

For the attention of the;

Agricultural Competitiveness Taskforce

Department of the Prime Minister and Cabinet

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from

REGIONAL AUSTRALIA AGRIBUSINESS COLLECTIVE

Submission to the Australian Government in Response to the Agricultural Competitiveness Green Paper 2014

By

REGIONAL AUSTRALIA AGRIBUSINESS COLLECTIVE

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SUMMARY

The **REGIONAL AUSTRALIA AGRIBUSINESS COLLECTIVE** is an association of a number of Australia's largest food manufacturing companies located in Victoria and New South Wales committed to improving the competitiveness of Australian agriculture. Together we employ more than 1,500 people and have a combined turnover of more than \$1.5 billion p.a. We offer to work collaboratively with the Australian and State Governments to improve the policy and operating environment for agriculture and food manufacturing in Australia.

The **COLLECTIVE** welcomed the initiative of the Australian Government to develop its Agricultural Competitiveness White Paper as we believed that it provided landmark opportunities to build Australian agriculture, secure the future of regional Australia, increase job opportunities, and improve Australia's long-term balance of trade in the face of a range of mounting global pressures.

The **COLLECTIVE** understands the focus by the Government in the Agricultural Competitiveness Green Paper on the family farms, as this is where the overwhelming majority of Australia's primary production is generated. However, agriculture in Australia is at the point where we must see beyond the farm gate if family farms are to survive and thrive.

The **COLLECTIVE** contends that a healthy, cost-effective and competitive value-adding sector operating as a continuum with family farms is an essential component of Australian agriculture if Australia is to capitalise on opportunities in Asia and elsewhere in the 21st Century.

The **COLLECTIVE** is concerned that the Agricultural Competitiveness Green Paper fails to recognise the importance of the value-adding sector in generating national wealth from agriculture now and in the future.

Australia, with leadership from the Australian Government, must provide an effective policy framework and operating environment for a vibrant value-adding food sector if Australian agriculture is to continue to be able to provide jobs to the rural unemployed, meaningful career pathways for our educated youth, and an increasing contribution to maintaining an effective balance of trade.

The **COLLECTIVE** contends that any improvement to policy settings for agriculture in Australia needs to be based on a clear, robust and transparent analysis and articulation of:

1. A vision for the future of Australian agriculture, especially in view of the changing global market place,
2. A value chain "Paddock to Plate" review of the current competitiveness of Australia's agricultural and the entire value chain benchmarked against major competitors,
3. A definition of success, and the targets, criteria and timelines that will be used to show whether the policies are delivering a globally competitive agribusiness sector.

The **COLLECTIVE** contends that the future competitiveness of Australian agriculture is delivered by combining both pre and post-farm gate activities through:

1. Balanced and broad-based improvements to policy settings and cost structures,
2. Constructive and effective collaboration along the agricultural value-chain.

The **COLLECTIVE** wishes the Australian Government to recognise that the current Agricultural Competitiveness Green Paper addresses almost entirely only the policy settings and operating environment for the pre-farm sector of Australian agriculture, and it fails to satisfactorily address the policy settings and operating environment of the entire integrated agricultural value chain. As such the **COLLECTIVE** requests that the Australian Government either:

1. Undertakes a major re-write before the White Paper is released – taking into account the policy settings for post-farm gate value-adding as well as the pre-farm gate – opportunities that have the potential to create increased wealth and prosperity for the whole agriculture sector, including the livelihood and economic well being of Australia’s farmers.

OR

2. Issues the White Paper along the lines of this Agricultural Competitiveness Green Paper, but at the same time launches a White Paper on the Competitiveness of Australia’s Agribusiness and Food Manufacturing sector. Such a new White Paper should be completed before the middle of 2015 and should be considered hand-in-hand with the current White Paper.

The **COLLECTIVE** still welcomes the opportunity to contribute to the Agriculture Competitiveness White Paper process and the formation of Australian Government agricultural policy. But we are gravely concerned about the shallow understanding of Australian agriculture shown in the Green Paper, and narrowness of the scope that its contents seek to address.

This response from the **COLLECTIVE** makes specific reference to a number of the category areas for policy ideas in the Green Paper – and aligns its response with the chapters of the Green Paper.

‘We want to be the food bowl of Asia and there is a great opportunity there waiting for us, but to make this more than a motherhood statement or dream, Australian Governments must be prepared to demonstrate commitment to the sort of game changing policy decisions that make this a reality. Governments cannot make these banner statements and walk away from the sort of structural changes needed for it to happen.

‘Farmer profitability doesn't end at the farm gate. It is organically tied to the fortunes of food processors and value adders. If they misfire as a result of poor Government policy and lack of visionary infrastructure development, we all fail.’

Peter Hall, MJ Hall and Sons

1. Who is the Regional Australia Agribusiness Collective?

We are eight Agribusiness Companies located in Victoria and New South Wales, employing more than 1,500 people with a combined turnover of more than \$1.5 billion p.a.



MJ Hall & Son's

The **REGIONAL AUSTRALIA AGRIBUSINESS COLLECTIVE** is an informal association between some of the largest agribusiness companies in regional Australia, and has been established to provide a single considered voice in response to the Australian Government's Agricultural Competitiveness Green Paper. It focusses on shaping policies that will increase the competitiveness of Australian agriculture.

Companies that have formed this **COLLECTIVE** and together are lodging this submission are:

- | | |
|--|---|
| 1. Advinco | Colignan, Victoria |
| 2. All Saints Wines | Wahgunyah (Rutherglen), Victoria |
| 3. Australian Garlic | Tamworth, New South Wales |
| 4. Freedom Foods | Taren Point, New South Wales |
| 5. Kagome (Australia) | Echuca, Victoria |
| 6. MJ Hall and Sons Fruit Growers | Mooroopna, Victoria |
| 7. Montague Fresh | Mt Waverley, Victoria |
| 8. True Foods | Maryborough Victoria |

The **COLLECTIVE** offers to work collaboratively with the Australian and State and Territory Governments to improve policy, so that the operating environment for agriculture and agribusinesses in Australia is enhanced and augmented.

The members of this **COLLECTIVE** have not solicited for additional membership, nor have they sought support for this submission from other agribusiness companies in Regional Australia. Nonetheless, members are confident that their combined view reflects the perspectives shared by a great number of agribusinesses in Regional Australia.

