

Agricultural Competitiveness Taskforce
Department of Prime Minister and Cabinet
PO Box 6500
Canberra ACT 2600

To whom it may concern,

Thank you for the opportunity to comment on the Agricultural Competitiveness Green Paper and policy that will drive the future of agriculture in Australia.

One of the core priorities of Regional Development Australia Orana is ensuring the sustainability and competitiveness of existing industries; this includes expanding access to new markets, and promoting options for diversification across the region. The Orana covers approximately 25 per cent of the state of New South Wales, branching from Bourke to Mid-Western (Mudgee), Cobar to Walgett, and everywhere in between.

Agriculture is the backbone of the Orana region.

It is the second highest source of regional output (next to mining) and one of the largest employers (along with health and education). It also supports the economy in ways these industries don't; agriculture sources most of its supplies, services and expertise from within the region, meaning it has the greatest backward linkages throughout the economy of any industry. Its presence in the outlying regional centres sustains populations, which assists in ensuring government services and retailers stay in those towns.

As the Green Paper states "farming is a statement of who we are": this is true for the Orana and not a unique situation to many parts of Australia. We are pleased agriculture has been recognised as one of the five pillars of the economy and that its competitiveness is being reviewed with a mind to strengthen both the industry itself and the communities it supports.

The work of Regional Development Australia Orana covers many of the 11 areas discussed in the Green Paper, from infrastructure to workforce planning and development, promoting the region as investment and export ready and building international relationships, particularly in the Asian marketplace. We also work toward promoting and assisting in whole-of-government planning, currently assessing models for risk mitigation in agriculture, in particular the role multi-peril insurance could play in reducing systemic risk in the industry. These perspectives will inform our response to the Green Paper.

1. Infrastructure

Freight

It is widely recognised that freight is one of the largest costs in agriculture, reducing returns at the farm gate. For example, a 2014 report by AEGIC states that “supply chain costs are 30% of the cost of production” in Australia’s bulk grain industry¹.

There is a need for more systematic analysis of supply and logistics flows within and across regions. There are near endless anecdotes from farm operators regarding the extra mileage they clock up accessing the nearest grain terminal, because the most direct routes have wooden bridges or are not legal for heavy vehicles; similar to issues with varying rail gauges, we hear of instances where one road passing through three Local Government Areas can have varying load limits as it traverses the LGA boundaries, opening farmers and trucking operators to safety and bureaucratic risks.

Alongside NSW Department of Premier and Cabinet, NSW Department of Planning and Environment and the Orana Regional Organisation of Councils, Regional Development Australia Orana is in the process of undertaking a cross-regional Infrastructure Capability Analysis and Masterplan, focussing on infrastructure which will drive economic growth into the future. This work may go some way to identifying major pieces of infrastructure that will support better freight flows across the region, and will likely uncover the gaps in local supply and network analysis that may guide further assessment.

A whole-of-network view is vital to improving freight flows for agricultural competitiveness.

The Orana/Far West Regional Infrastructure Capability Analysis and Masterplan will also include some analysis of the region’s air capacity, particularly assessing its potential for freight. This work may lend itself to inclusion in Infrastructure Australia’s audit and we would be keen to share its findings when available.

We believe there is great opportunity for air freight, particularly the expansion of existing airports that are already strategically located to leverage road and rail connections. With the establishment of Inland Rail and the planned route’s proximity to Narromine and Dubbo, the Orana could provide an ideal location for such investment. These locations already have large agricultural supplies and services businesses, road transport providers, and well serviced airports. Better connections between road, rail and air will provide greater opportunities for the region. We support any progress toward Inland Rail.

The Green Paper lists the National Stronger Regions Fund as a mechanism for supporting improved infrastructure for economic gain in Agriculture. It also promotes the role of private investment, however the National Stronger Regions Fund is only open to Local Government or Not-for-Profit project proponents. This demonstrates a philosophical contradiction; just as government wishes to leverage its funds to deliver better outcomes with a 50 per cent co-contribution, private investors

¹ AEGIC (2014) *The Cost of Australia’s Bulk Grain Export Supply Chains*

would no doubt also like to leverage government funding where their project brings benefit beyond their own interests. Consortia models may provide an answer, however these prove difficult for private business in terms of ownership and return on investment. We believe more work needs done in government investigating/supporting private-public partnerships, with private equity funding models similar to that used in the construction of many of the nation's roadways.

