



Foreign Ownership of Primary Production Land in NSW

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Introduction

One concern further hindering foreign ownership legislation, is that available information regarding foreign investment in the sector is inadequate to support policy decisions. The aim of this report is to identify the largest foreign land owners in NSW and suggest measures to ensure that the use of land is consistent with the representations made by the owners to the Foreign Investment Review Board (FIRB).

Land is considered as the ultimate investment due to its scarcity and stability, as well as its ability to generate an income. It is for this reason that the issue of foreign ownership of Australian land has been fiercely debated over the past 30 years. Recent surveys by government agencies have failed to reassure the public, despite the results showing that 89 per cent of agricultural land, 99 per cent of agricultural businesses, and 91 per cent of water entitlements were entirely Australian owned. The government considered the findings as a vindication to their foreign investment policy, concluding that further scrutiny of overseas investors will lead to reduced investment in Australia.

More recently the debate has focused on the \$13 million increase of the FIRB's threshold to \$244 million. The threshold is the value of a transaction that mandates an application to the FIRB. The threshold was indexed at the start of 2012 despite calls to reduce the value to \$5 million so it can capture more foreign investment transactions. However, this indexation makes little change to the oversight of land transactions, as normally sales fall below this amount.

In the absence of a foreign ownership registry the analysis relies upon various external sources as well as internal research undertaken by PRDnationwide Research. The analysis includes an investigation into the structure of each company to ascertain the extent of land ownership. The report is extensive but does not claim to represent the entire foreign ownership of primary production market in NSW.

- The Young An Group (Korea) trading as Ho Myoung Farm is one of the largest foreign land owners in NSW, with extensive holdings in the Orana Region of the state.
- Shenhua Watermark Coal is amongst the largest foreign owners of land in NSW in terms of dollar invested. The company is currently in the process of obtaining mining licenses for land purchased in 2009 and 2010.



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Discussion

The Ho Myoung Farm company was identified as one of the largest investors in NSW, with land ownership of over 500,000 hectares (ha) as at February 2012. The company, which is owned by the Korean Young An Group owns land in Wanaaring in the state's Orana Region. It is important to note that the carrying capacity of the land (a standardised method to measure the viability of a farm) in this region is low compared with other areas of NSW. In many regions large farms are a requirement to ensure a sustainable business.

The United Kingdom is represented in the top ten investor list by Clyde Agricultural and Michael Hintze's MHPF, with all of Clyde's properties currently on the market and MHPF's NSW portfolio nearing \$100 million. UK investors represent a case in point about foreign ownership, highlighting the cycle of investment in and divestment of farm assets.

Cargill is the most diversified company currently transacting in the market, with a recent purchase in the Riverina District. With its' parent company in the United States, Cargill Australia owns both the commodities management (abattoirs, feedlots) as well as the ownership of AWB Grainflow, with grain receival sites throughout the state. Through its Black River Asset Management subsidiary the company also owns a large share in BFB Pty Ltd, a large land owner in the Riverina and Central Western Districts.

Analysis

An analysis of prices per hectare of land revealed a range between \$2,229 per ha (MHPF) to \$2,647 per ha (Westchester) for portfolios that are weighted towards the centre of the state. Further west the rate per hectare declined together with the carrying capacity of the land. Examples include Clyde Agriculture (\$310 per ha) and Swiss Australian (\$88 per ha). Top prices were paid by Shenhua Watermark for land in the Breeza area, averaging \$10,917 per ha. The high rate is reflective of the change in land use from farming to mining. This highly productive land in the Liverpool Plains was bought over 2009/10, with the company currently in the process of obtaining mining licenses.