The **COLLECTIVE** would welcome the opportunity to engage further with the Australian Government in formulating the Agricultural Competitiveness White Paper.

To contact us:

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2. Overview

*'Agriculture provides the means for Regional Australia to get back to work.
It's about JOBS.*

'Agriculture is NATION BUILDING at its very best.

*'This submission by the Regional Australia Agribusiness Collective is about SOLUTIONS and
OPPORTUNITIES.*

*'There are investment opportunities in agriculture, food manufacturing and infrastructure in
Regional Australia that will repay Australia handsomely provided the policy settings are
right.*

*'Agriculture and food manufacturing provide opportunities to capitalise on Government
achievements in Free Trade Agreements with potentially large buyers of Australian
agricultural and food products – so to restore favourable national balance of trade.'*

John Brady, Kagome (Australia) and Chair of the Regional Australia Agribusiness Collective

The Australian Government announced that the intention of the Agricultural Competitiveness White Paper was to explore opportunities aimed at boosting the productivity and profitability of the Australian agricultural sector. It is also to drive the long-term agricultural policies of the Government to ensure that Australia's agriculture sector remains a significant contributor to the economy and local communities.

This is confirmed in the preamble of the Green Paper – where it is stated that the White Paper will deliver a clear strategy to improve the competitiveness and profitability of the agricultural sector, boosting its contribution to trade and economic growth, and building capacity to drive greater productivity through innovation (page xv).

The frame of reference for the Government is that *"Families on the farm are both the overwhelming driver of the economics of the farm as well as the owner of the asset. The concept of a family farm being small and inefficient is a misrepresentation of the reality that is today's business-oriented enterprises focused on market needs"* (page x).

The Australian Government announced that *"The White Paper will deliver a clear strategy to improve the competitiveness and profitability of the agriculture sector, boosting its contribution to trade and economic growth, and building capacity to drive greater productivity through innovation"* (page xv).

"The White Paper will be the Government's plan to support the future of agriculture. It must leave a legacy that attracts the next generation of farmers" (page xv). This supports the Government's assertion that *"The Green Paper identifies the opportunities to make our agriculture sector stronger, as well as the challenges it faces"* (page xv).

The **REGIONAL AUSTRALIA AGRIBUSINESS COLLECTIVE** welcomes the intent of the Australian Government in developing the Agricultural Competitiveness White Paper.

Likewise, the **COLLECTIVE** sees development of the Agricultural Competitiveness White Paper as an opportunity to build a long-term sustainable, globally competitive and high quality Australian agriculture platform.

Such an objective would increase job opportunities in Regional Australia, deepen rural community involvement and broaden the skills of young people in the countryside, delivering them careers.

However, the COLLECTIVE is extremely disappointed in the Agricultural Competitiveness Green Paper released in October 2014. It fails totally to deliver an effective blueprint for the future of Australian agriculture in the 21st Century.

As such, if the final Agricultural Competitiveness White Paper were to mirror the released Green Paper, then Australia would lose the wonderful opportunities that the Agricultural Competitiveness White Paper could bring to Australian agriculture, regional development, and the economic and social prosperity of Regional Australia.

This response from the **COLLECTIVE** makes specific reference the policy ideas presented in the Agricultural Competitiveness Green Paper – and aligns its response with the chapters of the Green Paper.

While the **COLLECTIVE** has clear views on matters raised in all chapters of the Agricultural Competitiveness Green Paper and the Policy Ideas in each chapter, we choose at this stage to focus our response predominantly on the key issues of:

- Infrastructure (Chapter 2)
- Working with the States and Territories (Chapter 3)
- Competition and regulation (Chapter 4)
- Water and natural resource management (Chapter 9).

The **COLLECTIVE** would welcome further discussions with the Australian Government all matters raised in the Agricultural Competitiveness Green Paper.

'Primary production, down-stream food processing and value adding must be seen as an integrated whole.

'Farmers will not realize the potential of their products unless Governments identify challenges food companies are facing and assist them to become competitive.

'This doesn't mean handouts, those days are gone, it means honestly looking at policy changes, infrastructure projects and logistical/transport reforms that enable food producers to capitalize on opportunities.'

Peter Hall, MJ Hall and Sons

3. Detailed Responses

3.1 Response to Chapter 1: Background

This response from the **REGIONAL AUSTRALIA AGRIBUSINESS COLLECTIVE** is based on the Australian Government's own statement that the intent of the Agricultural Competitiveness White Paper is to address the competitiveness of the Australian agricultural **SECTOR**.

The agricultural sector is always composed of a value chain – both pre-farm gate and post-farm gate. Figure 2 in the Agricultural Competitiveness Green Paper entitled *Value is now created largely post-farm gate* (page ix) illustrates unequivocally the need to view Australian agriculture sector as an entire supply chain.

In the 21st Century when consumers are more and more concerned about the provenance of the food they consume, Australian agriculture cannot be defined as pre-farm gate alone. The country will not return to the position of many decades ago when export of bulk agricultural commodities into non-differentiated markets could be relied on as the source of wealth and prosperity.

The **COLLECTIVE** believes that Government agricultural policy needs to reflect and support integrated agribusiness value chains.

In contrast, the Agricultural Competitiveness Green Paper does not provide any analysis of the extent to which improved policy settings could contribute to business improvement pre and post-farm gate.

Without such an analysis, it becomes guesswork for the authors of the Green Paper to then proceed to address only matters that relate mainly or entirely pre-farm gate or matters that derive from the perspective of pre-farm gate.

Possibly, it could be argued that some of the policy settings aimed at improving business opportunities pre-farm gate may have some spill-over benefits post-farm gate, but this shouldn't be assumed in such an important White Paper process.

The COLLECTIVE believes that the Agricultural Competitiveness Green Paper is severely compromised by the fact that it considers nearly entirely only pre-farm gate policy issues.

The **COLLECTIVE** contends that the Australian Government as a matter of urgency has to provide a much greater focus on the issues and the policy settings that relate to post-farm gate activities of the Australian agricultural sector as well, where there is at least equal, but most likely much greater scope to improve the effectiveness, efficiencies and profitability of the agricultural sector as a whole.

Only by focussing on the issues and policy settings that relate to both pre-farm gate and post-farm gate can the Government ensure that its agricultural policy is driven by its stated one key objective: *To achieve a better return at the farm gate to ensure a sustainable and competitive Australian agricultural sector* (page vii).

