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SE Property
HD China's appetite for land called 'mind-boggling'

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TD	Sino of the times				
	Major Chinese rural land purchases in Australia				
	Buyer	Property	Location		Value (\$)
	Shanghai Pengxin controlled by Hunan Dakang Pasture Farming Moon Lake	S. Kidman & Co	NT, Qld, SA, WA	\$371m	(pending FIRB \$280m
	Fucheng Group	Woodlands	Westmar , Qld	\$28m	
	Hailiang Group	Hollymount Station	St George, Qld	\$40m	
	Dashang Group	Glenrock Station	Hunter Valley,	\$45m	
	Xingfa Ma's Tianma Bearings Group	Wollogorang and Wentworth	NT/ Qld border	\$47m	
	Yiang Xiang Assets New Hope	Elizabeth Downs	NT	\$12m	
	Oriental Agriculture	Moxey Farms	Lachlan Valley, NSW	\$100m*	
	Shanghai CRED	Yakka Munga and Mt Elizabeth, Mertondale, Riverina, Perrinvale, Clover Downs, Jeedamya, Melita and Kookynie, Marvel Loch	Kimberley & Wheatbelt, WA	\$25m	\$18m
	Discovery Macadamia	Dunoon Macadamia Plantations	Lismore in northern NSW	\$18m-\$20m	
	Splendid Farm	Waterloo	Pampas, Qld	\$2m	
	Shandong Ruyi	Cubbie Station	St George, Qld	\$232m	
	* JOINT VENTURE				
	SOURCE: FINANCIAL REVIEW				

The conditional \$371 million purchase of Australia's largest land holder, [S.Kidman & Co](#), by China's Dakang is the beginning of an ambitious plan by the country to secure more agricultural land and feed its population.

China was Australia's largest source of foreign investment in agriculture last year, spending \$2.5 billion on our farms and food factories - more than double that of the United States.

While public and political interest grows when China makes any investment in Australia, nothing seems to spark debate quite like that of a big land deal. While many Australians - including politicians Deputy Prime Minister Barnaby Joyce and Liberal Senator Bill Heffernan, and controversial businessman Dick Smith - see China's investment as an opportunistic land grab, many Chinese see it as a pioneering effort from national heroes.

[Holding Redlich](#) partner and head of the firm's China practice Carl Hinze has one of the best insights into how China's ambition will play out in Australia. After living in the country for 10 years and spending most of the past 25 years doing deals there, he has learnt to speak the language fluently and understand the culture.

"The reality continues to be that Chinese buyers have a demand which cannot be satisfied by current capacity in Australia. The scale of their needs is mind-boggling," Mr Hinze says.

Those Chinese companies coming out to Australia and buying land are seen as national heroes.

"Private Chinese business people who make successful investments in Australia's agriculture in pursuit of China's 'going out strategy' gain 'face' back home, and that 'face' can open doors and secure opportunities in China which would otherwise not be available to them."

However, he says it is more than that. "China's ambition is about combining the commercial objective of pursuing profit-making opportunities with the added benefit of achieving China's food security objectives."

Part of the motive is about looking for more secure investments abroad now that the investment returns on property and mining in China are trending down.

"They are looking for less riskier investments. Their initial investments abroad are about doing what they know best, investing in commercial and residential property, but the scale in the Australian market is so much smaller than what they are used to in China. They then diversify into areas they are not so familiar with, and the classic area is agriculture."

Ashurst partner Kylie Lane, who has led several major Chinese agricultural transactions, says profit motive is paramount. "China's interest is more about profit motive and a desire to diversify income into a safe country.

"I wouldn't discount the national champion approach - both are interconnected - but I think it depends more on the entity you are interacting with."

Since 2012, when a formal meeting between more than a dozen Chinese companies and Australian government officials explored land acquisition opportunities, investment from China has grown rapidly.

Hunan Dakang Farming Pasture, majority owned by Pengxin, agreed to pay \$371 million for S. Kidman Co last week, which owns more than 10 million hectares across Australia.

"This deal is to promote the development of the whole supply chain of our imported beef business," Dakang said.

Chinese billionaire Xingfa Ma, who snapped up Wollogorang and Wentworth cattle stations on the shores of the Gulf of Carpentaria in the Northern Territory for \$47 million last year has a similar motive.

Mr Ma, the founder and chairman of Tianma Bearings Group, is looking to diversify his business operationally and geographically and the company's latest annual report clearly earmarks agriculture as a "growth engine".

Chairman of New Hope Group Liu Yonghao said China's was very attracted to Australia's quality land.

"Australia has a vast landmass, good grasslands and sunshine," he said.

The list goes on and on. Austrade's trade commissioner in Chengdu, Jeff Turner, said last year at Austrade's Australian Beef Industry Seminar in Brisbane that the line-up of Chinese interests was extensive, with as many as 300 Chinese cattle and cattle-related companies looking to invest Australia.

And this is all despite new [Foreign Investment Review Board](#) rules which require Chinese investments in agricultural land over \$15 million to be vetted.

How long the Chinese-fuelled rush for land will continue depends on so many factors but key among them is China's restrictions on capital outflows and Australia's own regulations.

"Chinese investors are certainly thinking long and hard about their Australian investments," Mr Hinze says. "With the Chinese government looking to stem net capital outflows through once again tightening controls of the capital account, and with recent efforts to reignite the property sector in China, we are noticing a degree of reticence among Chinese clients about investing in Australia."

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