



Submission in response to the Agricultural Competitiveness Green Paper

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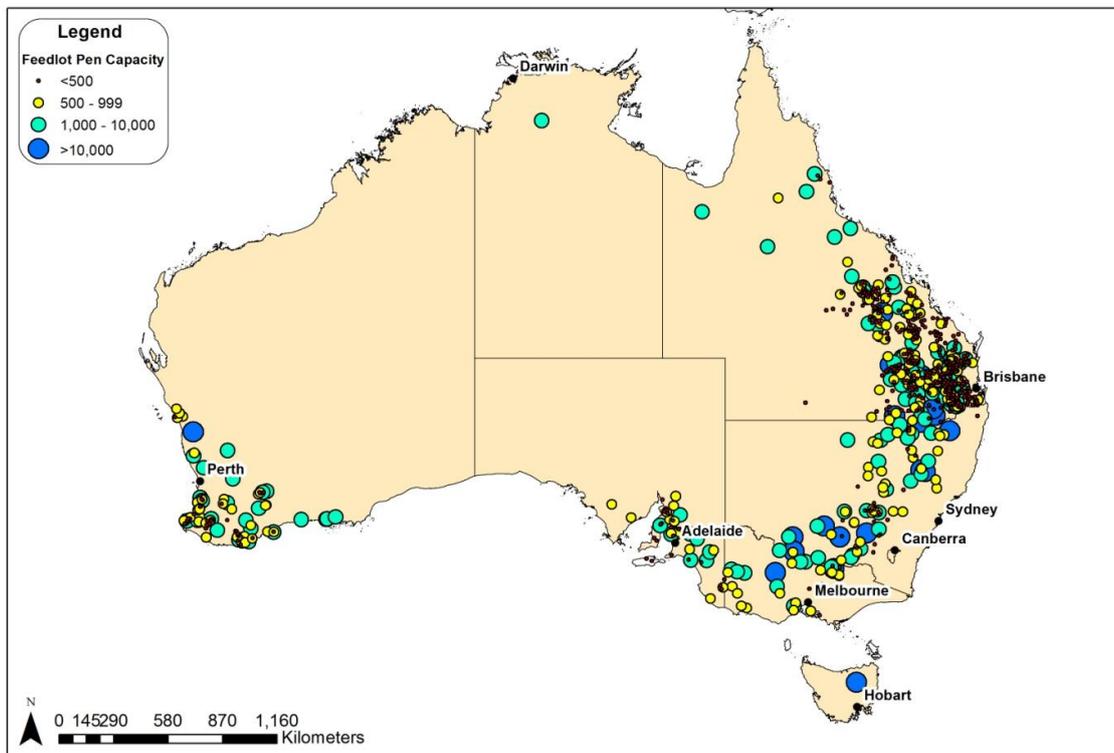
Background

The Australian Lot Feeders' Association (ALFA), the peak representative body for the cattle feedlot industry, appreciates the opportunity to respond to the Federal Government's Agricultural Competitiveness Green Paper.

The grain fed cattle industry has a value of production of approximately \$2.7 billion and employs some 9000 people directly and indirectly. Approximately 40% of Australia's total beef supply, 80% of beef sold in domestic supermarkets and the majority of beef industry growth over the last 15 years has been due to the expanding feedlot sector.

There are approximately 400 accredited feedlots in Australia located in areas that are in close proximity to cattle, grain, water and beef processing facilities. The majority of feedlots are located in Queensland followed by NSW, WA and then Victoria and South Australia.

Graph 1. The location, number and size of feedlots throughout Australia



The Australian cattle feedlot sector exports around 66% of its production to over 100 countries around the world. Accordingly, the need to be internationally competitive is imperative, particularly in less developed countries where price is the main driver of demand. In other markets, Australia has relied extensively on its systems and programs that enable it maintain a reputation as a supplier of 'clean, green, disease free' beef. Around 98% of feedlots are owned by Australian farming families with the remaining 2% owned by vertically integrated processors.

RESPONSE TO POLICY IDEAS

INFRASTRUCTURE

Policy idea 1 - Building new transport infrastructure and Policy idea 2 - Improving existing infrastructure and transport regulation

The Australian cattle feedlot industry is supportive of on-going government investment in new and in improving existing infrastructure. Given Australia's large size, the role of transport in agriculture's future cannot be overstated. Without significant investment in efficient and cost-effective transport infrastructure transport costs in Australia will remain significantly higher than countries such as the US and industry will continue to be at a competitive disadvantage.

Government investment in road and rail infrastructure such as the Bridges Renewal Program, to facilitate higher productivity vehicle access, and the Heavy Vehicle Safety and Productivity Program, to enhance the capacity of existing roads and improve connections to freight networks, along with the funding commitment towards such initiatives as the Toowoomba bypass are seen by industry as key infrastructure programs. These programs will enable rural areas to utilise the scale and cost efficiencies associated with B-Double and road train access required by the feedlot industry. Currently, the inability to utilise such vehicles on roads that traverse separate Local Government Areas and state boundaries is a major cost imposition and inefficiency that needs to be addressed.