And in turn, only in this way can the Australian Government through its White Paper assist to bring about a more profitable future for farmers and their families who are at the heart of the sector and for whom a better return through the farm gate is imperative (page 1).

The **COLLECTIVE** is concerned that there is **no** expression in the Agricultural Competitiveness Green Paper of the Australian Government's vision for the future of Australian agriculture. There are no targets, no success criteria, or no stated timelines relating to how Australia will build a globally competitive agriculture sector.

An unacceptably high risk is that without any articulation of a vision Australia will be anchored in the paradigms of the past, and although making some improvements, they will be incremental at best, taking the sector along a well-trodden and worn out path.

The Agricultural Competitiveness Green Paper illustrates that Australian agriculture continues to be export orientated; in 2013-14 farm exports were worth **A\$41 billion** (page 3). Figure 5 (page xii) and Figure 11 (page 3) all confirm that these exports are predominately of a primary goods nature – commodities with no value-adding, an unprocessed primary product delivered into non-differentiated bulk markets.

Marketing commodities globally without value adding dictates that Australian agriculture will continue to be a price taker, and under this condition farmers will not, and cannot have any reasonable control over farm gate revenue. As other producing nations expand their agriculture capacity and add new and market-driven capability, the price for such commodities will be dictated by competitor countries and their willingness to supply.

There is no recognition in the Agricultural Competitiveness Green Paper of the means by which modern global markets are working, and how they may change even further in the near future. The **COLLECTIVE** believes that Australian agriculture has to move away from this (previously time-honoured) 'grow and hope' approach to marketing if the agribusiness sector is to improve the reward for effort to farmers.

The Agricultural Competitiveness Green Paper confirms that in 2013-14 Australia imported almost **A\$15 billion** of agricultural products, largely processed foods (valued between 65 and 70% of total imports; pages 3 and 4). This represents 36% of the total value of Australia's agricultural export revenue - derived mostly from unprocessed non-value added commodities.

The **COLLECTIVE** considers this statistic alone to be a 'wake-up call' to the Australian Government, and its implications should be reflected in the Agricultural Competitiveness Green Paper. Import replacement is just as effective as export at creating better farm returns for farmers – in some cases more so. Australia produces world-class, value-added food products despite current Government policies, but the Green Paper remains silent on the value chain issue of "Paddock to Plate".

To emphasise the point, the Agriculture Competitiveness Green Paper, points out that in 2012-13 Australian food and beverage processing was worth almost **A\$88 billion** (page 4). Hence this aspect of Australia's agricultural sector is worth more than twice the total revenue from our agricultural export.

3.2 Response to Chapter 2: Infrastructure

POLICY IDEA 1 – Building new transport infrastructure

POLICY IDEA 2 – Improving existing infrastructure and transport regulation

POLICY IDEA 3 – Enhancing communications

The **COLLECTIVE** is encouraged that the Agricultural Competitiveness Green Paper is proposing new transport infrastructure (Policy Idea 1) and improving existing infrastructure and transport regulation (Policy Idea 2).

However, the **COLLECTIVE** is greatly concerned by the superficial nature of the commentary - in particular:

1. The lack of any performance benchmarking against major international competitors, to identify where greatest gains in transport logistics could be made,
2. The absence of any analysis as to the cost benefits of the proposed options, and
3. The dearth of any prioritisation amongst the multitude of suggestions

‘Competitiveness of Australian agriculture internationally depends on clear access to port facilities with world’s best practice. The cost of getting our products to over 50 countries represents a significant component of our total cost of doing business. We are a world competitive business and we need a world competitive rail and port system benchmarked against our global competitors.’

David Lord, Warrnambool Cheese and Butter

‘Governments as a priority must identify a number of key infrastructure projects and policies in transport, power cost, fuel pricing, water cost, labour flexibility and phyto-sanitary requirements and have the courage to break through with changes to give us a platform to take on the Asian opportunity.’

Peter Hall, MJ Hall and Sons

The Agricultural Competitiveness Green Paper rightly demonstrates that Regional Australia is now suffering from the legacy of poor national planning and insufficient transport infrastructure investments. *“Transport infrastructure is critical to Australia’s competitiveness. The freight network, including road, rail, intermodal facilities and sea and air ports, is a key component of this infrastructure”* (Page 8).

“A 2011 study found the cost of transport from farm to destination (including domestic and international locations), for a sample of products including wheat and beef, averaged 21 per cent of the indicative farm gate value of the products (Goucher 2011). This emphasises the potential impact that transport cost savings could have on farmer returns” (page 9).

The **COLLECTIVE** is also concerned that for each of the Policy Ideas in Chapter 2, and for each of the specific suggestions to address these Policy Ideas, the Agricultural Competitiveness Green Paper states that Government is seeking or is interested in more stakeholder views.

A great deal of time and expense has already been provided by industries and organisations from the agriculture sector to making submissions to the Agricultural Competitiveness White Paper (since it was first announced in April 2014). The **COLLECTIVE** is not confident from evidence in the Agricultural Competitiveness Green Paper that the Government was able to adequately process the vast amount of input it has received already.

In the White Paper the **COLLECTIVE** wants to see:

1. A thorough analysis and benchmarking of transport logistic performance against Australia's major agricultural competitors
2. A thorough analysis of the full transport needs of the agriculture sector, including the needs of food processing and the value chain, rather than (as stated on page 9 of the Agricultural Competitiveness Green Paper) a focus on to and from the farm
3. A specific focus on the transport needs of both the pure commodity sector and the value-adding sector.
4. A clearly defined prioritised list of transport infrastructure planning and works that the Government is prepared to support.
5. An aspirational goal of when and how the highest prioritised improvements will be delivered.
6. If further input from stakeholders is required before items 1-5 can be delivered, a schedule and process for an open and transparent process to receive this input.
7. An opportunity for the **COLLECTIVE** to critically assess the Government proposals in items 1-5 (above) before they are cemented in place within the White Paper.

A simple example of international benchmarking of transport logistics was presented in the submission by **KAGOME Australia** to the Issues Paper. This is repeated below, and it clearly demonstrates the urgency of the need and the opportunities for improvement.

Performance benchmarking is needed along the entire value-chain, not just one component of it as illustrated in this example.