Leveraging joint funding is good business. The Taskforce may recommend a review of Federal infrastructure funding mechanisms to more easily invite and support private partnerships and investment.

Communications

Regional Development Australia Orana is supportive of the Government's position that it will endeavour to improve communications technologies for all Australians. We believe this funding/policy area lends itself to a change in paradigm, where decisions are made based on the potential increases to productivity, rather than population servicing.

The Australian Government's Mobile Blackspots Programme, correctly administered, will do much to bolster telecommunications capabilities in regional Australia, improving access to innovative on-farm technologies for farmers outside the reach of the NBN, as well as mobile network use for basic safety and business purposes. However, the guidelines specify project preference based on number of dwellings covered, or length of road. In locations with more dispersed populations economic productivity may be high and increased access to the world and technology via telecommunications infrastructure could lead to great economic gains. It would be useful to see a focus on productivity and economic return-on-investment in these funds, rather than population.

Strong, healthy and happy communities are only as strong as their economy, where jobs, educational opportunities and standards of living are high. Neither economic nor social outcomes can be met for regional communities, with dispersed populations, until this paradigm shift occurs.

There is also a large recognised need for a greater weather radar presence in Western NSW. Informed decisions to improve returns at the farm gate can only be made where there is an appropriate and accurate evidence base.

The following may be considered in your recommendations:

- Shifting decision-making from an emphasis on population, to one of productivity and economic gain (in many ways the National Stronger Regions Fund is a good example of this emphasis on return on investment); particular attention may be directed to Local Government funding to, where appropriate, promote a whole-of-network view over a rate-payer servicing approach
- Improving opportunities to leverage government funds through private investment; with focus on clarifying barriers in terms of return on investment and ownership for investors

- Increasing emphasis on intermodal exchanges and locating infrastructure to improve intermodal connectivity (ie. access to land, air and sea ports)
- Promoting future funding opportunities for improved mobile coverage; the mobile blackspots program will not stretch far within the regions, providing infrastructure considered as 'business as usual' in metropolitan areas
- Promoting funding for the allocation of at least one weather radar in Western NSW

2. Working with the States and Territories

Any effort to streamline processes, reduce red tape and increase national consistency in the areas listed would be seen as beneficial. Other areas where the Commonwealth can better work with States and Territories include education and training and water management. These will be addressed below.

In NSW, Regional Development Australia is a partner of both the Australian and State government; we work with the relevant departments, business and industry to identify barriers to economic growth and facilitate projects to address these barriers. The Regional Development Australia network may be a conduit for the Australian Government's collaboration with the States and Territories to address some of these issues within agriculture at a regional level. As previously mentioned, our work already includes workforce planning and development, investment, infrastructure, whole-of-government planning and diversification and sustainability of industries; all of which are addressed within the Green Paper.

3. Competition and regulation

Regional Development Australia Orana support the reduction of both red and green tape at all levels. An effective deregulation agenda will make it easier to do business and invite investment. We understand that the Industry Growth Centres listed under the Industry Innovation and Competitiveness Agenda will be mandated to make recommendations for reducing red tape, including in the Agriculture and Foods sector. We are actively seeking information on how to play an active role in the establishment and ongoing operation of this centre.

The issues of competition relating to the major business chains and low prices are well documented, as are their impact on farm gate returns. Any work to review/improve this situation would be supported. Australia is running the risk of too much concentration within a few major retailers, wholesalers and manufacturers: market dominance by one or two players undermines competition whether in fuel, supermarkets chains or retailers. This market domination can lead to distorted markets and ultimately causes the farming community to be price-takers, not price-setters, as their end markets are limited.

The issue raised around creating greater transparency of food prices – for both producers and consumers – is inherently linked to this. Consumers will continue to support the lowest possible price at the grocery store if they do not understand the costs to producers, quality of Australian produce or have links to farming businesses.

In the case of consumer education, this raises a larger question of how to promote farming as an essential and thriving industry. We have an enviable agricultural sector, which is recognised as being relatively green, high quality and innovative, however these facts may be better known outside Australia than by Australian consumers.

People outside of farming areas are becoming less and less connected to the reality of life on farms. This leads to a disconnect between the primary product and how it appears when purchased in the supermarket. There may be a role for greater school-based education and exposure to food production in the National Curriculum to rebuild the national understanding of food and its origins.