NSW Distribution of Foreign Owned Farmland

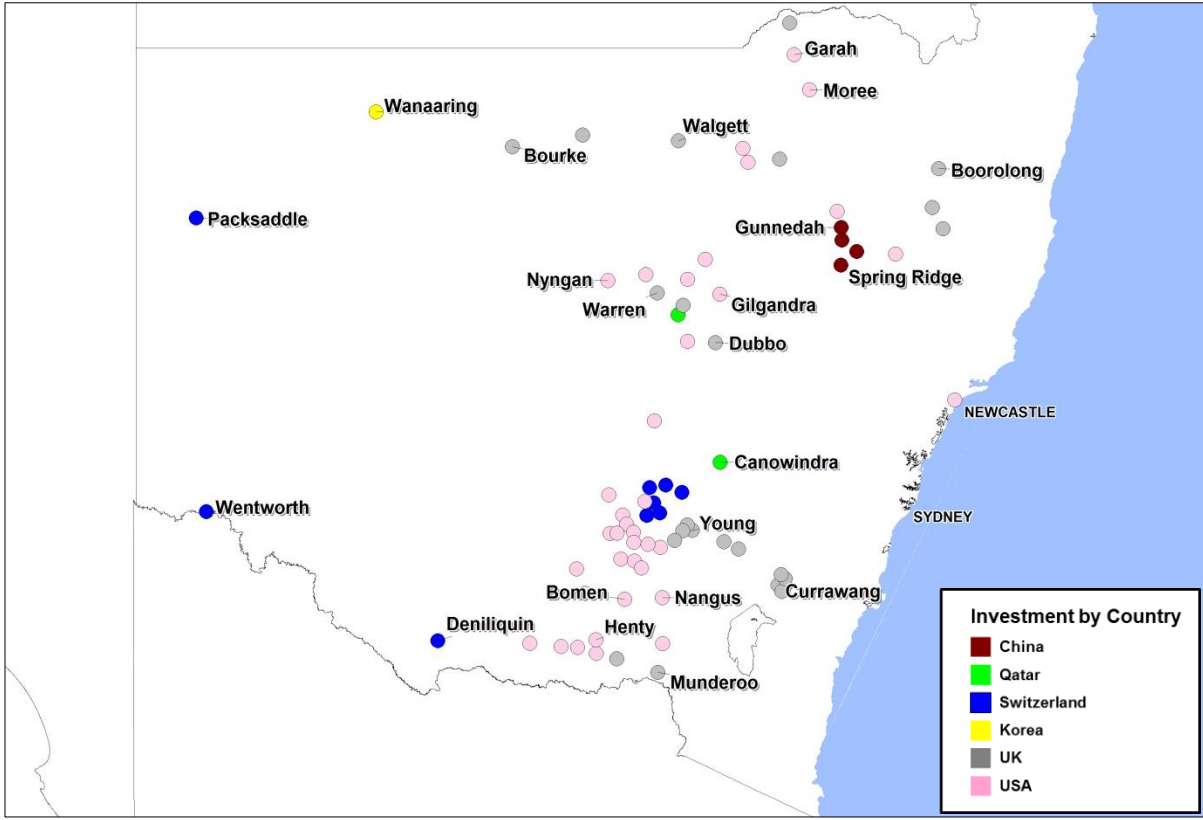


The map highlights the preferred investment corridor for foreign investors, capturing productive farms east of Deniliquin, while avoiding smaller and more expensive lots near the coast.

- Clyde Agricultural demonstrates the cyclical nature of foreign investment. The parent company John Swire and Sons has been selling the northern NSW holdings of Clyde over the past two years.

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Foreign Land Ownership by Country of Origin



Map prepared by PRDnationwide Research.

Localities where countries have established their operations are shown on the map, providing a snapshot of the dispersion of each country's investment across the state. UK and US investors target properties in the Murray and Riverina Districts, while Ho Myoung Farm (Korea), Glencore (Switzerland), and Swiss Australian Farm own large properties in the state's Far Western Region.

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Top Foreign Investors in Primary Production Land

Company	Type	Country of origin	Total NSW ownership (ha)*	Total funds invested (\$m)*	Farming type	Region
Ho Myoung Farm Pty Ltd	Private	Korea	500,000 - 600,000	N/A	Grazing	Orana
Swiss Australian Farm Holdings Pty Limited	Private	Switzerland	63,357	\$6	Grazing	Far Western
MHPF	Pension fund	UK	41,490	\$92	Mixed Farming	South Eastern, Central West, Murray, Riverina, New England, Orana
Clyde Agriculture	Private	UK	39,056	\$12	Mixed Farming	Orana
Natsun Holdings / Nanshan Group	Private	China	29,000^	N/A	Grazing	South Eastern
Westchester	Pension fund	USA	26,156	\$69	Cropping	New England, Orana
Hassad Foods	Sovereign wealth fund	Qatar	25,245	\$61	Grazing	Orana, Central West
Cargill^^	Private	USA	16,957	\$52	Agribusiness, cropping	Riverina, Hunter, Central West, Orana, Murray
Shenhua Watermark Coal	Government-controlled	China	14,613	\$160	Coal mining	New England
Glencore Australia	Private	Switzerland	11,091	\$21	Cropping	Murray, Central West, Orana

* identifiable ownership

^ include land on King Island, TAS

^^ include Black River Asset Management / BFB Pty Ltd and AWB Grainflow

Table prepared by PRDnationwide Research.

Conclusion

The table summarises the identifiable land owned by some of the largest foreign investors in NSW. While the aggregate of the area shown is miniscule compared to an approximately 56 million hectares of agricultural land in NSW, there are many gaps in information due to delayed settlements and the secrecy that often surrounds foreign investment transactions. Given the limited information that is readily available, it is likely that the true extent is larger. Furthermore, the structure of ownership is often complex, with foreign parent companies owning shares in several Australian subsidiaries.

Recommendations

The Senate Rural Affairs and Transport References Committee is currently examining the impact of foreign ownership, Focusing on the National Interest Test, with a report due in March. While the recommendations of the committee are still unknown, it is suggested that the following recommendations have the potential to increase the transparency of foreign investment in Australia and NSW:

1. The establishment of a state registry to track the foreign ownership of land.
2. The examination of the different methods of ownership with a special attention given to trust structures and the major shareholders of large agricultural land owners.
3. Ensuring foreign investors' representations and undertakings, as to the use of the land, are enforced upon settlement.
4. More attention has to be paid to the ownership and control of facilities such as abattoirs, ports and dairies, as they often bare greater risk to the national interest than the farmland itself.

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Our extensive research capability and specialised approach ensures our clients can make the most informed and financially sound decisions about residential and commercial properties.

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"We set industry benchmarks when partnering with our clients to answer key questions and solve complex issues in the residential development arena."

Prepared by PRDnationwide Research. Source: PDS.

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