Standard for train freight in Canada:	10,000 tonnes per train
	40 tonne axle load weight
	\$20/tonne farm to port (wheat)
Standard for train freight in Australia:	2,000 tonnes per train
	16 tonnes axle load weight
	\$70/tonne farm to port (wheat)

(Source: Australian Export Grains Innovation Centre 2014)

The difference of \$50 per tonne for standard wheat freight for Canada and Australia (over equivalent distances) is an additional amount subtracted from the financial returns to farmers before payment is made. In Australia, this represents an astonishing one-quarter of the total amount received for the wheat crop by our farmers.

The value-adding sectors of agriculture suffer similarly also – for instance, and just for demonstration purposes - movement of freight is 10% of **KAGOME Australia**'s total cost structure, 20-25% of the total production costs of **Montague Fresh**, and the largest production cost for **Australian Garlic**.

The in-put costs within the agribusiness supply chain contribute substantially to the uncompetitive nature of finished goods, for export or domestic consumption.

Standardising regulations between States regarding road freight and making transparent the criteria that Federal, State and Territories use to apply their regulations, will drive down the cost of sending goods to market.

Further, an examination of the agribusiness value chain covering both pre-farm gate and post-farm gate would illustrate the infrastructure bottlenecks that exist at present, and would also indicate the consequence of those bottlenecks to the production input costs of the commodity.

'A comprehensive analysis of freight and transport logistics needs to be undertaken by Governments. It will be very difficult for Australian agriculture to create efficient food manufacturing and value-adding without such a comprehensive analysis.'

Jim Lesage, True Foods

'The Mildura area is one of Australia's richest agricultural regions, and there are large distances to domestic markets and export terminals. Yet there is no rail freight service to Mildura or surrounds. Advinco urges strongly the upgrade of rail freight to Mildura and the development of a network of European-type container terminals.'

Georgina Gibson, Advinco

To exploit the growing popularity of high-value horticulture products overseas, the Agricultural Competitiveness Green Paper needs to consider the airport network located in Regional Australia and its ability to dispatch fresh produce to Asian markets.

In an age of modern technology and web enabled management systems, mobile phone 'black spots' are an impediment to increasing yields and improving competitiveness. So many on-farm irrigation systems and plant / animal health monitoring systems are now web enabled. Reducing time inefficiencies, eliminating unnecessary travel and improving speed-of-action will increase agriculture competitiveness.

3.3 Response to Chapter 3: Working with the States and Territories

POLICY IDEA 4 – State government deregulation

POLICY IDEA 5 – Protecting the resource base

POLICY IDEA 6 – Strengthening farm businesses

The **COLLECTIVE** welcomes the priority placed in the Agricultural Competitiveness Green Paper on the need for the Australian Government and the State and Territory Governments to work collaboratively to address the policy and operational environment for the Australian agriculture sector.

But the **COLLECTIVE** wishes to highlight a number of areas that are the joint responsibilities of the Australian Government and the State and Territory Governments that were presented previously to the Government in the submission by **KAGOME Australia** to the Agricultural Competitiveness Issues Paper, but which have been overlooked in Chapter 3 of the Agricultural Competitiveness Green Paper.

‘Taking on the Asian markets will require large collaborative investments in food production/processing projects. No one in their right mind will risk investment when power costs are unpredictable, water costs fluctuate to the whims of populist policy, labour reforms are politically untouchable and rail infrastructure improvement is ignored. We risk having this opportunity drift away to other countries with an appetite and will to do what it takes.’

Peter Hall, MJ Hall and Sons

A Major Omission from the Green Paper: Energy Costs

The **COLLECTIVE** wishes to highlight a major omission from the Green Paper – Energy and its rising cost to the agriculture sector.

This is a responsibility of both the Australian Government and State and Territory Governments, and effective collaboration between all Governments is required to solve it.

The major premise of the Agricultural Competitiveness Green Paper is that Australian Government wishes to introduce improvement to the policy and operational setting of Australian agriculture so that farmers have greater control over their business operations, and greater reward for their efforts.

The Agricultural Competitiveness Green Paper, itself, and the commentary in this response by the **COLLECTIVE**, has already clearly established the need to increase efficiencies in the operations of the whole value-chain (pre- and post-farm gate) so that high value markets can be targeted, and financial benefits can flow back to the primary producer. The Australian Government through this document is silent, however, on the major issue of energy costs.

'The ever-increasing costs of gas and electricity strikes right at the heart of the international competitiveness of Australia's dairy export industry. High volume dairy processors like Warrnambool Cheese and Butter are heavy users of energy and we are investing in energy efficiency projects. It is frustrating to see these hard won efficiencies being neutralised by rapidly rising gas and electricity costs'

David Lord, Warrnambool Cheese and Butter

'Energy costs are the second highest input costs across all of KAGOME's farming and processing operations. Why is it that Australia is on track to become the world's largest exporter of Natural Gas, but in so doing is creating a Natural Gas shortage domestically that is increasing energy costs to Australian industry and at the same time providing cheap energy to the advantage of our competitors.'

John Brady, KAGOME

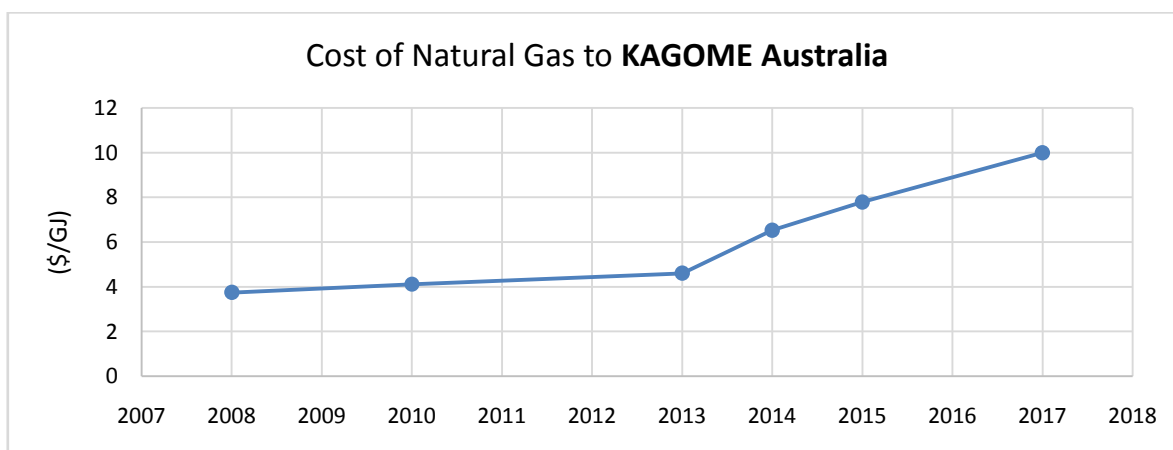
'Electricity costs for water pumping alone at Advinco is \$60,000 per month, and has risen by 30%. Drying of fruit can cost \$1,000 a day in wet conditions, but there is no reticulation of gas, and we still have to rely on bottled gas which has increased by 30% over the past two years. Why doesn't the Government appear to be interested in looking after the energy requirements of the agricultural industry?'