This also relates to the Country of Origin Labelling of Food. Improvements to how Australian consumers understand where the food they are eating has come from, allowing them to make more informed decisions, would be supported.

The following may be considered in your recommendations:

- Safeguarding prices at the farm-gate for producers selling to the major supermarket chains
- Reducing the burden of bureaucratic regulation to improve efficiencies and international competitiveness
- Implementing methods to improve consumer understanding of the quality of Australian produce and costs of production: this may include increasing the visibility of agriculture and food production in schools as part of the National Curriculum, and improving Country of Origin Labelling of Food.

4. Finance, business structures and taxation

Being an organisation charged with economic development in a significantly agricultural region, we understand concerns over the high debt levels of farming in businesses; but also understand the balance outlined in the Green Paper whereby the farms holding the largest amounts of debt are often the highest performing.

In good seasons, these high debt levels allow for greater scale and more capital intensive enterprises, increasing overall performance. However agriculture is a highly volatile sector and this causes concerns for lenders and communities, particularly when experiencing extreme weather events such as drought.

Regional Development Australia Orana is assessing advanced models for risk mitigation in agriculture as it is important for the government to have a range of tools at their disposal to mitigate and respond to market volatility. One potential model is greater uptake of multi-peril insurance, where the direct production costs (or input), not potential loss of income, is insured. A recent Crop Insurance Symposium heard that in many other parts of the world a farming operation must have multi-peril insurance before they are able to borrow money to purchase farming land. Like mortgage insurance, multi-peril insurance is a requirement in the lending process.

One of the perceived major barriers to effective multi-peril insurance at present is the potential cost: this international model (albeit in vastly different production environments, where much of primary production is subsidised) has inherent universality/solidarity to reduce premiums for growers and risk for lenders.

By recouping production costs in the case of an extreme weather event, farming operations would be better able to proceed with production in the next season with less financial strain. They are less likely to reduce staff and spending throughout the broader supply chain, thus protecting rural communities and reducing the impact of extreme weather events on the broader regional, state and national economies. Additionally, we have been told that in a recent trial of multi-peril insurance (which had many participants from our region) farmers who had invested in the insurance scheme were more likely to improve business decision making; with the risk covered, they implemented better farming practice and thus increased productivity.

This concept reflects a required shift of mindset from being reactive to volatility in the market (particularly in the case of drought) to investing in risk mitigation and ongoing stability via farm financing. Another area where this shift would be appreciated is in the case of low interest loans for water related infrastructure for farm operators in drought declared areas; the infrastructure is too late once drought has taken hold (often well before an area is declared). These loans could be made available to all farms to prepare for periods of less than average rainfall. In this case they would be seen as an investment in national productivity, not a reaction to an extreme weather event.

The Green Paper has also raised the issue of shifting the mindset of primary producers from being production focused to being business orientated. There is a shift in the agricultural sector to this mode of operation; however there may be ways the Australian Government's policy approach could assist. We would support the notion of extending the Entrepreneurs Infrastructure Program to include on-farm business improvement.

In regard to taxation, any mechanisms to provide investment allowances and increase accelerated depreciation would be supported; these instruments encourage the farm sector to invest in capital equipment and improvements to increase farm productivity.

The following may be considered in your recommendations:

- Find ways in which the Australian Government could promote the need for on-farm lending to be supported by multi-peril insurance (of production costs) , reducing risk in agriculture for farming businesses, lenders and insurers, and reducing risk to the national economy?
- Ensuring the Entrepreneurs Infrastructure Program is extended to include on-farm business improvement

5. Foreign investment

Regional Development Australia Orana believes in the positive role foreign investment can play when it is in the region's interests. It is vital that the sights of all our industries, not just agriculture, are raised to consider global supply chains and opportunities, and not be limited to local production and connections.

In the Orana we have recognised a lack of understanding on the role of foreign investment, including its prevalence in Australia, and steps to becoming investment ready. Improved transparency of current international investment in Australian agricultural holdings, and greater assessment and promotion of how these investments have benefitted the surrounding region/Australia, will go some way to allay the fears surrounding foreign investment, and the development of the understanding that foreign investment does not automatically mean foreign ownership.

Recognising the lack of understanding of what it is to be 'investment ready' Regional Development Australia Orana will be working in early 2015 to develop an investment ready program, which will be used to educate local government and businesses around the region on what it means to be investment ready in the eyes of local and foreign investors (in the first instance via a regional forum). We will then work to raise the level of investment readiness in the region based on the identified gaps and taking steps to make connections to new markets. This is a model that, with support, could be rolled out on a national scale.