Increasing the capacity of roads and bridges to be more flood tolerant is also required to minimise the likelihood of such events on industry as roads and bridges become impassable. This is particularly important in key agricultural areas such as the Darling Downs in SE Queensland. The two major flood events in this area in 2011 was a good example where the inability to transport ration ingredients to feedlots and finished cattle to processing plants led to large animal welfare risks and increased costs of production.

Mechanisms to incorporate local infrastructure needs and bottlenecks into infrastructure planning and funding decisions are strongly recommended to ensure that planning decisions recognise local issues and address them appropriately.

ALFA would also like to see a national review of current state based transport regulations and legislation with a view to harmonisation between the states. A particular example of current disparities in state based transport regulations is the archaic differences in loading limits for livestock transport. South Australia, Victoria and Queensland all operate on volume loading limits however New South Wales is still governed by weight restrictions. This leads to transport and cost inefficiencies in NSW, increased animal movement on trucks (thereby increasing the risk of injury) and livestock having to be transferred from one onto two trucks at the NSW border. **Policy idea 3 - Enhancing communications**

It is important that farmers and regional communities have access to reliable and affordable communications services to not only provide societal equality but to allow farmers to take full advantage of technological change. For example, the beef industry will transition to electronic vendor declarations integrated with the National Livestock Identification System into the future. Electronic vendor declarations have a number of benefits to the industry's competitiveness including:

- Ensuring producers are accurately completing the latest NVD versions to underpin our export market access programs
- Ensuring processors are able to schedule their kill lists in advance to make best use of staff??
- Reducing costs to producers arising from the printing and posting of paper copies.

However to enable this transition to be most effective, improved access to the internet and mobile phone services is necessary. The use of smart phone applications are also increasingly being incorporated into

industry extension, biosecurity and market intelligence programs. Examples include the Meat & Livestock Australia (MLA) free mobile application that provides producers with the latest livestock market information enabling them to read the latest market news, customise searches for local and global market reports and look up price and supply indicator graphs. Animal Health Australia (AHA) are designing an animal disease app that will facilitate rapid and efficient reporting of disease events to authorities if a notifiable disease is suspected, potentially reducing the time taken for industry to diagnose, address and hence, recover from a disease outbreak.

Access to reliable and affordable telecommunication services is essential to ensure the adoption of such programs and applications. These are basic services that are currently available to metropolitan Australians and are important components to ensure the competitiveness of the industry as we move forward.

WORKING WITH STATES AND TERRITORIES

Policy idea 4—State government deregulation

ALFA maintains its position that, ideally, State Government's should agree to relinquish their legislative responsibilities to a commonwealth level on certain matters that have national relevance. This has been undertaken with respect to Corporation's Law and should be replicated for WH&S, environment, animal welfare, property identification codes, privacy and transport matters for example.

Australian agriculture operates on a global level yet we have to deal with the interstate inconsistencies on legislation. This is cumbersome, costly, archaic and defies common sense or logic. An assessment of the costs associated with inconsistent state legislation may assist in the harmonisation or development of a consolidated commonwealth approach to such issues. The development of national industry and Government supported policy to help facilitate more harmonised state legislation is the best interim measure.

Whilst declining state and federal government budgets has precipitated a red tape reduction agenda, it has also led to increased costs being passed on to industry. This has taken the form of;

- cost recovery (eg AQIS inspection charges and EUCAS);
- the introduction of industry state Government levies on industry for biosecurity activity and maintaining property identification code databases;
- the removal of Government compliance and enforcement activity for disease and residue incidents; and
- refusal to fund Governments share of increasing Animal Health Australia budgets over time.

Importantly, many of these activities have large public benefits hence the reason why Government funded in the first instance. As a result of such actions, industry has had to shoulder an increasing share and burden of such costs. This not only negatively affects Australia's competitive advantage but also represents an opportunity cost as such levies are unable to be utilised for other uses. It is also a short sighted as it increases the risk and potential future Government costs if a disease or residue incident occurs.

ALFA supports the work being done to reduce red and green tape and duplication and to improve the performance of regulators through the Council of Australian Governments. Some examples of where ALFA can see opportunities for improvement include removing excessive work health and safety requirements. Another key example for the feedlot sector is state based differences in environmental legislation with different license thresholds, compliance requirements, assessments of risk, environmental incentives, among others. Differences in state legislation surrounding transport, payroll tax and animal welfare are other examples.

Policy idea 5 - Protecting the resource base

It is imperative that mining and CSG development do not adversely impact upon ground water aquifers. A secure supply of good quality ground water is vital for the feedlot industry from a number of different perspectives. It is imperative for cattle survival prior to feedlot entry, for feedlot cattle and general feedlot operations, for a range of inputs included in the cattle ration (grain, oil seeds, legumes, silage, hay and straw) and for future industry expansion.