Georgina Gibson, Advinco

'The lack of infrastructure for energy supply severely restricts our company's expansion.'

Robert Hance, Australian Garlic

Food processing and value-adding along any agricultural value-chain always requires high energy input. But the price of Natural Gas to Australia's agricultural industries is increasing a staggering three-fold over 10 years to 2017. This is a major impediment to Australian agriculture. There is nothing like the magnitude of this increase in any of our major competitor countries (see table next page as an example).



Note: The 2015 price is contracted; the 2017 price is as already notified by gas supplier

Price of natural gas in California, Australia's main competitor for processing tomatoes:

2000	A\$4.40/GJ)
2013	A\$4.40/GJ
2020	A\$4.60/GJ (projected)

In real terms this is a decrease in gas costs to the Californian processing tomato industry over 20 years (US Energy Information Administration, Annual Energy Outlook 2013).

The COLLECTIVE wishes to repeat the Recommendations to Government relating to Energy made by KAGOME (Australia) in its response to the Issues Paper, with the intent that a section on Energy Costs be included in the White Paper.

Recommendations to Government:

1. Establish equitable solutions to the supply and distribution of Natural Gas throughout Regional Australia, investing in delivery mechanisms that reversing the recent significant increases in Natural Gas prices
2. Extend the fuel tax credit rate for taxable liquid fuels (currently applicable only for off-road activities in agriculture to heavy truck haulage, where the haulage is an integral part of the logistics of agricultural produce
3. Match equally private capital expenditure in Regional Australia for renewable energy generation with Government funding - specifically supporting co-generation plants where such projects will benefit a number of agri-businesses in a Regional centre.

There are a number of other areas that are the joint responsibilities of the Australian Government and the State and Territory Governments that were presented previously to the Government in the submission by **KAGOME Australia** to the Agricultural Competitiveness Issues Paper, but which also were overlooked in Chapter 3 of the Agricultural Competitiveness Green Paper.

These are not repeated in detail here in this response by the **COLLECTIVE** to the Agricultural Competitiveness Green Paper, but rather they are mentioned only briefly and only sufficiently to flag that they need to be addressed. The **COLLECTIVE** refers the Agricultural Competitiveness Taskforce to the earlier submission by **KAGOME Australia**.

In short, other areas relating to *Working with States and Territories* that the **COLLECTIVE** wishes the Taskforce to address are as follows.

1. Open and transparent communication relating to the management of water under the Murray-Darling Basin Plan, in particular transparency in the operations of the Commonwealth Environmental Water Holder and the State Environmental Water Holders.

2. Standardisation of road transport regulations between States, for example, consistency on the use of A-Double trucks between New South Wales and Victoria.
3. Even playing field for quality standards of imported foodstuffs so that importers of foodstuffs are required to adhere to appropriate and strict FSANZ food-quality standards in production of the raw material, in processing, and in packaging and handling.
4. Clarity and consistency in food labelling laws especially relating to Country of Origin. A House of Representatives Agriculture and Industry Committee has proposed changes (in late October 2014) to the current procedures, which need to be adopted / amended, so that the current consumer confusion is abated.

3.4 Response to Chapter 4: Competition and Regulation

POLICY IDEA 7 – Improving market competition

POLICY IDEA 8 – Strengthening competition laws

POLICY IDEA 9 - Improve regulation

The **COLLECTIVE** is concerned about some aspects of the approach taken in Chapter 4 of the Agricultural Competitiveness Green Paper regarding Competition and Regulation.

The **COLLECTIVE** doesn't agree that it is necessarily normal for farmers to be exploited due to the uneven level of market power (page 24), although we recognise that it does happen way more than necessary. Relationships between the primary producer and processors and retailers are complex, and this area needs to be addressed carefully.

The operations of each member companies of the **COLLECTIVE** relies on mutual respect, active collaboration and effective long-term commercial arrangements of goodwill with its suppliers to the mutual benefit of the company and those providing primary product.

Where exploitation does occur it may be due to both the inability of farmers to form robust commercial relations as well as predatory practices by some processors and retailers. The **COLLECTIVE** recommends the Government undertakes a thorough analysis of what is working and what is not working along agricultural value chains, and puts in place improved policy settings that encourages what is working. The key to this is transparency, where everyone acknowledges and respects the cost of doing business for each component of the value chains.

The Agricultural Competitiveness Green Paper explores (Policy Idea 7b) whether new marketing mechanisms which might restore the balance of power to the producer could be introduced. The document states that the Government is interested in stakeholder views on whether there are new marketing systems or other tools or mechanisms that could restore the balance of power to producers.

Brief comment on the views of the **COLLECTIVE** is below.

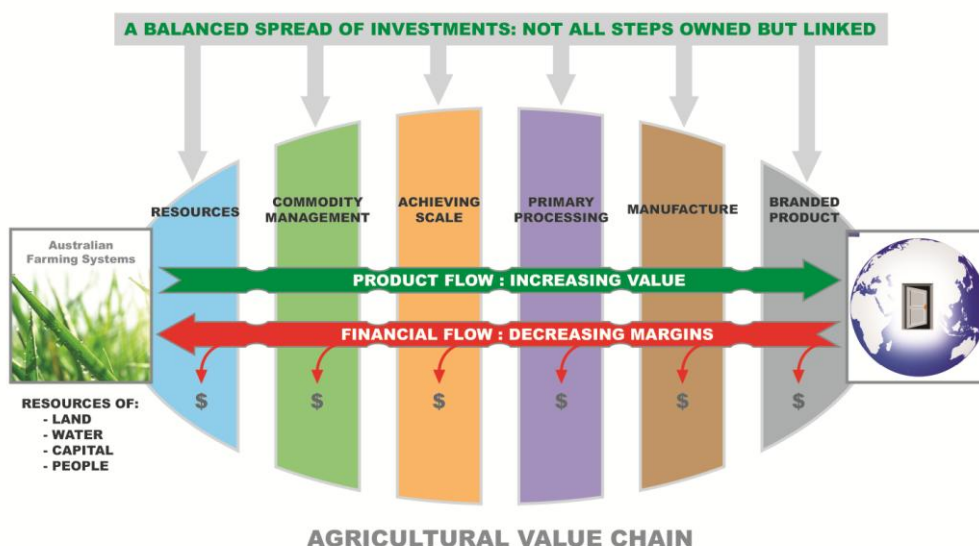
The **COLLECTIVE** contends that the Government and producers need to understand much more about modern value-chains for agricultural produce and to manage marketing and competitiveness throughout all segments of the value chain accordingly.