You may consider the following in your recommendations:

- Assessing the potential for developing agriculture specific investment ready programs, which could be contracted to regional bodies (such as the Regional Development Australia network) to roll-out in a regionally specific way

6. Education, Skills, Training and Labour

Skills gaps and workforce capacity is one of the largest issues facing the Orana region and its ability to compete and grow into the future. This is particularly so for Agriculture where there is little understanding of potential career paths, and a perception of the work as being low skilled.

This year, Regional Development Australia Orana, alongside partners from 20 organisations including representatives from agriculture, mining, health, government, education, training and employment, undertook research into the region's workforce capacity (*Report into the Workforce Capacity of the Orana Region*) to gain a greater understanding of the skills needs and what all parties could do to increase workforce productivity and prepare for future need.

This research showed that while around half (45%) of businesses were planning to grow in the next five years, there was strong evidence that skills gaps and skills shortages are both hampering current performance and will potentially have a negative impact on growth. The research was conducted around 3 clusters, grouped together based on major industries. The cluster most dominated by agriculture showed a similar appetite for growth to others (40%). For businesses who had recruited in the last 12 months, 73 per cent in the agricultural cluster reported difficulty in recruitment (the regional average was 71%).

This research was conducted as there was a recognised gap in the stakeholders' evidence base. The main stakeholder reference group felt unable to develop targeted strategies without appropriate evidence.

In many places the Green Paper referred to research conducted by the Australian Workforce Productivity Agency (AWPA), whose responsibilities have been transferred to the Department of Industry. It is important that this work does continue. Also, while AWPA provided national-level research there is a need for more regionally specific findings. For example, jobs advertisement data for the Orana region is irrelevant. *The Report into Workforce Capacity of the Orana Region* has proven that more than half of businesses in the region (61%) use informal recruitment methods including word of mouth, collecting resumes and personal networks. There is a need to understand regional nuances and inter/intra-regional competition for workers that may not present in national research.

The Report into Workforce Capacity of the Orana Region uncovered a number of key focus areas that may be relevant at a national level. These were:

- Job readiness
- Aligning training to the needs of the region
- Workforce attraction and retention
- Job matching
- Maximising the transferability of skills

Job readiness, job matching and maximising the transferability of skills all have some impact on federal programs mentioned within the Green Paper, with the National Curriculum, VET reform (via the Industry Innovation and Competitiveness Agenda) and employment services system.

In regards to job readiness, and also increasing the visibility and understanding of Agricultural career pathways, Regional Development Australia Orana would support the Australian Government

working with States and Territories to provide more access to specialised learning in agriculture in the future. This delivery should not just be to support agricultural high schools (which are not accessible to a majority of students in regional areas) but also schools in areas with large agricultural footprints. For example Coonamble High School run a highly-regarded and effective agriculture program, with a focus on job readiness and industry experience. It is important that programs like this are well supported under and arrangements relating to agricultural education and that, where a model has proved successful, can be expanded to reach a larger amount of students/cover a broader geographical footprint.

Regional Development Australia Orana also acts as a Registered Certifying Body (RCB) on behalf of the Department of Immigration and Border Protection. Recently, numbers of farming businesses utilising the Regional Sponsored Migration Scheme visa (subclass 187) (RSMS) through our office has increased. This visa is incredibly useful for regional businesses wishing to secure overseas workers.

Reduction of red tape in all visa application processes would be supported, yet this should not be at a loss of local knowledge and decision making.

We have been alerted to the potential of the repeal of the legislation which institutes RCB's in the decision-making process for this visa. In the case of the RSMS visa we are concerned that the removal of the RCB function may increase the burden on employers, particularly in the agricultural sector.

Instead, to reduce red tape, in areas of skills-shortages identified and recognised by the RCB, the requirements could be removed or diminished for:

- a) Provide evidence to show that there is a genuine need for the position (here, employers could demonstrate just enough information to show that the business is genuine and they can sustain a 2 years+ full-time position)
- b) Provide market testing evidence to show that the position can't be filled locally (this requirement could be covered by an acknowledgement that it is an agreed skills shortage area, as demonstrated by regional and national workforce research)

These requirements are particularly difficult for farming operations in the region that, in our experience as an RCB, would make up a large portion of that 61% of businesses in the region who only use informal recruitment methods. The application process is already complex and costly and, in our experience, would not be entered into unless it was deemed necessary; initiating the process alone is proof that the position cannot be filled any other way.

