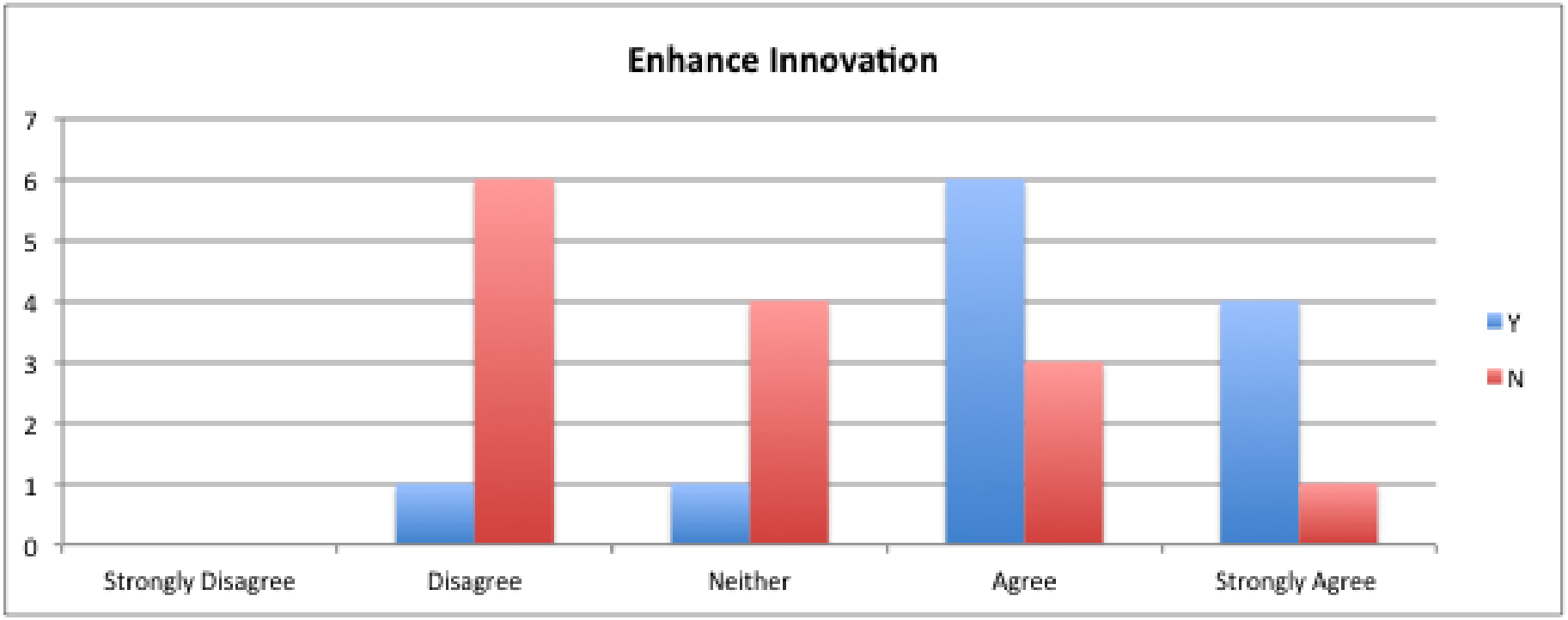
Should barriers to foreign investment and ownership should be reduced?