To maintain and build competitiveness, Australian agriculture has to understand how to 'reverse-engineer' the value-chain, so to know:

- what is the high value product buyers want
- what are the quality standards to command the premium price
- what are the assurance standards that the buyer needs before he will buy.

The whole value-chain needs to know how to produce that product, and how to play its role collaboratively in delivering the product to the market place cost-effectively.

Knowledge of the value-chain allows Australian agriculture to target successfully high value markets for building agricultural competitiveness, with each component contributing effectively to the success of the whole chain. A representation of an effective value chain is below (courtesy K. Russell and D. Ugalde – pers comm.)



Value-chain knowledge also provides entrepreneurs and agribusiness with sufficient understanding to meet the due diligence requirements of investors.

There are companies, many of them international, which understand the Australian agricultural value-chain well, as evidenced by them acquiring Australian assets in agriculture down-stream from farms. But in most cases, this information isn't held by, or available to farmers.

Why is it that foreign investors are prepared to invest heavily in the Australian agricultural value-chain?

While in many cases, foreign investment provides high value to Australia, why is it that the Australian Government allows this to happen mostly with minimal scrutiny of implications for Australia's agricultural competitiveness or national interest?

And why is it that at the same time, Australian investors, such as superannuation funds appear reluctant to do so?

The **COLLECTIVE** urges the Government, through the Agricultural Competitiveness White Paper to adopt a policy position where all Government decisions relating to agriculture and regional development are made through the prism of the agricultural value-chain; i.e. Governments must consider the impact of all policy decisions on Australia's capacity to target high-value global markets and the flow-back effects throughout the value-chain.

Examples would be decisions relating to Free Trade Agreements, foreign investments, resource and infrastructure ownership, regional development, and biosecurity.

Further, such an approach to value-chain management within Australian agriculture will facilitate:

- a shift away from many Australian farmers only having options to produce bulk commodities for non-differentiated, unprocessed markets,
- a shift towards a position where there are economic advantages for farmers to be a constructive part of the value-chain, carefully targeting high value markets for greater reward to farmers for their efforts.

The **COLLECTIVE** would like to see a major shift in the Agricultural Competitiveness White Paper related to the policy settings for effective value-chain management, and offers to provide further advice to the Government in formulating the position.

The Agricultural Competitiveness Green Paper quotes figures from English and Greenwood (2012) that 80% of the retail price of beef is incurred post-farm gate, just to cover costs. The implication expressed by the Australian Government in the Green Paper is that the farmer that produces the animal should be entitled to a greater share of the final cost.

What this assessment by the Australian Government fails to realise is that English and Greenwood looked at the price that the market would bear, and then worked backwards. The correct logic from the analysis by English and Greenwood should have been that if the Australian Government is committed to see Australian farmers receive a greater proportion of the final retail price in reward for effort, then the Australian Government should look at ways that greater efficiencies can be introduced into the largest contributor of the final retail price – the 80% that is attributable to post-farm gate.

But yet the document still remains almost silent on ways to improve the policy and operating environment for the post-farm gate sector.

3.5 Response to Chapter 5: Finance, Business Structures and Taxation

POLICY IDEA 10 – Improve access to finance

POLICY IDEA 11 – Improving tax system efficiency and equity

POLICY IDEA 12 – Farm business improvement

The **COLLECTIVE** has clear views on *Chapter 5: Finance, Business Structures and Taxation*, and some detailed perspectives on Policy Ideas 10, 11 and 12, but it chooses at this stage to focus its response to the Agricultural Competitiveness Green Paper predominantly on the key issues of:

- Infrastructure (Chapter 2)
- Working with the States and Territories (Chapter 3)
- Competition and regulation (Chapter 4)
- Water and natural resource management (Chapter 9).

The **COLLECTIVE** would welcome further discussions with the Australian Government on finance, business structures and taxation.

3.6 Response to Chapter 6: Foreign Investment

POLICY IDEA 13 – Improving the transparency of foreign investment

The **COLLECTIVE** has clear views on *Chapter 6: Foreign Investment*, and some detailed perspectives on Policy Idea 13, but it chooses at this stage to focus its response to the Agricultural Competitiveness Green Paper predominantly on the key issues of:

- Infrastructure (Chapter 2)
- Working with the States and Territories (Chapter 3)
- Competition and regulation (Chapter 4)
- Water and natural resource management (Chapter 9).

The **COLLECTIVE** would welcome further discussions with the Australian Government on foreign investment.

3.7 Response to Chapter 7: Education, Skills and Training, and Labour

POLICY IDEA 14 – Strengthening agriculture education

POLICY IDEA 15 – Strengthening labour availability

The **COLLECTIVE** has clear views on *Chapter 7: Education, Skills and Training, and Labour*, and some detailed perspectives on Policy Ideas 14 and 15, but it chooses at this stage to focus its response to the Agricultural Competitiveness Green Paper predominantly on the key issues of:

- Infrastructure (Chapter 2)
- Working with the States and Territories (Chapter 3)
- Competition and regulation (Chapter 4)
- Water and natural resource management (Chapter 9).

Nonetheless, without detracting from the importance of the four issues above, some brief comment is made below by the **COLLECTIVE** in response to *Chapter 7: Education, Skills and Training, and Labour*.

The **COLLECTIVE** would welcome further discussions with the Australian Government on education, skills and training, and labour.