To this end ALFA is supportive of;

- Nationally consistent, 'precautionary principle' based legislation to prevent CSG expansion until greater understanding is obtained regarding aquifers, the current and cumulative impact of CSG activities (including drilling, fracking, use/ disposal of CSG byproducts) and the potential beef residue impacts of CSG chemicals.
- Separation distances to feedlots and independent monitoring, reporting, assessment, compliance and enforcement to ensure CSG activity does not unduly impact upon groundwater quantity, quality and pressure before further CSG expansion occurs.
- A mandatory sovereignty fund financed by CSG companies to address past, present and future cumulative ground water impacts of CSG activity and genuine practical solutions to ensure CSG companies can and do 'make good'.

Policy idea 6 - Strengthening farm businesses

Ensuring harmonised nationally consistent legislation on matters of national relevance will strengthen the competitiveness of the feedlot industry, allowing it to operate more efficiently and to demonstrate with clarity to its key export markets on how it addresses the sustainability of the industry. An example of state and territory policy that needs to be addressed nationally is animal welfare. The feedlot industry has committed significant time and resources into the development of clear, consistent and enforceable Australian Animal Welfare Standards for Cattle with the understanding that they will be implemented across all states and so will provide important legislative support to the National Feedlot Accreditation Scheme (NFAS). However, recent communications have suggested that NSW will only be adopting the standards as prescribed guidelines, meaning they will not be mandatory. This is disappointing for ALFA not only because it will lead to legislative inconsistency between states but because it diminishes industry efforts to improve animal welfare performance for unaccredited feedlots in the state.

Another issue that will improve farm business certainty would be to review state and federal privacy laws with respect to the increased civilian use of drones. Current privacy legislation has clearly not kept abreast of the transition of drone use from military to civilian application with an array of moral and ethical issues consequently raised. For example, animal activist groups have now purchased drones to take unauthorised footage of intensive livestock businesses for the sole purpose of denigrating such industries. From a feedlot industry perspective, we are happy to have people come through the front door for a tour of our facilities, but to deceptively obtain footage without permission and then selectively edit and utilise such footage for malicious purposes goes against the intent of privacy laws. Currently, the RSPCA has the legislative ability to enter feedlots for inspections, hundreds of feedlot tours are voluntarily conducted per year, feedlots are independently audited on an annual basis and the sector has established a strong reputation on animal welfare grounds.

Moreover, it is clear that trespass legislation also needs modernising to deter illegal entrants. The recent example whereby animal activists trespassed into a WA live export depot, cut electric wires and hydraulic and brake lines on trucks, forklifts, tractors and trailers, represents behaviour which is not only illegal but places human lives at risk. The broader community also finds this style of behaviour abhorrent and unacceptable.

ALFA would also support planning legislation that provides more business certainty to lot feeders. In many areas, local Governments allow urban encroachment, peri urban, or rural and regional development on land adjacent to existing feedlots. Such dwellers then complain to Council about noise, smell or dust from

the feedlot when Council themselves have allowed such development to occur within feedlot buffer zones. Ironically such land use conflict could easily have been prevented had Council implemented the same buffer zone requirements to neighbouring housing as they impose on intensive livestock operations.

COMPETITION AND REGULATION

Policy idea 7 - Improving market competition

ALFA supports the principle of improving transparency and price discovery in agricultural markets but cautions against Government intervention which leads to negative externalities and unintended consequences, an outcome which can come from such action.

An area where Government intervention is required is the provision of grain stock data given current data is lacking and/ or piecemeal, imprecise and untimely. Overall, it is ALFA's view that this has led to market imperfections, information asymmetries and a lack of effective price discovery.

For this matter, ALFA recommends the following;

- Grain stock data provision should relate to all grains and oilseeds, not just wheat;
- Data should be provided by grain type, port zone (not just state) and certain particulars such as grade for wheat, feed/ malt for barley and GM/ non GM for canola;
- Data should be collated and reported on a weekly basis. Monthly reporting would also be beneficial;
- There needs to be communication to all supply chain participants regarding the collective industry good benefits of providing this data to enable a more transparent market place for informed decision making to occur;
- An independent body such as the GRDC (which does not stand to commercially benefit from this information and is funded by industry levies) should collate aggregated data from the supply chain on industry's behalf;
- There should be some level of compulsion imposed on key supply chain participants to disclose grain stock data as there is currently no incentive for such providers to provide this information. The options available are legislation or a code of conduct/ memorandum of understanding signed by the bulk handling companies, storage companies and GRDC. Whilst the latter option would not have legal standing it would invoke a level of collaboration and support that is not currently present;
- A randomized and statistically relevant number of growers should be surveyed each week to establish estimated on farm storage tonnages.

