Further reforms to streamline and strengthen the foreign investment framework

December 2025

Introduction

The Australian Dairy Industry Council appreciates the opportunity to provide this submission to the Department of Treasury on its proposed reforms for the foreign investment framework.

This submission has been developed in consultation with Dairy Australia.

Dairy farming is the third largest Australian rural industry and a key sector of the agricultural economy, with a farmgate value of about $6.0 billion. Overall, the dairy industry generates $18.5 billion in economic impact across products and value chains and employs a direct workforce of almost 30,400 across dairy farms and processing. Australia is a significant exporter of dairy products, exporting to over 100 markets. In 2024/25, 36% of milk production was exported, worth around $3.8 billion. It ranks fifth in terms of world dairy trade, with a five per cent market share behind New Zealand, the European Union (EU), the United States (US)and the United Kingdom (US).

ADIC is the peak national representative body of the Australian dairy industry, representing the interests of dairy farmers and processors through its two constituent bodies, Australian Dairy Farmers (ADF) and the Australian Dairy Products Federation (ADPF). It aims to create a more prosperous and sustainable future for the local industry and the regional communities that rely on it.

Dairy Australia is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's Research and Development Corporation, it is the 'investment arm' of the industry, investing in projects that cannot be done efficiently by individual farmers or companies.

Foreign investment has long made a positive contribution to Australian agriculture, including through the acquisition of major Australian dairy processing assets such as Fonterra's purchase of Bonlac, Saputo's acquisition of Murray Goulburn, and, most recently Lactalis' proposed purchase of Fonterra's global consumer business, including its Australian operations.

However, recent trends in land acquisition, plantation development, and carbon credit projects are creating structural pressures that warrant closer policy attention.

This submission highlights the need for foreign investment settings to be aligned with a coherent, national land-use strategy. A range of policy levers – including carbon incentives, renewable energy zoning and planning frameworks – are collectively reshaping land use. Without coordination, these settings risk working at cross-purposes. A clear, overarching strategy is needed to ensure foreign investment supports productive agriculture, food security, regional communities, and climate objectives, without unintentionally displacing prime agricultural land.

While foreign capital has supported processing capacity and market growth, emerging patterns of land acquisition—particularly for carbon and timber—are placing increasing pressure on agricultural productivity, regional competitiveness, and Australia's long-term food security. A recalibrated framework is needed to ensure foreign investment strengthens, rather than diminishes, productive capacity in key dairy regions.

Key considerations

1. <u>Recognition of agricultural land as a national asset</u>

The Australian dairy industry is supportive of the current screening framework that separates agricultural land and agribusiness investments. It is critical that government carefully considers the impacts of proposals on the quality and availability of Australia's agricultural resources, land access and use, agricultural production and productivity, Australia's capacity to remain a reliable supplier of food, fibre, biodiversity, and employment and prosperity in regional communities. Any reform or adjustment to monetary screening thresholds must reflect the critical role of agricultural land and agribusiness in food security and regional prosperity.

The dairy industry supports improved transparency and stronger compliance mechanisms within the foreign investment framework. Flexibility in assessment timelines is needed to ensure complex cases involving food, water, and land are thoroughly evaluated.

According to the Register of Foreign Ownership of Agricultural Land as of 30 June 2023, foreign investors own 12.9% of Australia's agricultural land by area, with substantial regional variation. Introducing regional thresholds for foreign ownership in sensitive or high-concentration areas would help manage structural risks and protect specific regions. Mechanisms should also ensure domestic buyers have a genuine opportunity to acquire land before foreign transactions proceed.

It is also important to recognise that screening thresholds set a decade ago – such as the $15 million threshold – no longer reflect current land values. Large-scale acquisitions often include substantial water entitlements, which should be explicitly considered within the screening framework.

These thresholds were established when median agricultural land values were significantly lower. In several dairy regions, per-hectare land values have increased by 80–150 per cent over the past decade. As a result, transactions that would once have been considered large and nationally significant now fall below the current threshold, reducing transparency and oversight of structural land aggregation by foreign entities.

2. <u>Land use change and dairy industry impacts</u>

Foreign investments in sensitive sectors require scrutiny both pre- and post-acquisition.

A growing concern for the Australian dairy sector is the conversion of highly productive agricultural land into timber or carbon plantations.

This trend is particularly evident in regions such as Corangamite Shire in south-west Victoria, where large-scale acquisitions by foreign investors – including Midway, which is owned by German insurance company, Munich Re – are driving a shift towards timber plantations, despite the region's clear comparative advantage in dairy production.

Several policy drivers are accelerating this shift:

- Decarbonisation incentives and the structure of the Australia Carbon Credit Unit (ACCU) market
- Artificial price signals favouring carbon farming and timber plantations
- Planning frameworks that classify plantations as "general agriculture", limiting local government oversight.

State Government analysis indicates that in parts of south-west Victoria, between 7–10 per cent of formerly high-performing dairy land has shifted into plantation forestry or carbon-driven land use over the past five years. Even relatively modest rates of conversion can materially affect farm density, milk collection efficiency, and the ability for dairy processors to maintain commercially viable throughput volumes.