The section on education, skills and training, and labour in the Agricultural Competitiveness Green Paper, like most other sections in the document, unfortunately is based on the mindset that the Australian agricultural sector is limited to the interests of farmers and on-farm (pre-farm gate) activities, and to issues surrounding the availability of farm workers. For instance, it makes the claim that there could be around 100,000 job openings for livestock and crop farmers by 2025 as older workers retire.

Hence, the Australian Government is proposing that there will be no increase in the farmer workforce over the next decade. Yet despite this view that there will be no increase in jobs on farms, all of the commentary in the Agricultural Competitiveness Green Paper still relates to provision of farmer skills and a farm-based workforce.

The **COLLECTIVE** recognises the need to build skills and career structures for farm workers. But at the same time it also recognises that the Agricultural Competitiveness White Paper process provides the opportunity for the Australian Government to respond to the challenges of new employment opportunities that will be created in Australian agriculture through the continual transition of Australian agriculture to higher-value production and value-adding processing in Regional Australia.

The Australian Government has an opportunity to create more favourable the policy and operating settings first for this transition to continue, and secondly for the provision of the education, skills and training, and labour required for this transition. Based on the Agricultural Competitiveness Green Paper, clearly the Australian Government is missing this opportunity.

Regretfully, the Agricultural Competitiveness Green Paper provides no analysis of the employment trends across Australian agriculture, and no analysis of the mechanisms that could be put in place to address the future needs for education, skills and training, and labour.

For Australian agriculture to be highly competitive on world markets, it needs highly skilled graduates from a wide range of academic disciplines including the basic sciences, social sciences, engineering, accounting, economics, and marketing.

But regrettably again, the Agricultural Competitiveness Green Paper focuses on provision of broad-based farmer training without any recognition of the skills that are required in Regional Australia to address the post-farm gate sector where, as established above, is the sector where 90% of the value of Australian agricultural is generated.

A major problem for a modern agricultural sector is to attract highly professional employees to regional locations. The **COLLECTIVE** requires the Government, through this Agricultural Competitiveness White Paper process to recognise that there needs to be some innovative thinking on ways to maintain, build, and invest in community infrastructure in regional areas.

Key examples of such investments are schools, tertiary education facilities, airports and air services, sporting facilities, public transport, cinemas, and shopping precincts. This issue was discussed in the submission by **KAGOME Australia** to the Issues Paper, but has not been recognised as a need in the Agricultural Competitiveness Green Paper.

The agriculture sector, the agricultural value-chain, and the competitiveness of Australian agriculture require highly trained people from all business operations, not just broad-based agriculturalists.

Just as importantly, highly skilled professionals – some recent graduates and some already with career experience need to be attracted to farming and to agricultural industries and to careers and life-style in Regional Australia by choice. The Agricultural Competitiveness Green Paper is silent on how the Australian Government intends to address this.

Companies in the **COLLECTIVE** employ over 2,000 staff. Our staff are the life-blood of our companies, and we recognise gratefully the commitment and skills that our staff bring to our business operations. The **COLLECTIVE** does not agree with the blind statement in the Agriculture Competitiveness Green Paper (Page 53) that “*we need to foster a stronger work culture in Australia*”, at least it is not true in our companies, nor in our experience is it true for the agricultural sector generally.

3.8 Response to Chapter 8: Drought

POLICY IDEA 16 – Increasing drought preparedness

POLICY IDEA 17 – In drought support

The **COLLECTIVE** has clear views on *Chapter 8: Drought*, and some detailed perspectives on Policy Ideas 16 and 17, but it chooses at this stage to focus its response to the Agricultural Competitiveness Green Paper predominantly on the key issues of:

- Infrastructure (Chapter 2)
- Working with the States and Territories (Chapter 3)
- Competition and regulation (Chapter 4)
- Water and natural resource management (Chapter 9).

The **COLLECTIVE** would welcome further discussions with the Australian Government on drought.

3.9 Response to Chapter 9: Water and natural resource management

POLICY IDEA 18 – Improving water infrastructure and markets

POLICY IDEA 19 – Natural resource management initiatives

The **COLLECTIVE** welcomes the assessment of management of irrigation water as outlined in the Agricultural Competitiveness Green Paper. In particular, it supports the continual commitment of the Australian Government to the principles of the Murray-Darling Basin Plan. It also welcomes the current involvement of the Australian Government in the 2014 review of the Water Act 2017 to assess whether the objectives of the Act and the Murray-Darling Basin Plan are being met, and to examine opportunities to reduce regulatory and reporting burdens under the Act without compromising the required standards in the Act.

The **COLLECTIVE** is pleased to see correct recognition in the Agricultural Competitiveness Green Paper that irrigated land accounts for around 19% of the gross value of agricultural production despite irrigation accounting for less than 1% of the total land used for agriculture. It should be noted, however, that the value of agricultural production from irrigation, taking into account the opportunities for value-adding that irrigation brings, increases this value a number of times over.

'Volatility of water costs and reliability of water supply is a huge issue for Montague Fresh. Late notifications of water allocations makes planning difficult with high risk, so Montague Fresh often needs to take a more conservative approach to production. There needs to be a single cohesive set of rules for the management of water resources between states, especially Victoria, New South Wales, and South Australia.'

Darren Barber, Montague Fresh

'There needs to be recognition by the Australian Government for an additional mechanism in the management of irrigation water to provide for the obligatory need of perennial orchards for summer water to protect the capital investment in orchards even when water is scarce.'

Darren Barber, Montague Fresh

'Much greater transparency is required for the management and trading of water for irrigation. Any spill water should be directly available for building regional industries and development, and more water should be allocated to the temporary market when supplies are good.'

Georgina Gibson, Advinco

'KAGOME forward writes contracts for Australian agricultural produce with reliable and long term purchasers on the basis of reliable and consistent supply. The capacity of KAGOME to be highly competitive depends almost totally on an assured reliable supply of irrigation water.'

John Brady, KAGOME

The **COLLECTIVE** strongly supports **Policy Idea 18 – Improving water infrastructure and markets** where there is a recognition that water reforms should continue, and the management of water within the Murray-Darling Basin could be improved further especially relating to the roles and activities of the Commonwealth Environmental Water Holder.