Policy idea 8 - Strengthening competition laws

Australian competition law needs to be reviewed to place more focus on the suppliers of goods and services. Whilst the cattle feedlot sector has a close and generally amicable working relationship with the major retailers, we are increasingly experiencing pressure to comply with requirements which impose increased costs on the sector and/ or limit access to technologies which would otherwise improve our competitiveness. The banning of Hormone Growth Promotants in beef by one of the major retail chains is a case in point. Whilst ALFA does not believe that such action is anticompetitive, it does demonstrate the market power that such operators have in the supply chain.

Policy idea 9 - Improved regulation

The removal of unnecessary red and green tape and ensuring necessary regulation is effective (but imposes the least possible costs for business) is a priority for the feedlot industry. The level of regulatory burden has a significant impact on the competitiveness of the agriculture sector.

The harmonisation of state Government regulation through adopting national legislation with respect to environment, WH&S, property identification codes, animal welfare and transport is important. ALFA would

also support the development of a more risk based approach to state Government environmental regulation.

The reinstatement of Government funding towards areas where funds have been removed over time (as discussed under policy idea 4) is required to reduce the pressure on industry levies.

ALFA would support more flexible regulations to allow levy streams and reserves to be more easily managed. To alter the current allocation of the four levies that make up the \$5 cattle transaction levy requires adherence to an arduous, time consuming and expensive levy principles and guideline process with regulation amendments similarly inflexible. This has led to key industry programs such as the National Livestock Identification System having to be funded through four levy streams via an ad hoc and unsustainable approach. This is far from ideal. The number of levy streams within the \$5 should be reduced and flexibility instilled to allow key programs and reserves to be better managed and more aligned with the dynamic nature of livestock production.

ALFA would support changes to the regulation of AgVet chemicals, such as through relying on the advice of trusted foreign regulators and allowing the Minister to issue temporary permits for chemicals. Unfortunately, whilst the requirement to ensure agricultural and veterinary chemicals are effective and don't pose any risk from a human health, environmental or trade perspective is imperative, the time taken to undertake this process is excessive. Many of our competitors accordingly get access to products which improve productivity and efficiency well in advance of Australian producers thereby affecting our competitive advantage.

A recent example is a product that the cattle feedlot industry is attempting to trial in Australia to determine its efficacy in removing dags on cattle. After 3 years, the industry has still yet to obtain APVMA approval to trial the product, let alone register it. The same product is available for use in New Zealand. An approach which focuses more on mutual recognition of the approval processes adopted in other countries is required.

A number of state Governments are reducing the costs for administering legislation by encouraging the adoption of third party auditable industry quality assurance programs which cover the areas of legislative concern. Queensland environmental regulation is a case in point. ALFA endorses this strategy as it provides the following benefits to both industry and Government.

Benefits to Government	Benefits to industry
Improved environmental performance (as more industry participants are encouraged to voluntarily participate in auditable quality assurance programs)	Reduced environment license fees
Reduced compliance costs (as this responsibility is delivered via independent annual audits)	Reduced auditing costs (duplicative Government environmental audits are no longer required)
Reduced potential reputational damage to Government for the actions of industry.	Improved uptake of QA programs among industry (leading to reduced industry reputational risk from matters captured within QA schemes eg environment, animal welfare and food safety)
Regulatory requirements are more commensurate with environmental risk	Regulatory requirements are more commensurate with environmental risk

FINANCE, BUSINESS STRUCTURES AND TAXATION

Policy idea 10 - Improving access to finance

One of the challenges for new farmers to be successful in agriculture is access to finance. Access to industrial sized capital is also an issue for established lot feeders given that Australian lending institutions have adopted extremely conservative lending principles. It is for this reason that foreign investment often becomes the only mechanism to attract the capital required for investment and expansion.

Whilst Governments could support new farmer investment through the provision of low interest loans so young farmers can purchase or lease land, ALFA would also like to see Government support and encouragement of land lease or share farming arrangements (as is undertaken at a greater level overseas) as an alternative to direct ownership. As land increases in value, the ability to purchase land outright (particularly in the face of declining terms of trade) becomes more difficult, or such purchases result in debt to equity ratios increasing and farmers struggling to meet debt obligations. Leasing land is far more common in other countries and should be considered (from both a lessor and lessee perspective) more readily in Australia.

Well-planned agreements can provide opportunities for new farmers to grow net worth and increase their investment in agriculture through increased operating profit and asset creation.

Policy idea 11 - Improving tax system efficiency and equity

ALFA is not well placed to comment on the initiatives proposed in this section.

ALFA is currently determining whether industry R&D levies can be to be considered a tax deduction for the sector. Whilst industry R&D levies are matched by the Federal Government and on farm R&D undertaken by individual producers able to be considered a tax deduction, the payment of R&D levies is currently ineligible. Given that R&D is a key tool that can improve Australia's competitiveness internationally; ALFA suggests consideration of this option.

