Foreign land ownership is back on the table. The recent proposal of a large purchase of dairy farms by Chinese interests has stirred up lots of emotion. Already there is more foreign ownership of rural land than most people realize. Under current legislation, it is inevitable that this is going to increase a lot more.

What we need in New Zealand is an informed debate as to whether this is the way that we want to go. If we decide against it, then we need to understand the costs and benefits. Whatever we do, we need a clear policy rather than lurching from one ad hoc decision to another. And the policy has to be applied on an equal basis to citizens of all countries.

Currently, it is our forest plantations where much of the foreign ownership is found. However, the only comprehensive statistics I have found are from the FAO document database and relate to 1999. At that stage about 72% of our pine forests were foreign owned, with United States companies owning about 35% and Asian companies about 12%. More recent data is incomplete but foreign ownership appears to have further increased.

Our wine industry is also predominantly foreign owned. Montana is owned by French giant Pernod Ricard. Nobilo, Selaks, Kim Crawford and Monkey Bay are owned by American company Constellation. Well known brands such as Cloudy Bay, Matua and Wither Hills are all foreign owned. Although many other wine companies are still Kiwi, they tend to be the small companies, and on a volume basis about 70% is foreign owned. The foreign owned companies have their own estates and then purchase additional grapes from Kiwi contract farmers.

Particularly in the South Island, there are many dairy farms owned by immigrants. These people have in many cases led the way in using new technology. Most have become permanent residents. However, there are some dairy farms that are owned by non residents. New Zealand Dairies at Waimate is Russian owned but Kiwis still own the farms. Synlait in Canterbury, which owns several thousand hectares of land as well as dairy processing facilities, has minority Japanese ownership and now needs more equity. Where will that come from?

In the sheep industry, it is mainly iconic South Island high country that has caught the eye of foreigners. Shania Twain received media attention, and before her it was Tommy Suharto. There are others who have managed to keep a lower profile.

The reason why foreign ownership is going to increase, unless the legislation changes, is very simple. Foreigners have capital and Kiwis don’t. The only way we can buy farms is by borrowing. And the banks are not lending the way they were. By contrast, there are lots of foreigners who have equity capital to invest. In a resource constrained world, our dairy, cropping and forestry land is going to look attractive. Currently the focus is on Chinese investors, but a lot of the big money is in the Middle East. European pension funds may also be interested in investing.

So do we need this money or do we not? Who is it that really benefits? High land prices are good for vendors but are a barrier to young kiwis seeking farm ownership. And there are always questions with foreign owned businesses as to whether they are paying their share of taxes, or whether the products are being exported at prices that shift the taxable profits to another country.

If we look to other countries for guidance we will see a range of policies. In the United States, non residents are heavily constrained from land purchases, although several groups of New Zealanders seem to have got around that with their Missouri dairy operations.

In Uruguay, it is close to open slather, and much of the land is owned by Argentineans, Brazilians and Europeans. Even the Kiwis are there, although so far with limited success.

In China, the norm for any foreign investment is a joint venture. Almost certainly, the Chinese would not look favourably on any land investment that did not also involve major investment in new technology.

Perhaps in New Zealand we need a starting point that says New Zealand land is for New Zealanders. Foreign investment in rural land would only be allowed where it could be demonstrated that it would lead to economic infrastructure developments that Kiwis could not undertake.

Whatever we decide to do in New Zealand, we need to do it now. Leave it another ten years, and there may be no decisions to make.

Keith Woodford  
Professor of Farm Management and Agribusiness  
Lincoln University

Advertisement