

Submission on Agricultural Competitiveness

I am not a farmer, but I was born and raised on a farm and I did have a farm some years ago. I did not pursue a farming career because of the lack of opportunities and lack of financial return for such a large investment. Instead I became a geologist and have worked in the mining industry for 29 years. I have lived and worked in South America and Southeast Asia as well as all over Australia.

My father retired from farming a couple of years ago, and last month he celebrated his 85th birthday. He has sold his farm and now no-one in our family is in the agricultural sector, after generations of farming ancestors dating back to 1817 when we migrated to Australia. We have often discussed the plight of the farming industry over the years and I would very much like to have my own farm one day again. I have made a series of notes that sometimes overlap and readdress similar themes, but I hope that there remains some cohesion to what I have written.

Farm-gate guarantees are needed to allow farmers to foretell the amount of return as well as stop the gouging by supermarkets and middle men taking the lion share. We know the duopoly of Coles and Woolworths are only concerned with their executives first, and executives are judged on their share price performance and maybe their shareholders second. They will always try to maximise their profits whether it's from their suppliers (i.e. farmers) or their customers (i.e. the consumers). So I am sure they are not opposed to getting profit margins wherever they can. Any increase in the price of milk or bread is always absorbed by them and the various wholesalers, processors and handlers. The Australian Beef Association statistics and graphics have shown that over the years the consumer prices of various farm products has increased while the farm-gate prices have stayed flat, which means that if we take into account inflation the farmers have gone backwards, thus proving the previous statement. On page 25 of the Green Paper, there is a paragraph on the handling costs of a beef carcass, which may sound small but \$2.73 per kg for abattoir costs is horrendous, since it's not even one day's work to kill and gut an animal. This would equate to around \$1500 to \$2000 per animal; when the animal itself is sold by the farmer for about the same. The butchers costs are also high at \$5.55 per kg for what is also only about a day's work cutting up the beast. All this cost for an animal that took 2 years to grow. In Asia, such as in the Philippines, beef prices in the supermarket are cheaper than Australia and land is far more expensive there. Why? The reason is that the processing and handling of the animal from farm to shop is so very much cheaper than here. It doesn't matter how more efficient the farmers get, they still cannot deliver a cheaper product because of the excessive costs &/or margins being taken at the abattoirs, butchers and supermarkets. These intermediaries will argue innocence since that's their business but the fact is when compared to other countries in the region we have a very high labour component, partly union based.

Its clear labour costs are too high, and in order to get a more realistic set of carcass handling costs requires farmers to be more vertically integrated. I commend your proposals for co-operatives. If co-operatives could be allowed to have open labour wage negotiations and if the co-operatives were locally based then those local co-operatives could then negotiate a true and fair labour cost for the handling of the animals from farm to butcher shop, instead of the current system. The current

system allows centralised (city based) labour unions and retailers/wholesalers to negotiate whatever they feel they deserve to be paid, which has absolutely nothing to do with the original value of the carcass they are handling. That is why the farmer actually gets paid what is left over after everyone else has taken their cut, and inevitably this means that the price of a carcass must gravitate to the price of production, which keeps farmers in never ending hope of a profit. This in turn has led to farms getting bigger as margins spiralled downwards.

By illustration, I am really using the carcass and abattoirs as an analogy of all farm products, other industries that have become more centralised are flour mills, distilleries and breweries. Many old Australian maps show these throughout the countryside, but not anymore. One exception has been the growth of vineyards as both large corporations right through to hobby farms, and perhaps something can be learnt from this field of endeavour.

Farmers Markets combined with co-operative based local abattoirs (the country is littered with small closed abattoirs) could be a real growth industry by circumventing the centralised union based abattoir labour costs, and all the various middle men, if we set up a simplified process allowing this to happen. Co-operative abattoirs would link in with local butchers and products would be locally home grown and therefore create local pride and a certain satisfaction.