Policy idea 12 - Farm business improvement

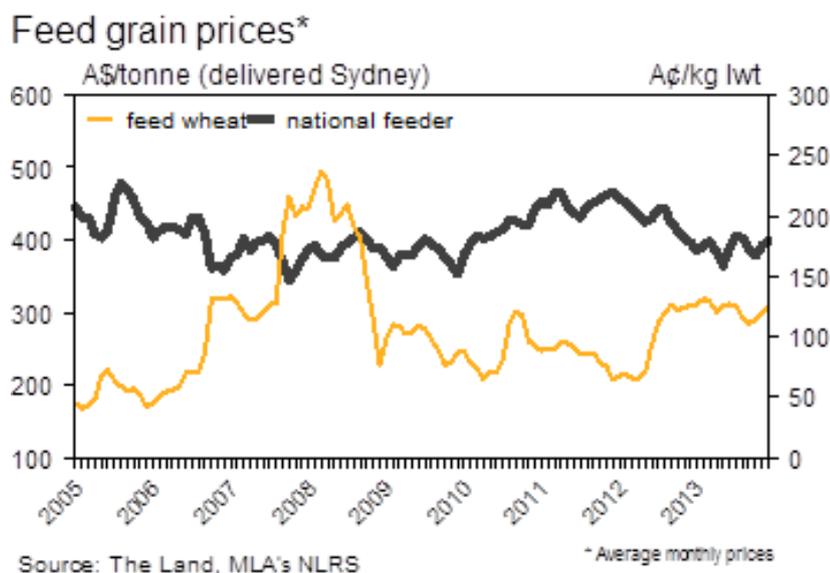
By nature, feedlots are expensive to build and run. Agriculture's fundamental failure to attract "industrial sized capital" on a broader scale is a limiting factor to growth and industry reinvestment.

Whilst the largest 20% of feedlots in the country represent around 80% of overall industry capacity, the average feedlot size is nonetheless small by international standards, around 2,000 head. This indicates the large number of small family owned and operated facilities in the sector. Many of these facilities are 'opportunistic' meaning that they place cattle in their feedlot only when market and/ or seasonal conditions are conducive to their operation. However, such activity also makes it difficult to maintain high calibre staff and customers; and to expand and gain economies of scale. Moreover, such lot feeders are likely to be disconnected to the rest of industry and accordingly may unknowingly suffer from the inability to access information regarding R & D outcomes, new technology or best management practices.

Other feedlots are unable to expand due to the high upfront capital costs involved. Rough estimates are that the cost to expand a feedlot is in the vicinity of \$1-1,500 per standard cattle unit (depending on the overall size of the intended operation). Such infrastructure is both immobile and inflexible in its use making the investment a sunk cost if it becomes unsuccessful.

Cattle feedlots essentially earn a small margin on a high number of cattle. Like extensive cattle production, profits largely depend on seasonal and market factors. From a seasonal perspective, good seasons lead to higher feeder cattle prices but lower grain prices for example. However, the sector does have some market influence on feeder cattle prices (the largest cost of production) through its own demand, but these are often lagged and may not completely offset increases in other costs. For example, the following graph demonstrates the decline in feeder cattle prices as grain prices increase (and vice versa).

Graph 3. Australian feeder cattle vs grain prices over time



Given the intensive nature of feedlots, they are characterised by a high cost structure, particularly from a labour and capital perspective. The high operating cost environment in Australia only aggravates this situation. For example, Australia has the highest minimum wage in the world (USD\$33,355)¹ and the 5th highest average wage² among OECD countries (USD\$49,656). Labour costs in Australia have also grown at twice the rate of other OECD countries over the past decade and 1.7 times that of the US. This has been particularly felt in rural regions where mining and Coal Seam Gas operations are located. Given these costs, we need to determine efficiencies to save labour costs over time. Such opportunities may include driverless feed trucks for example as occurs in the mining industry.

Over the last 4 years, according to Federal Government figures, average energy costs have also increased by around 70%³. Whilst the carbon tax may well be removed by the Federal Coalition Government this year, it is nonetheless clear that energy costs will continue to rise into the future. Accordingly, the feedlot sector needs to reduce its energy usage particularly around the further processing of grain given its energy intensiveness. More R&D needs to be undertaken to determine energy reduction or reuse opportunities such as finding alternatives to steam flaking grain, capturing and reusing the energy from manure/ effluent and improving energy efficiency for facilities such as cattle washing.

For marginal costs, given the high turnover of cattle, small efficiency benefits lead to large potential savings. Any technology which helps facilitate cost reductions will accordingly be utilised extensively in the sector. Unfortunately, Australia, being a small market, is often unable to access a number of cost saving technologies utilised by beef producers in other countries. This applies particularly to animal health products. Government actions that could help assist access to such technologies including the streamlining of chemical registration approvals would be beneficial.