The **COLLECTIVE** particularly supports the commentary of **Item C of Policy Idea 18** relating to **Water Markets**. This aligns with the **Recommendations to Government** made in the submission by KAGOME (Australia) in response to the Issues Paper - *viz*:

- 1.1 Communicate consistently the decisions on when Government is going to trade in temporary water, with sufficient lead time to allow for agri-businesses to plan appropriately
- 1.2 Communicate transparently the agreed guidelines on release of environmental water, if available, allowing agri-businesses to plan their seasonal crops and land preparation more accurately
- 1.3 Communicate early the guidelines on environmental water release in future years, if available, so as to create a more even and predictable water market, strengthening this aspect of the Murray Darling Basin Authority

The Agricultural Competitiveness Green Paper indicates that the Government seeks further views on the functioning of the water market, especially relating to price speculation (page 83). The **COLLECTIVE** welcomes the opportunity to make a major contribution to the Government's deliberations in this area.

A brief outline of the **COLLECTIVE's** views of water market reform is below (next page), and the **COLLECTIVE** offers further discussions with the Government on this issues.

RECOMMENDATIONS TO GOVERNMENT IN RESPONSE TO REQUEST IN THE AGRICULTURAL COMPETITIVENESS GREEN PAPER FOR FURTHER VIEWS ON WATER MARKET REFORM (p 83)

RECOMMENDATION: That the Australian Water Market be made a 2nd Tier Stock Market

DEMONSTRATED NEED FOR CHANGE

1. The price of permanent irrigation water has continued to rise rapidly as speculators interfere with the water trade - limiting access by legitimate water users who create agricultural and regional prosperity. The price for permanent water increased by 50% (A\$1,250/MI to A\$1,880/MI) between July 2013 and December 2014, despite water storage in the MDB increasing over this time.
2. The price of temporary water has mirrored the price rises in permanent water almost doubling (A\$75/MI to A\$130/MI) over the same time period (July 2013 to December 2014) being subject also to speculator interference to the water market.
3. Water allocated to Environmental Water Holders that is not used to meet environmental targets is spilled on 30 June each year, whereas this water could otherwise become available for irrigators to produce additional high value agricultural product to increase Australia's agricultural competitiveness.

BENEFITS OF THE WATER MARKET MOVING TO A 2ND TIER STOCK MARKET

1. The Australian water market and water trading in the MDB would have a national perspective and be subject to the rules and regulations of the ASX, limiting speculative activities.
2. Timelines, volumes, and mechanisms would be established and publicised for the release water to the market by the Environmental Water Holders that exceeds the environmental targets.
3. The Environmental Water Holders would need to publish their plans for the revenue received from selling water that exceeds their environmental water targets.
4. Procurement of water shares by private companies and superannuation funds would be revealed.
5. A mechanism would be established for Water Utilities to sell water in excess of their legislative needs.
6. A mechanism would be established for private companies to sell water which delivers them a return on investment.

3.10 Response to Chapter 10: Research, Development and Extension

POLICY IDEA 20 – Strengthening the RD&E system

POLICY IDEA 21 – Improving the rural RDC's

The **COLLECTIVE** has clear views on *Chapter 10: Research, Development and Extension, and Labour*, and some detailed perspectives on Policy Ideas 20 and 21, but it chooses at this stage to focus its response to the Agricultural Competitiveness Green Paper predominantly on the key issues of:

- Infrastructure (Chapter 2)
- Working with the States and Territories (Chapter 3)
- Competition and regulation (Chapter 4)
- Water and natural resource management (Chapter 9).

Nonetheless, without detracting from the importance of the four issues above, some brief comment is made below by the **COLLECTIVE** in response to *Chapter 10: Research, Development and Extension, and Labour*.

The **COLLECTIVE** would welcome further discussions with the Australian Government on research, development and extension.

The Agricultural Competitiveness Green Paper lauds the Government for continuing to invest in CSIRO and tertiary research institutions. But even a casual observer can see that this funding is at declining levels with the areas relevant to the needs of the agricultural sector particularly hard hit.

As a case in point, 1,400 jobs are being terminated at CSIRO – i.e. one in every five of its staff. Cuts have also been announced by the current Government to the Australian Research Council which funds university research and development, and to the Cooperative Research Centres Program. Ten of the 36 current CRCs address directly issues of agriculture.

The Green Paper focuses almost entirely on ways that RD&E can improve on-farm (pre-farm gate) performance. While this has merit, the document is silent on any interest of the Australian Government to improve (1) the business knowledge of the farmer, (2) the farmer's role in operations of the agricultural value chain, or (3) business performance of the post -farm gate sector, where 90% of the value of the product is created.

The Agriculture Competitiveness Green Paper suggests the option of decentralising agricultural research functions to regional areas. There is no analysis as to how this will create improvement, although obviously there are risks – obvious ones being establishing critical mass and attracting the best enquiring minds to regional locations.

3.11 Response to Chapter 11: Biosecurity

POLICY IDEA 22 – Improving legislation

POLICY IDEA 23 – Improving the biosecurity system

The **COLLECTIVE** has clear views on *Chapter 11: Biosecurity*, and some detailed perspectives on Policy Ideas 22 and 23, but it chooses at this stage to focus its response to the Agricultural Competitiveness Green Paper predominantly on the key issues of:

- Infrastructure (Chapter 2)
- Working with the States and Territories (Chapter 3)
- Competition and regulation (Chapter 4)
- Water and natural resource management (Chapter 9).

Briefly, one area that needs to be raised is the national risk from Governments reducing their involvement in some of the biosecurity issues such as Queensland fruit fly, as many markets will not accept produce from QFF infested areas.

The **COLLECTIVE** would welcome further discussions with the Australian Government on biosecurity.

3.12 Response to Chapter 12: Accessing International Markets

POLICY IDEA 24 - Strengthening Australia's overseas market efforts

POLICY IDEA 25 – Improving Australia's export and import systems

The **COLLECTIVE** has clear views on *Chapter 12: Accessing International Markets*, and some detailed perspectives on Policy Ideas 24 and 25, but it chooses at this stage to focus its response to the Agricultural Competitiveness Green Paper predominantly on the key issues of:

- Infrastructure (Chapter 2)
- Working with the States and Territories (Chapter 3)
- Competition and regulation (Chapter 4)
- Water and natural resource management (Chapter 9).

The **COLLECTIVE** would welcome further discussions with the Australian Government on accessing international markets.

END OF RESPONSE FROM THE REGIONAL AUSTRALIA AGRIBUSINESS COLLECTIVE
TO THE AGRICULTURAL COMPETITIVENESS GREEN PAPER 2014