These changes have significant flow-on effects. The loss of prime dairy land reduces milk production and undermines the viability of local processing, transport logistics, and broader supply chains.

Rising land prices, driven by demand for carbon and timber investments, further disadvantage Australian farmers – particularly next-generation entrants – and exacerbate succession pressures.

The broader social and environmental impacts are also substantial. Land-use change contributes to population decline, reduced labour availability, and lower levels of economic activity, weakening regional communities and service provision.

Environmental and water-related risks – including reduced groundwater availability during drought, altered hydrology, increased fire risk, biodiversity loss, and landscape homogenisation – further compound impacts on agricultural regions.

Forestry is already the largest foreign-owned land sector in Victoria.

As negotiations on a Free Trade Agreement with the European Union continue, it remains unclear how foreign investment thresholds for EU member states may change. Given the significant presence of European firms – particularly in carbon-driven land acquisition – any agreement will need to be accompanied by strengthened monitoring and oversight to safeguard Australia's agricultural land and productive capacity, inclusive of dairy.

As Australian states and territories strengthen planning frameworks for renewable energy development, including the establishment of designated renewable energy zones in New South Wales and Victoria, it is critical that agricultural land within these zones is not disproportionately acquired by foreign investors solely for energy infrastructure projects.

Excessive foreign acquisition of farmland for renewable energy purposes risks displacing productive agriculture, inflating land values, disrupting regional supply chains, and reducing local control over strategically important energy assets.

A coordinated national land-use strategy is necessary to ensure these disparate various policy mechanisms operate in a complementary way and collectively protect long-term food security, regional economies, and agricultural land.

Overall, foreign investment settings must ensure that agricultural land is not diverted from productive use in ways that compromise Australia's long-term agricultural output, food security, and regional stability.

3. <u>Foreign ownership of water assets</u>

Foreign investment in agricultural land frequently includes associated water entitlements.

Given the critical role of water in dairy and other irrigated agricultural systems, it is essential that the foreign investment framework explicitly considers water ownership alongside land acquisitions.

Concentrated foreign ownership of water assets in particular regions – such as the Murray–Darling Basin, where around half of foreign-owned water entitlements are located – poses heightened risks.

These include reduced regional agricultural productivity, upward pressure on water prices, constraints on farm succession, and weakened regional and national food security.

Screening thresholds, regional ownership limits, and robust post-acquisition monitoring should better reflect the strategic importance of water as a national resource and mitigate the risks associated with regional over-concentration.

During dry periods, concentrated foreign ownership of water assets can exacerbate price volatility, limit the ability of family farms to compete for seasonal allocation, and place additional pressure on farm succession pathways. While individual investments may comply with the existing rules, their cumulative impact can compound over time, deepening regional disadvantage.

4. Domestic Buyer Access

A recurring concern in agricultural transactions is that the intent of Australia's foreign investment rules—to ensure foreign capital operates in the national interest—is being weakened where properties and associated assets are traded off-market or through limited expressions of interest that effectively bypass genuine domestic participation.

Increasingly, high-value agricultural assets are acquired through private negotiation or narrow commercial networks, leaving Australian farmers, agribusinesses, and next-generation entrants with little or no meaningful opportunity to compete.

This undermines the core policy principle that domestic buyers should have first and fair access to strategic agricultural land and water assets before foreign purchasers are considered.

Introducing a structured domestic-first opportunity mechanism – modelled on Canadian and New Zealand approaches – would ensure Australian farmers are not competitively disadvantaged by institutional foreign investors whose investment objectives are unrelated to agricultural production.

Recommendations

1. Update screening thresholds – adjust monetary and asset thresholds to reflect current agricultural land and water values.
2. Introduce regional thresholds – consider regional thresholds for land and water ownership in areas of higher-risk of concentration or strategic sensitivity.
3. Strengthen post-acquisition oversight – monitor foreign investments in sensitive sectors after acquisition to ensure compliance with conditions, protect ongoing agricultural productivity, and prevent land-use changes which reduce Australia's food production capacity.
4. Protect high-value agricultural land through nationally consistent planning – develop and implement a national land-use strategy that safeguards high-value agricultural areas, while accounting for the impacts of carbon programs, renewable energy development and foreign investment on agriculture land use.
5. Support domestic buyer access – require that opportunities to acquire land and associated water entitlements are clearly made available to domestic buyers before foreign transactions proceed, promoting fair access to agricultural resources and regional economic stability.

Conclusion

Australia’s dairy industry is a critical contributor to the national economy and to the vitality of regional communities.

While foreign investment has played an important role in supporting the sector, recent trends in land acquisition, plantation expansion, and carbon-driven land use risk eroding productive agricultural capacity.

Aligning foreign investment settings with a coordinated national land-use strategy will help ensure that policy mechanisms work together to protect agricultural land, water resources, and supply chains.

Stronger oversight, greater transparency, and appropriately calibrated regional thresholds are essential to maintaining food security, supporting regional development, and preserving Australia’s dairy competitiveness at home and abroad.

Ensuring that foreign investment strengthens – rather than diminishes – the productive base of Australian agriculture is now a matter of national interest, economic resilience, and long-term food security.

We would appreciate the opportunity to discuss our submission further.

Yours sincerely,

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