Unfortunately, state and federal Governments have reduced their relative investment in research, development and extension into agriculture over time. This has made it more difficult to address declining terms of trade issues. It also hampers the sector's ability to take advantage of the growth in Asian beef demand over the next few decades. Whilst there is a role for the private sector to help address this area, previous reviews in this matter demonstrate the market failure and need for Government intervention.

¹ http://en.wikipedia.org/wiki/List_of_minimum_wages_by_country

² http://en.wikipedia.org/wiki/List_of_countries_by_average_wage

³ <http://www.ret.gov.au/Department/Documents/clean-energy-future/ELECTRICITY-PRICES-FACTSHEET.pdf>

The feedlot sector adopts a very collaborative and socialist response with respect to Research and Development (R&D) outcomes. ALFA organises a variety of workshops and conferences where such outcomes are shared among the sector. As a result, the costs for R&D extension are less and delivery of knowledge far quicker than other agricultural industries.

What examples are there of innovative financing models that could be used across the industry?

The largest cost of production for lot feeders is feeder cattle. Some feedlots may have 50,000 head in their feedlot at any one time yet the value of such cattle is not recognised as an asset by many lenders and hence can't be used as collateral for loans. Such lenders see a risk where these cattle can be easily sold should financial difficulties emerge. However, these lenders fail to appreciate that feedlots have credible and robust quality assurance systems with individual cattle given radio frequency identification devices under the National Livestock Identification Scheme to allow them to be tracked throughout the supply chain.

FOREIGN INVESTMENT

Policy idea 13 - Improving the transparency of foreign investment

Foreign investment provides a ready source of capital that is often otherwise unavailable due to Australia's small size and an aversion to invest in agriculture as a result of its long term returns on investment characteristics. Foreign investment should be considered separately to foreign ownership with the former a preferable arrangement.

ALFA is supportive of establishing a public register of foreign ownership of agricultural land to better understand trends in this space. We would also support expanding the register to include water and agribusiness enterprises.

EDUCATION, SKILLS, TRAINING AND LABOUR

Policy idea 14—Strengthening agricultural education

It is clear that whilst consumers have never been more interested in food, their understanding of agriculture has never been worse. This urban/ rural disconnect starts in the school room where students are not taught where food comes from and the trials and tribulations of rural life. This later manifests into a lack of understanding and misconceptions regarding farmers actions and motives over such issues as animal welfare and the environment. For example, the fact that farmers cannot be profitable if they do not look after the health of their animals and country is now lost on young Australians. Conversely, the views of animal activist groups are being promulgated into school curricula exacerbating the ignorance that is present. Government can play a role to increase the presence of agriculture in school curricula to address this issue.

ALFA supports the options proposed under Policy idea 14 that young people, including those in rural and remote Australia, should have access to a comprehensive education and agrees that this should include a clear pathway for agricultural education and training from high school to tertiary level.

As well as those options presented in the Green Paper, ALFA recommends government and private industry support and funding for the following:

- a. Working with States and Territories to improve the access to training grants. Currently, such grant funding is only available for employees who are within their 3 month probation period. Given that employers are uncertain at that point whether such staff will be retained, they are less likely to pursue such opportunities. This is a perverse outcome that needs to be addressed;
- b. Working with States and Territories to ensure on-going investment in extension capacity to provide a career pathway for industry consultants;

- c. Skills improvement and leadership programs such as the Nuffield Scholarships, Australian Rural Leadership Program and NAB Agribusiness Marcus Oldham Rural Leadership Program.

Policy idea 15 - Strengthening labour availability

ALFA is strongly supportive of the following proposed options to supplement domestic labour supply for the agriculture sector through improving the flexibility and reducing the compliance burden of existing visa programs;

- a. Expanding the Working Holiday Maker (417) visa by increasing the qualifying age, expanding the country coverage and allowing a second application;
- b. Broadening the skill coverage of the Temporary Work (Skilled) visa (subclass 457);
- c. Expanding the Seasonal Worker Program to all agricultural industries;
- d. Streamlining visa application processes to reduce administrative burdens (i.e. shorter application waiting periods, less onerous superannuation requirements and automatic provision of tax file numbers); and
- e. Providing clearer pathways to residency for visa holders in farm management.

DROUGHT

Policy idea 16 - Increasing drought preparedness

ALFA is supportive of the following suggested options within the Green paper to improve drought preparedness:

- a. Introducing accelerated depreciation—for example, at 100 per cent in the first year—for new water and fodder infrastructure;
- b. Improving climate information through better tools for use by farmers and additional weather stations.

ALFA would also support the following;

- On-going development of drought mitigation strategies including investment into grain research and development to develop more drought tolerant grain varieties along with varieties that more specifically deliver requirements for various market needs (including those within the feedlot sector);
- More accurate climate prediction models. Given global climate change predictions indicate that Australia will experience more variable weather patterns into the future, the need to secure more accurate weather forecasting tools will become more important. The cattle feedlot industry is particularly susceptible to heat stress conditions which are manageable if sufficient advanced warning is obtained.

