Proposed foreign investment threshold

PLANS for increased scrutiny on foreign investment in Australian agriculture have been cautiously welcomed by the wine industry. The Federal Government has adjusted the screening threshold on foreign ownership on agricultural land, as of March 1, from $252 million back to $15 million.

This will mean that any foreign purchase of agricultural land in Australia, worth $15 million or more, will require approval from the Foreign Investment Review Board.

In addition, from 1 July 2015 the Australian Tax Office (ATO) will start collecting information on all new foreign investment in agricultural land regardless of value.

The ATO will also commence a stocktake of existing agricultural land ownership by foreign interests.

Lawrie Stanford, Wine Grape Growers Australia (WGGA) executive director, said in all matters like this his organisation supports decision-making based on evidence.

"In what is an emotional topic, evidence about the nature of foreign investment of agricultural assets is even more important in making prudent, rational decisions," Stanford said.

The WGGA executive director said the change proposed by the government would improve the availability of evidence, and that would be a positive thing. For complete transparency however, Stanford said a register of all acquisitions is required.

"For the wine sector, foreign capital brings many benefits and in principle is supported. In a time-honoured sense, foreign capital will provide capital, potentially easier introductions and access to markets and new ideas/innovation – all of this to an industry that is cash-strapped and struggling to resource initiatives that will enable it to dig itself out of a hole.

"That said, there are limitations to the support offered. Foreign investment in the wine sector needs to be open and transparent, market operations and the foreign owners need to support the interests, ambitions and culture of the Australian industry.

"For example, acquisitions by state-owned companies means the instruments of a foreign government, not always transparent, come into play and would fall foul of the first of these qualifications and would not be supported. The second qualification tends to look after itself since, for investments in vineyards at least, the investment is in something for which a part of the value is its Australian-ness and it is in the interest of the investor to support the Australian category's interests."

According to Toby Langley, Gaetjens Langley director, there have be a few foreign investments above $15million. "The last one we did was Chateau Yaldara for $15.5million last year," he said. "We have two assignments at present above $15million which are attracting foreign interest."

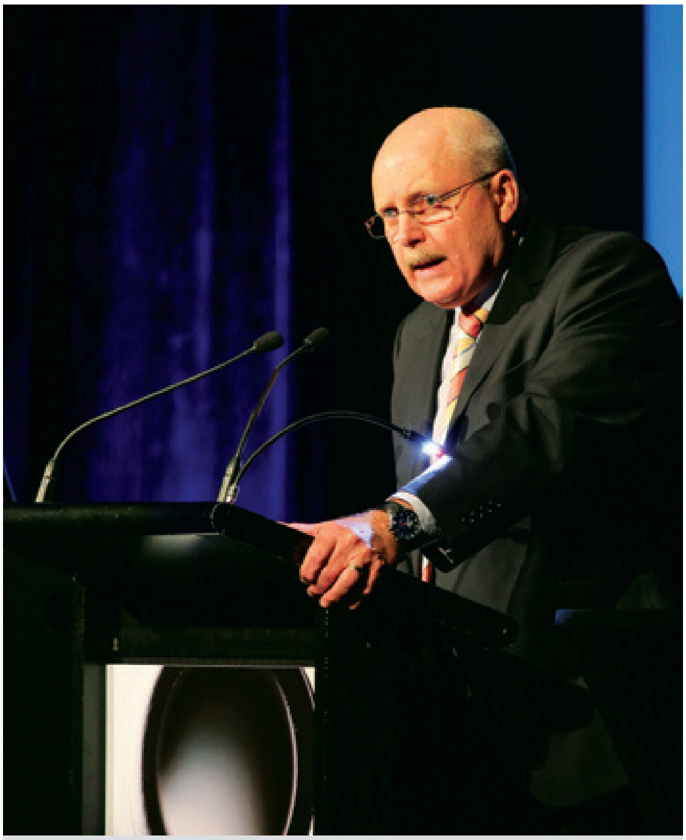
The National Farmers' Federation (NFF), said it has been calling for greater oversight from the Foreign Investment Review Board and a transparent register of foreign ownership of agricultural land for some time.

"Foreign investment in Australian agriculture is welcome; it is essential for our continued growth and future prosperity. We are open for business," said Brent Finlay, NFF president.

"However, proper scrutiny of investment proposals and a transparent register form the necessary architecture for successful and sustained investment, and ensure that investment is in Australia's best interest," Mr Finlay said.

"There are still some key issues to iron out – such as foreign investment in infrastructure, agricultural supply chains and water. These are the key components of a successful model, and must be addressed.

"We want to see foreign investment that serves Australian interests, and we commend the government on taking this step forward," Mr Finlay said.



ENCOURAGED: Lawrie Stanford, Wine Grape Growers Australia (WGGA) executive director.

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Stanford said scrutiny from the Foreign Investment Review Board at lower thresholds is welcomed, "in the respect that greater scrutiny of the investment will occur and the first qualification – openness, transparency and market-driven – will be addressed".

"On the second qualification, post-acquisition vigilance is required but at the end of the day, the industry regulators need to do their job in this area," he said.

"At another level however, the overall debate about foreign investment, required to satisfy the many patriotic Australians who come to this issue with an emotional perspective, a register of all acquisitions is required to provide clarity about the facts behind this topic and telling the story about whether it is a social good or bad.

"While I am confident the assessment is likely to be that foreign investment is a social good, people have the right to be satisfied about this together with appropriate policy settings that are informed by evidence to ensure it stays that way."