Another analogy to this process, is that we often hear that farmers are stealing water from the Water Authorities by building dams or installing tanks, yet how can it be more efficient than to ensure ones own water supply. It certainly isn't efficient to have the rain that falls on our own house run off the roof, down the gutter, into the gully and creek, then down the river, all the while evaporating or soaking into the groundwater table, then to a reservoir where it is filtered, chlorinated and pumped back to the town or household from whence it came and then charged for labour, administration and maintenance by a corporation that has taken a view that it owns all the water. Probably about 20% of the water that fell on our house actually makes its way to the reservoir, when had I had my own tank it would have been full in no time. No! We need to reverse this system of so called efficiency and we need to think more local.

Further to this the bureaucrats have taken it upon themselves to protect the people from themselves, whether we need it or not. There is far too much inspection and QA/QC going on in what is really a basic industry called "Food". This has largely grown from lawyers, insurance agencies and bureaucrats working together to guarantee themselves their own industry at the expense of the actual industries producing the goods, and this is now part of the centralised big brother model. Local systems are better!

Providing a few basic rules are complied with as was once done under the banner of common sense then nothing untoward should really happen and if food presents itself that appears inedible then it probably is. An example of this is that farmers go to a lot of trouble to tag cattle going to the market but once that animal is killed the tag is gone with the skin, so that no one can actually trace an animal. Butchers have no idea where it came from or what breed it was. So what's the point?

Farmers Markets could be the new form of vertical integration, where a community based abattoir is used by the community to produce the beast for local consumption instead of the animal travelling around the country to get into the butcher shop that is 10km from where it originated. As I recall most of the small abattoirs were closed in the 1960s in favour of the large centralised ones. This is

likely to have been a mistake, not because of the lack of throughput but the lack of flow through return to the local community, as in jobs and community pride. Some butter factories have done very well in catering for and focusing on their community responsibilities such as Bega, where the dairy industry there is in one of the best districts (in fact it's a marginal area due to the uncertain rains), but the company worked hard and made it work. I think it would be very enlightening to go to Asia and see how these countries manage to deliver cheaper products at the supermarket, even with their cumbersome infrastructure and their expensive land and small farms and then see how we could pull ourselves in that direction.

Since the 1960s, in order to counteract these lower margins the farmers have been encouraged to "get big or get out". This sounds fine but in practice it destroys the social fabric of Australian rural society because of the lessening number of operating families and the flow on affects to the local town for supplies and support.

If we look overseas to say Latin America, the opposite is the case. Thousands of poor people are alienated from the land because the land is owned by a few very wealthy families and corporations. Is this really where we want to end up? With one, perhaps foreign, company owning the entire acreage surrounding one rural town and everyone is working for the one company. I am sure we don't, yet we are constantly being encouraged to "go down the same road" that will end in a monopoly. Even now Chinese and Arabic interests are taking up large swathes of land in Australia for their own usage. We are told that this is ok, because the taxes are the same. This is not the point. **In Asia there is no foreign ownership of land and we should do the same here! In Asia there is also no foreign immigration, so we would need to look at how best we can stop foreign ownership depending on their local visa status.** We really shouldn't be so desperate for foreign dollars and we really should be thinking how best to serve the Australian public's interest and Australia's future interest. We are not talking protectionism or tariffs, by simply denying foreign ownership. By doing so we should be conversely encouraging Australian ownership and Australian owned development. In Botswana the government uses the taxation profits from mining to be ploughed back into their own economy, more or less as a Land Bank (Allan Beattie's "False Economy"). PM Howard's 'nest egg' of \$50 billion, which was handed over to PM Rudd, could have been used for internal investment and development, instead of being squandered on Labor's 'green' projects.

However there is scope for some form of protection, since all of our trading partners have it in some form or another. We cannot compete with these larger economies because there is no level playing field. The Chinese could easily buy Australia if we let them.

There is therefore scope for a more local pride and a more locally focused endeavour. Perhaps a way of encouraging this would be to create a tax regime that repatriates taxes to their area of origin (Shire based) and not just the State from which it came.