ALFA does not support multi peril crop insurance.

Policy idea 17- In drought support

There are community expectations of a role for government in providing appropriate support to farm families and otherwise viable farm businesses suffering severe droughts. Options include:

- a. additional mental health support in times of drought; and
- b. provision of additional assistance for prolonged and severe drought that is beyond any capacity of farmers to prepare for, such as a one in 75-year drought.

Government can provide producers with information regarding appropriate options to help mitigate the impacts of drought. This information can be disseminated via a number of options i.e. face to face, electronic, post etc.

One drought mitigation option available for Australian cattle producers is the development and/ or increased utilisation of feedlots. Over the last 2 years of drought conditions in NSW and Qld, feedlots have enabled cattle producers to ensure the survival of their livestock whilst also delivering a consistent quantity and quality of beef. Significant cattle mortalities and animal welfare issues were therefore avoided. Governments can play a role in ensuring land use planning laws don't deter feedlot development, support the benefits of feedlots and helping facilitate this as an option for producers.

WATER AND NATURAL RESOURCE MANAGEMENT

Policy idea 18 - Improving water infrastructure and markets

ALFA supports investment in infrastructure to improve the efficiency of water use. At a feedlot level, Government incentives that would encourage investment in infrastructure that would reduce/ reuse water would be advantageous. For example, subsidies, tax deductions or R&D grants towards the following would be beneficial;

- Infrastructure that would allow the reuse of cattle wash water, chemical applications to prevent cattle washing and accessing treated CSG water;
- Technology and/ or knowledge to more efficiently and effectively utilise water;
- Research, Development and & Extension (R, D & E) investment in nutrient management and reuse to address increasing environmental regulation problems and lead to reduced input costs and increased crop production.

Policy idea 19 - Natural resource management initiatives

Environmental legislation provides important protections for our natural assets. However, regulation needs to appropriately recognise the interests of rural landowners. The Green paper suggests:

- a. Amending the *Environmental Protection and Biodiversity Conservation (EPBC) Act 1999* to remove onerous on-farm conditions and provide right of way to national transport and infrastructure goals; and
- b. Promoting more targeted approaches to pest and disease management and control.

ALFA would also advocate for a more precautionary principle approach towards CSG/ mining expansion to ensure that such activity is sustainably managed and does not negatively impact upon this vital resource.

RESEARCH, DEVELOPMENT AND EXTENSION

Policy idea 20 - Strengthening the RD&E system: Collaboration, cross-sector and transformational research and extension have been identified as current gaps in Australia's RD&E system. The Green paper states that Government is interested in ways to promote better rural RD&E coordination, reduce duplication, and facilitate the development of private markets in extension services. Whilst ALFA supports these above goals, we are not convinced that a number of the options suggested will effectively address the gaps. Such options include creating a new body for R, D & E and decentralising Government agricultural research functions (such as RDCs and agencies of the Department of Agriculture) to regional areas.

Industry is best placed to determine and prioritise R,D&E for their particular sectors. However, Government plays an important role in matching Government R&D investment as well as through other channels such the CSIRO and the CRC framework.

The removal of Government funding and resources towards R,D&E within agriculture would have significant impacts on the sector as the private sector, Research and Development Corporations (RDC's) and peak councils attempt to fill the gap. Whether this will negatively affect the rate of on farm adoption of R&D outcomes and whether effective communication linkages with RDC's can be established remains to be seen. Notably, the removal/reduction in State government investment in extension services within

agriculture in recent years will also have significant impacts on ensuring there remains capability in the extension development and delivery area. The government funded extension programs offered a career path for new science and agriculture graduates to enter the sector and develop their skills in promoting on-farm change management and adoption of methods to increase farm profitability. Extension officers often went on to private employment as industry consultants, further increasing capability and ensuring a succession plan. ALFA is concerned that the absence of this valuable career path through the reduction in government funding for extension will have significant long term impacts for the industry with respect to access to skilled and trained consultants that are able to translate research and development findings into outcomes on farm. It is recommended that this gap in career path opportunities for industry service providers be addressed.

Given the likelihood that state Governments will not reinstate resources and funding into R,D&E, the importance of collaborative funding arrangements between commercial, Government and industry R&D providers and combining R&D projects to deliver more leveraged outcomes for dollars invested will become more important.

The beef industry is incredibly diverse from a geography, production system and agro-ecological perspective. The industry needs to better segment producers and their R,D&E needs and deliver accordingly. This will ensure more targeted outcomes and delivery efficiency.

Government assistance in the development of an attractive R & D investment environment (including for foreign companies) for innovative public-private partnership models would be supported including the implementation of a range of measures such as investment and tax incentives, enabling regulatory settings, intellectual property protection and access to technologies.

