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Gina Rinehart's lesson for Australia: agriculture and China hold the keys

Hannah Bretherton

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Gina Rinehart has just proffered a valuable lesson for Australia: when it comes to our economic future, we should be looking to agriculture. I never thought I'd be one to praise Australia's biggest mining magnate but as the iron ore curtain begins to fall, her next investment venture is certainly one to watch.

Rinehart's \$365 million bid for the now infamous Kidman cattle station, in partnership with Chinese company Shanghai CRED Real Estate Stock, is symbolic of the shift required in Australia's economy away from energy resources in this post-mining boom order. The key to our biggest economic challenge could lay hidden in the humble Aussie farm. Yet in order to unlock the full economic potential of our agriculture industry, it seems even Rinehart needs some help from China.



Gina Rinehart has made an offer for the Kidman cattle station empire, along with Chinese investors. Photo: [unreadable]

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The Business Council of Australia has highlighted agriculture as having "the greatest comparative advantage of any sector of the Australian economy" and estimates the need for \$1 trillion worth of investment in the industry between 2015 and 2050. ANZ estimates that the shortfall between Australia's available domestic capital and the capital required in agriculture is about \$850 billion. Chinese investors have the potential to offer a large chunk of that capital, yet in 2015 agribusiness accounted for only 3 per cent of Chinese investment, with the mining sector still ahead at 9 per cent.

While Rinehart and others have clearly recognised the potential for Australia's agriculture industry, the Australian government needs to clarify its position. At one end of the spectrum Australians are given the message that we are at risk of "selling the farm" to China. At the other end we hear the Treasurer pointing out that China owns less than 0.5 per cent of Australian agricultural farmland. In comparison Britain, our biggest foreign investor in farmland, owns about 7 per cent.

In 2014-15 China for the first time became the largest source of new foreign investment in agriculture; an indication that demand is there. Yet Australia remains the fourth-most restrictive place to invest in agribusiness out of 35 OECD countries.

In 2015, the reduction in agribusiness screening thresholds for Chinese, Japanese, Korean, Singaporean and Thai investors from \$252 million to \$55 million sent a message. China, Korea and Japan also face a \$15 million threshold for investment in farmland compared to \$1 billion for American or New Zealand investors. Whether we like it or not, much of the capital currently on offer to us is not coming from the US or New Zealand; it's coming from China.

We can no longer naively hide behind the idea that Australians will invest in our farmlands so long as we give them a chance by first fending off the Chinese. If



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GIVE THEM A CHANCE BY FIRST TALKING TO THE CHINESE. If

our richest woman needs Chinese investors, it is unlikely any of the rest of us can make do without.

This is not to say there aren't potential risks in Chinese investment; the benefits and risks must be acknowledged. Former trade minister Andrew Robb has said that Australia's quality of life depends on foreign investment. Treasurer Scott Morrison rejected the first two bids for Kidman cattle station citing a contradiction to Australia's national interest. Now that Rinehart has banded together with Shanghai CRED to offer a new bid for Kidman, has the threat to our national interest subsided?

The Australian public are certainly concerned about this issue, with 69 per cent "strongly against" the foreign acquisition of Australian farmland, according to a Lowy Institute Poll this year, up from 63 per cent in 2012. The government needs to do a better job of understanding these fears in order to address them. If the Treasurer is planning to accept Rinehart's bid, he must explain what it was that he previously believed to be threatening our national interest, and whether indeed this has now disappeared.

The Treasurer could simply point out some facts and the public might not be so fearful. They might feel comforted by the fact that 86 per cent of our farmland is wholly Australian-owned. Or that Australia produces enough to feed more than 60 million people, even though we have a population of 24 million. The Treasurer must better explain that our farmers face a \$9 billion annual capital gap and without foreign investors there will be nobody to foot the bill. As National Farmers Federation chief executive Tony Mahar has said, "foreign investment should be seized as fuel to further stoke the Australian agriculture fire".

Rinehart seems to have jumped ship from coal mines to cattle stations and Australians should take note. Treasury must be in a sad state of affairs if Morrison needs Rinehart to signify a policy shift that is imperative to our economic future.

The debate about Chinese investment in agriculture is only just beginning.

Hannah Bretherton is a project co-ordinator and researcher at China Matters. Chinese investment in agriculture was one of the topics discussed at China Matters' Fourth National Meeting in September.

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