Regulatory compliance is an important facet for foreign investors



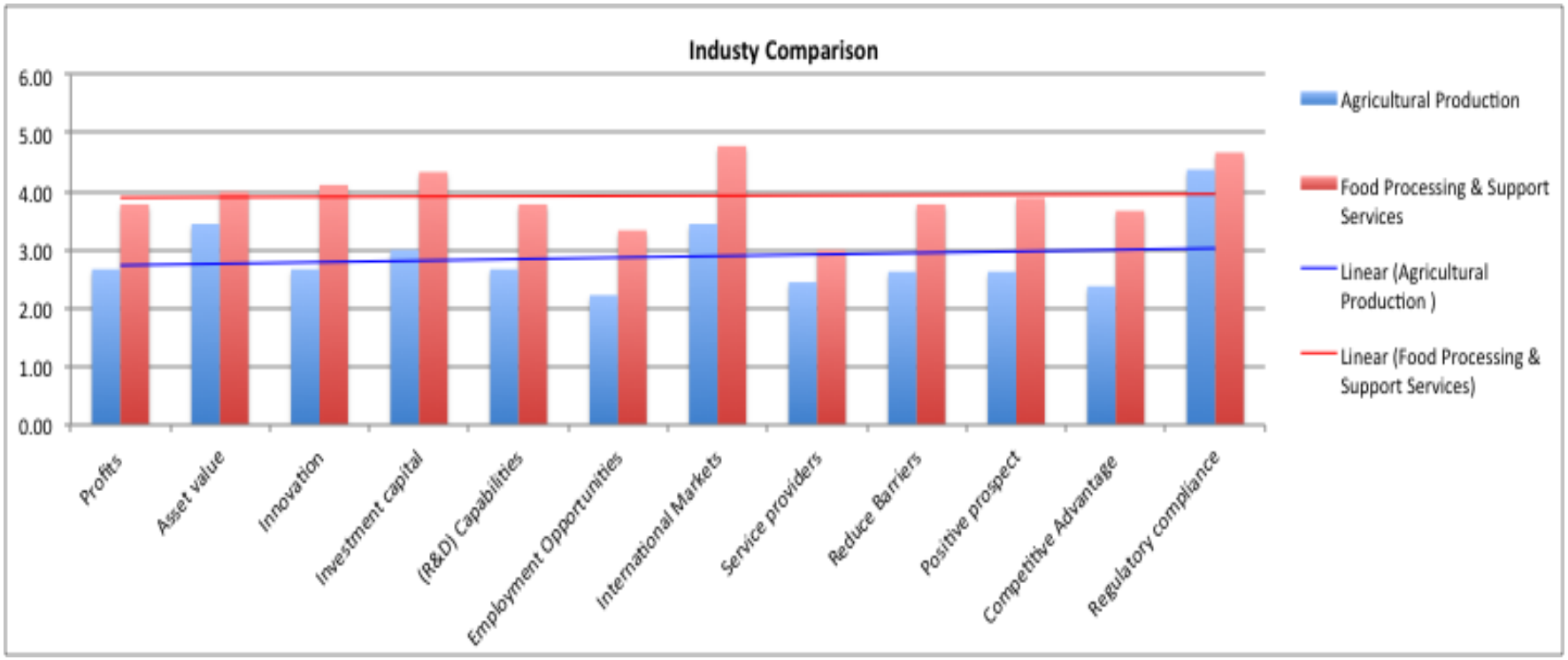
Does FDI enhance innovation in agribusiness firms ?



Firms' views of benefits derived from FDI in Australian Agricultural Production and Agribusiness (blue is firms involved in Agricultural production and Red in Food processing and support services)

TABLE OF MEANS

	Profits	Asset value	Innovation	Investment capital	(R&D) Capabilities	Employment Opportunities	International Markets	Service providers	Reduce Barriers	Positive prospect	Competitive Advantage	Regulatory compliance
Agricultural Production	2.67	3.44	2.67	3.00	2.67	2.22	3.44	2.44	2.63	2.63	2.38	4.38
Food Processing & Support Services	3.78	4.00	4.11	4.33	3.78	3.33	4.78	3.00	3.78	3.89	3.67	4.67



Agricultural production industry: overall average score of 2.88

Food production and support services industry: overall average score of 3.93.

Conclusions:

1. Long history of FDI in Australian primary industry
2. Some paranoia
3. Data is scarce, inconsistent across agencies
4. FDI in agricultural land is unevenly distributed across states
5. FDI in Agricultural land is minor – but highly publicised
6. FDI in agribusiness is major, and in some cases by state-owned firms – but little recognised.
7. Agribusiness firms are generally more ready to acknowledge the benefits of FDI.
8. Firms' opinions on benefits available from FDI are strongly dependent on whether or not the firms have any foreign ownership
9. Those involved within agricultural production may be on average more reserved about foreign investment due to contentious issues such as land ownership.