A decade ago the largest export earner in Victoria was dairy products, largely from the irrigation areas in the north central part of the State, but since Premier Bracks shut the water off during the 10 year drought for 'environmental flows' then the irrigation farmers haven't had the water they once had. (Rather than help the farmers with their water supply Bracks sent more social workers to the area to deal with the high suicide rate in the Goulburn Valley, meanwhile he built a pipeline from the Goulburn to Ballarat to supply water to his home electorate).

Therefore, environmental flows notwithstanding (pointless as it is), areas such as the Goulburn Valley should be a hive of industry and a prosperous area of economic growth, but it's not. Why? Because the money created there doesn't stay there or isn't reinvested there. Having the taxes (especially export taxes from primary produce) returned to their area of origin would guarantee that those areas saw more investment into building a more successful agricultural sector. A series of local Land Banks could be built from these taxes and these could be used to assist people during drought, developing new technologies or trialling new crops, etc. They could even be used to buy back foreign owned land for cooperative enterprises. This would be far better than blowing the money on various pork barrel programs for fly by night politicians, such as we have seen with the Rudd/Gillard government spiralling into long term debt.



The "Buy Australian" campaign is pointless and useless, and consumers will continue to buy whatever is on the shelf in the local supermarket that is reasonably priced. What this campaign really relates to is our removal of tariffs allowing foreign products to flood our market. Paul Keating managed to do this when he was PM because everyone at the time was hell bent on zero tariffs, this making us the "only virgins in the brothel" of tariff protection (GATT has been going on since 1947, and still they keep meeting and discussing – what a lurk that must be!). Tariffs are necessary, because the world has a very lopsided share of wealth &/or labour. We can't compete with Chinese labour costs, nor can we compete with their wealth. What we can do is limit the type of items being brought into this country and I see little point in bringing in Italian tomatoes when we can grow them perfectly well ourselves at fairly competitive prices. This is not the same as ordering a 50 tonne excavator or other items that we really don't produce.

When Paul Keating transferred the onus from the importers to the producers for complaints about subsidised dumping it placed a large burden on the agricultural sector. At the same time there was a zero tariffs goal, which was fashionable at the time. An example of what took place is given by the tomato industry, where EU Italian canned tomatoes were available on every supermarket shelf in Victoria and probably Australia. While importers were making significant amounts of money and undercutting the local product, the Australian Tomato Growers Association was forced to seek a ruling on whether or not these Italian tomatoes were being dumped in Australia by the EU. After two years of court cases and a large amount of investigation the legal authorities ruled that the tomatoes were indeed being dumped by the EU, but this is really too little too late. The damage done to the growers over those two years is potentially catastrophic and not only endangers the grower's livelihoods but also the canneries and downstream industries. Following on from this investigation the ABC Four Corners program ran an article about illegal Algerian or Libyan labour working in Italian tomato farms that were run by the mafia. So not only was the EU subsidising them, the local mafia were in on the act with illegal immigrant labour.

I would prefer that we just don't import items that Australia produces in abundance, since we are better off without them. After all we don't mind subsidising the car industry to the tune of millions of dollars for an assortment of cars we just don't need. If we are forced to pay more for beef because our middle men are creaming the crop, then why do we expect the farmers to bare the burden of importing foodstuffs that compete for a market that they should already own? Surely the competition, as we have seen is not about improving farming practices, but actually about tearing apart the supermarket duopoly and the heavy handed union labour that charges \$1000 per head to kill an animal. If we must reduce tariffs then have them focus on industries that need dissecting,

such as labour, car manufacturing or other sectors that Australia is struggling in comparison to overseas, especially in Asian markets.