Policy idea 21 - Improving the rural RDCs

RD&E funding should drive tangible outcomes for farmers to improve farm profits by targeting priority areas and minimising research overheads. The Green paper suggests the following options:

- a. Administrative changes to the RDC model to increase transparency and reduce costs, including giving RDCs a targeted set of objectives; and
- b. Increasing the flexibility of levy arrangements to enable better management of program expenditure and reserves. The current regulatory regime and the exhaustive and expensive Levy Principles and Guidelines process provides limited opportunities to change levy allocations and/ or divert levy revenues from one levy stream to another. Put simply, the inflexible levy regulatory arrangements are not suited to the dynamic nature of livestock production and the transaction levies that are collated from it. More flexibility is required by reducing the number of cattle transaction levies and/ or allowing levies to be reallocated between levy streams if necessary.

BIOSECURITY

Policy idea 22—Improving legislation

The feedlot industry has a heightened focus on Biosecurity given the intensive nature of feedlot production is conducive to rapid disease spread and a magnified impact. Moreover, Australia exports two thirds of its beef production and accordingly any exotic disease incursion would have a deleterious impact on lot feeder's profitability, our ongoing market access and our reputation as a supplier of 'clean, green, disease free' produce. The industry's quality assurance scheme, the National Feedlot Accreditation Scheme (NFAS) therefore has significant emphasis in this area.

The biosecurity legislative framework should be clear, transparent and simple. The proposed Biosecurity Bill 2014 will go some way to achieving this, but the Government could also update other parts of the

biosecurity legislative framework—such as the *Export Control Act 1982* and the *Australian Meat and Live-stock Industry Act 1997*.

Policy idea 23 - Improving the biosecurity system

Australia's biosecurity system protects our native flora and fauna and underpins our agricultural exports. To ensure that it remains robust and resilient to new and emerging pests and diseases, the Green paper suggests the need for:

- a. Improved information and intelligence gathering tools, supported by increased investment in high-risk areas and priority pests and diseases;
- b. Enhanced onshore monitoring, including by developing reporting tools and establishing a public Biosecurity Information System to share information; and
- c. Collaborating with industry associations to extend traceability systems to better facilitate responses to outbreaks and expand market access.

Whilst ALFA is supportive of Australia's conservative approach to quarantine, the current arrangements mean that the feedlot industry is unable to access grain at international parity prices during low domestic production years. This places our beef exports at a competitive disadvantage by up to \$100 tonne. ALFA believes that Australia needs to review this approach particularly with respect to grain importation such that both science and economics is taken into account during the import risk assessment and risk analysis process.

ALFA also suggests that there needs to be a greater understanding and commitment to government and industry responsibilities with respect to investment and provision of resources across Australia's biosecurity system. This will allow all parties to future plan in this area and could be done through the development and signing of such agreements by federal, state and relevant industry bodies.

ACCESSING INTERNATIONAL MARKETS

Policy idea 24 - Strengthening Australia's overseas market efforts

ALFA maintains that the single greatest gain that Australian agriculture can make is from improved market access. The Australian cattle feedlot sector exports around 66% of its production to over 100 countries around the world. Maintaining and improving our international competitiveness is an imperative, particularly in less developed countries where price is the main driver of demand. The increasing demand needs of Asia provide a valuable opportunity for the agricultural industry and efforts should be focused on building our understanding of, and engagement with, our overseas customers and competitors in this region. Whilst Australia has achieved great success in concluding trade agreements with Japan, Korea and China over the last 12 months, we must not rest on our laurels. Concluding the Trans Pacific Partnership, Regional Comprehensive Economic Partnership along with FTA's into Indonesia, India and the EU should now be priorities for the current Government.

The Australian Government should also increasingly focus on addressing technical barriers to trade. Following the success of the Uruguay round, increased number of signatory countries to the WTO and delivery of a large increase in international trade agreements; importing countries have resorted to the use of technical barriers to moderate trade. These can often take years to resolve and can place significant restrictions on Australia's ability to take advantage of international trade opportunities. Unfortunately this trend is inversely proportional to the agricultural councillor resources focussed on addressing such matters. This trend needs to be addressed by increasing the number of qualified agricultural councillors in key export markets, providing fora to address such issues via trade agreements and through the use of the WTO appellate.

Formal Government/ industry consultation frameworks should be established for discussions before and during trade negotiations. This consultation framework is imperative to ensure that the preferred and

fallback positions of both government and industry are well understood and attempts to introduce distortionary or obfuscatory provisions by importing countries are quickly addressed.

ALFA additionally supports the initiatives detailed in the Green paper in this area.

Policy idea 25 - Improving Australia's export and import systems

ALFA actively encourages a review of the Department of Agriculture's export and import certification systems. Whilst we acknowledge the current cost recovery focus, the charges then imposed upon industry are exorbitant and uncompetitive compared to the private sector. Australia is accordingly placed at a competitive disadvantage with our on farm terms of trade negatively impacted as a result.