



RENMARK IRRIGATION TRUST

Constituted by a Statute of the Parliament of South Australia 1893

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SUBMISSION: CHANGES TO FOREIGN INVESTMENT FRAMEWORK

Thank you for the invitation to provide Renmark Irrigation Trust's views on further changes to the foreign investment framework, particularly whether foreign acquisitions of rural water entitlements should require approval under the foreign investment framework.

Renmark Irrigation Trust (the Trust) is Australia's oldest irrigation trust and provides water delivery and salinity drainage services to the first irrigation settlement in Australia. The Trust partners with the Commonwealth Environmental Water Holder to deliver Commonwealth environmental water through its infrastructure to restore and maintain the extensive floodplains adjacent the Renmark area. The Trust represents over 600 small to medium scale irrigators that produce a wide range of high-value horticultural crops, mainly from permanent plantings, using modern and efficient irrigation delivery systems. This best practice water stewardship has been globally recognised with the Trust receiving certification at the highest level (platinum) from the Alliance for Water Stewardship.

The Trust understands the benefits of being able to access additional water allocations through the water market. During the millennium drought, for the first time, South Australian (SA) Murray irrigators did not have sufficient water allocations on their entitlement to sustain their permanent plantings. Many irrigators were forced to purchase additional water allocation, at over \$1000 per ML, to keep their permanent plantings alive.

Since then, the Murray-Darling Basin Plan (the Plan) has been agreed, with the aim to ensure we have a healthy riverine ecosystem that can sustainably support our communities and economic activity. Under the Plan, the Trust and its members have returned around 23% of its entitlement to the Commonwealth for the health of the river system. In return, the Trust and its members received monetary support to adapt to less water security through productivity improvements.

A key concern for the Trust and its member irrigators is that despite adaptation to high-value crop production using modern and efficient irrigation methods, the water market is increasingly removing water entitlement, and thus wealth, out of the established irrigation communities. Some of these communities have invested heavily in their water delivery systems and value add industry infrastructure. Irrigation properties are now often sold without an offer to also purchase the water

Underpinning the economic, social and environmental sustainability of the Renmark Community

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entitlement previously held by that business. New and existing farmers wishing to purchase water entitlement feel they are being priced out of the market. Whether or not this is due to the involvement of foreign investors is uncertain, however, foreign investors seem to be progressively increasing their water entitlement holdings and are prepared to pay very high prices to do so.

Trust view of foreign acquisition of rural water entitlement

The Trust supports that foreign acquisitions of rural water entitlements should require approval under the foreign investment framework. Whilst foreign capital can support the development of sustainable agriculture in Australia, it can also have negative impacts that are not in the best interests of Australia and should be monitored.

1. ***Development of water investment monopolies:*** Some foreign holders of water entitlement have smaller holdings to operate irrigation businesses within communities. These should continue to be supported provided no negative impacts on Australian agriculture and communities develop over time. However, other foreign investors in water entitlement are strongly driven by investment return (e.g. overseas superannuation funds). If the volume of Australian water entitlement held for this purpose continues to increase as per current trends, the Trust considers this will lead to water market monopolies capable of dictating the price of both entitlement and annual allocations, the later especially so when water availability is in short supply.
2. ***Sustainable and diverse agriculture is in best interests of Australia:*** Historically, Australian agricultural development driven by corporate investors has frequently led to boom-bust cycles in Australian commodities. This is not in the best interests of Australian agriculture or communities. Large foreign water investors are likely to contribute to an increased level of monoculture farming in Australia in order to maximise investment returns. Whilst monoculture farming has some advantages, there are also many disadvantages such as heightened economic and social risk, environmental impact (e.g. soil degradation, pest infestation, reduced biodiversity) and reduction in food security.
3. ***Not an even playing field:*** The Trust understands there are two policy issues that place Australian entities at a disadvantage when competing with foreign investors in the water entitlement market. First, foreign investors do not need to pay capital gains tax, whereas Australian taxable entities do. Second, accounting standards governing Australian entities classifies water entitlement as an intangible asset. This makes it harder for Australian entities to borrow funds to purchase water entitlement thereby limiting their access to capital and ability to compete with foreign investors in the water market.

It is considered that the approval process for foreign acquisition of rural water entitlements could be integrated into the water market reform recommended processes.

In summary, increasing foreign ownership of rural water entitlement has the potential to significantly change Australian agriculture, Australian regional communities and the Australian landscape and ecosystems. Whether or not, on balance, these will be positive or negative changes remains to be determined.

Good water stewardship is the use of water that is socially and culturally equitable, environmentally sustainable and economically beneficial, achieved through a stakeholder-inclusive process that includes both site and catchment-based actions.

The Trust is concerned that increasing foreign ownership of our national water asset may not lead to good water stewardship for Australia and its communities. Approval of foreign acquisitions of rural water entitlements under the foreign investment framework future provides an opportunity to monitor and address any imbalances from foreign water investment that negatively impact Australian agriculture, Australian regional communities and the Australian landscape and ecosystems.

Thank you for the opportunity to provide comment and we are available to discuss any aspect of this submission.

Yours sincerely



R Humphrey Howie
Presiding Member



Rosalie Auricht
Chief Executive Officer

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