While on the subject of labour, over the past 50 years or so the number of labourers employed in the farming sector has declined enormously to the point where very few people outside the immediate family are employed on the farm. This is largely due to falling net returns per hectare and includes the comparatively high cost of labour. Yet if look to our American cousins in the USA, they have enormous resources of cheap labour due to their partaking of the Mexican labour market. These people are employed in a large variety of positions within the agricultural industry as menial labour. Whilst we have arrangement for backpackers to pick fruit or do other seasonal work, it is difficult to get regular crews. Farmers I have spoken to have tried 'work for the dole' people who fail to "cut the mustard". What I have noticed in Victoria are the plethora of Melbourne minibus crews, of mostly Asian people, that do the seasonal work picking peas or pruning vines. But still we have high labour costs in the farming sector and only when it is absolutely necessary do we partake of the seasonal labour. Yet we have on our doorstep, English speaking Christians who would love the opportunity to work in Australia at any rate of pay that is better than what they get in their home country. I am talking about the Philippines. The Philippines could be our Mexico if we stopped listening to the unions and the do-gooders who do not understand Asia or are simply trying to protect their jobs or interests. The biggest export in the Philippines is the Overseas Foreign Worker (OFW) who works throughout the Middle East and throughout East Asia. The base wage in the Philippines for labour is 300 pesos per day (AUD\$8), yet many of them work as maids, nannies, drivers, gardeners with full board in countries far from home for a take home pay of a few hundred dollars per month, which of course they send home.

We are constantly reminded of the importance of the minimum wage here and how foreign labour would destroy Australia, but if that is the case then how does the Saudi Arabia, Qatar, Taiwan, Japan or Hong Kong manage it, not to mention USA and their Mexican workers. Why not investigate those systems and see how they could be brought in to Australia (and please stop replicating everything in Europe here, because they are failing over their anyway)? If farmers had access through more extensive 457 visas with a more fluid labour market from the Philippines then they could afford to be more productive (eg. more tractor drivers may mean more crops or better machinery maintenance, etc). What about the service industry too; if we had maids like those other countries mentioned then Australians could spend more time having children and we could reverse the decline in our population, thereby stopping the excessive immigration policies of the Rudd/Gillard government.

We don't need to pay them the Australian wage scale and minimum wage according to our current system, because firstly they aren't stealing jobs that don't exist and secondly if they were then its time we stopped the unions telling us what labour costs should be. These jobs are largely unskilled and just as we have seen in the mining industry labour shortage fiasco recently, when there is a downturn then these people can be repatriated back home. It's what Phillipinos have been doing for years and it's their means of getting ahead back home. If we want to be competitive then we have to adopt many of the processes and policies prevalent in Asia. It is up to the person themselves as to whether or not they want to partake of the employment OFW program, given that the terms and conditions are set out at the start. These people aren't poor and starving, rather they are persevering and hard working. Plenty of Australians go looking for work interstate or overseas.

Also if we stop foreign ownership and allow foreign workers then the price of land will no longer be speculated upon by foreigners for capital gain purposes and who are keeping Australians from buying their own homes. Land values will appreciate because they have a cheap labour force to support them. If we allow boutique community based abattoirs, Shire repatriated taxes, farmer's markets and local produce stores to access these facilities (rather than big industry ends such as large abattoirs or large supermarkets) then the imported temporary labour will help regional Australia grow like it once did and we won't have the draining of Australia to service the State capitals.

Premier Bracks produced a map of the regional growth areas of Victoria some ten years ago. Those areas were the coastal region within a half day's drive of Melbourne as well as the regional cities Ballarat and Bendigo (both Labor seats). As far as they were concerned the rest of Victoria didn't exist. This was fairly evident in their Box-Ironbark review, which destroyed jobs throughout the Box Ironbark area extending from Wodonga to Stawell (that is all of north central Victoria, which are all National party seats). Under this review large swathes of public land were converted to National Park and this removed much of the industries traditionally associated with the bush in those areas such as timber cutter and beekeepers, as well as the recreational activities that aren't allowed under a National Park.

Add to this the shutting down of the water supply to the North central Goulburn valley irrigators and we truly wonder how country Victoria can grow at all when it is not only overlooked but actually undermined. Now I note in the Green Paper the comment about too many irrigation licences being passed out by the various States, whether this is true or not, the Goulburn valley irrigators had been one of the first to avail the water so therefore, I would have thought that they would have been one of the last to go.

To put this in perspective;

"Construction of the earth dam began in 1905 and was completed in 1915 using picks, shovels and horse-drawn scoops. The site of the basin was a former swamp in the then Waranga Shire. Construction of the dam was commissioned by the State Rivers and Water Supply Commission of Victoria for the irrigation of the Western Goulburn Valley. At the time of construction, the Waranga Basin embankment was described as the largest project of its sort in the world with an embankment height of 8.8 metres (29 ft) and length of 7 kilometres (4.3 mi)." Wikipedia, 2014.

Whereas the issue these days has become 'environmental flows', the real issue previously was salinity and its effect on pasture and grazing land. This latter issue hasn't disappeared, but has been curbed somewhat by better farming and irrigation practices. As to the Murray River needing to flow out to sea, this is largely nonsense apart from periods of excessive rain or the annual snow melt, if at all. The reason is that all the rivers along the south coast of Australia have silted up mouths due to a combination of a few things. The suspended clay in the muddy water is precipitated when the fresh water meets the salt water causing the formation of embankments near the salt water interface. Also Australia is such an old landscape that it is almost flat and the rivers wind their way to the coast in areas that are exceedingly flat and therefore they don't have much energy to erode this same area that is undergoing land deposition. Furthermore, areas like Lake Alexandrina are shallow and it forms a large evaporative system in a desert, so a large proportion of the Murray's water simply disappears. This Lake abuts the Coorong beach and sand dune system of 130km long. This very large beach acts as an aquifer whereby the majority of the water flowing to the sea flows through the highly porous sand. The only river mouth from

a large water system on the south coast that flows out to sea is at Lakes Entrance and the reason is that it is constantly dredged.

And so, in these old silted-up river mouths there is no need for the river to flow out to the sea (apart from flood situations which occur from time to time) and therefore environmental flows are simply a feel good idea invented by romantics living in urban concrete environments that are completely out of touch with what they are looking at in the natural landscapes.

In order for the irrigators to return to prosperity then they, as the key stakeholders, need to be able to control their key asset which are the dams and water supplies built for them during the last century. Its clear from the fiasco of the water management conducted by a number of water authorities that these authorities do not have the irrigators' best interest at heart. As an example the Water Boards in North Central Victoria were still charging annual fees to farmers for their water right, no matter whether water was delivered or not. They were also informed that if they didn't continue to pay then they would be charged in arrears for reconnection to their water supply. Most businesses that don't have a product downsize to cope with lean times, but no not the water authorities, they continued their extortion with all the gusto of an entrenched tyrant.

It is commendable of your Green Paper to recommend the construction of more dams. The last dam built in Victoria in 1980, which is also one of the largest in the State, was the Thomson Dam. This dam was built to supply water to Melbourne and for no other purpose. So it is no wonder that the city based voters don't see the importance of water supplies to rural agriculture, since they have what they want. Not only that these same voters are favouring governments for environmental flows without any idea of the consequences to rural communities of these flows.

I think these authorities should be brought in under the control of the key stakeholders, instead of the current situation, and they should be made accountable for their water management to the stakeholders. I know in other industries stakeholders have enormous powers to deal with project management and project input, but it doesn't appear to be the case in water. Much of the water issues that have been discussed of late have been high-jacked for political point scoring in the cities by grandstanding politicians that venture out to these areas about once a decade. It's true that there has been a lack of coordination between the States about the water resources and their overall management. There has been the ongoing issue of up streamers stealing water from downstreamers, especially when the up-streamers are new to the irrigation process, especially say in Queensland, so who has the right to water and who doesn't, and at what level? But in Victoria the system worked perfectly well for Victorians for almost 100 years. I am told and I suspect that the Water Authorities have been selling water downstream to other parties. We therefore need more transparency in the water allocation scheme for not only within the authority catchment but also between the other end users and authorities downstream.

I hope that you find this submission illustrative, informative and useful.

Sincerely,

Mr Neil Motton

B.Sc.(Geol.) Hons, MAusIMM (CP), MSEG.