In your recommendations you may consider the following:

- Ensuring that the Department of Industry continue to perform the function of AWPAs, in regard to providing workforce research and analysis; also provide mechanisms for regional-level research to occur/continue

- Establishing steps to reduce the burden on employers seeking to nominate a position as part of the Regional Sponsored Migration Scheme visa (subclass 187) (RSMS) in an area identified as a skills gap and agreed between the nation and region

7. Drought

As previously mentioned, Regional Development Australia Orana is assessing advanced models for risk mitigation in agriculture, and looking to develop a model for an affordable (to government and farming enterprises) multi-peril insurance scheme.

As the Green Paper states “Government support should not be seen as a replacement for what farm business should be doing for itself” (p. 6). This is why we are working alongside the banking, insurance and agriculture industries to provide a business-led solution to a business risk issue.

One of the policy suggestions is that government could either work to reduce the upfront cost of risk assessment associated with the multi-peril insurance schemes in the market. Regional Development Australia Orana has recently made a submission to the inquiry into the establishment of the Australia Fund, suggesting that this fund could be used as an investment in such grants; it would support rural business and communities in the case of extreme weather events and act as an investment in the sector, rather than reactionary emergency funding.

Any work to mitigate the risks associated with the volatile agricultural marketplace, and thus reduce the flow on effects to the wider economy, would be supported. This includes acting on the suggestion that the Australian Government work with States and Territories to reduce stamp duty on insurance products.

We are also intimately aware with the mental health impacts of pro-longed periods of drought and financial strain and would support increased support for mental health work in times of drought, and the ongoing support of programs to build mental resilience within communities in other times. We also support and extension or ongoing support of the Financial Counselling service.

Alongside those suggestions relating to multi-peril insurance already made, you may consider the following in your recommendations:

- Whether there is opportunity to work with the Joint Select Committee on the Australia Fund Establishment to leverage that fund to cover entry costs for multi-peril insurance and thus invest in a more stable agricultural sector and to also consider the Australia Fund’s capacity to underwrite.

8. Water and Natural Resource Management

Drought in the region over recent years has brought to light some current and potential future water supply concerns. Short and longer term climate changes have reduced further the reliability of water supply to irrigation farmers throughout the region.

Water access and water security is a key concern for the communities within the Orana region. The draft Murray-Darling Basin (MDB) Plan released in late 2012 continues to raise concerns about the social and economic impacts of reduced access to water supplies by agriculture and other industries. It raises the necessity for basin-communities to diversify in order to continue to be sustainable and competitive in a water constrained economy. Currently, the 'blanket' government regulation approach to water accessing and licensing does not allow for the uniqueness of our many differing water systems and access to expand existing agricultural crops. Water licensing in some areas is inadequate and effectively stifle economic growth in regions where further access could result in a significant increase in produce yield and productivity, having a substantial direct economic and social impact to the local communities.

Other than increasing water security through new investments, there is also potential for making better use of existing infrastructure, through working the States and Territories.

As identified in the recent Infrastructure NSW 2014 State Infrastructure Strategy Update, the Macquarie Valley is a priority catchment for the delivery of critical infrastructure projects to improve water security, with the recommended solution to be a mix of increased storage capacity and works to address current inefficient water delivery.

Please consider:

- Working with the state of NSW to improve the utilisation of water from Burrendong Dam by reviewing the feasibility of down-stream water re-regulation; reviewing the storage capacity within Burrendong's flood mitigation zone

9. Research, development and extension

Regional Development Australia Orana believe strongly in evidence based approaches and creating a culture of innovation in Australia as a means to increase global competitiveness: we are therefore eager to see that Australia continue to have a world-recognised research sector, which can only be achieved if the sector is well funded.

Outside of government support, this can be achieved through building better partnerships between industry and research. The Australian Government's proposed Industry Growth Centres could fill this role, and be mandated to also fill those others listed including directing research, enhancing collaboration etc.

Regional Development Australia Orana would support any effort by Government to provide more extension and outreach services to regional industries (particularly agriculture) or to support Research and Development conducted in a collaborative way to improve efficiencies and productivity.

We would strongly support the decentralisation of government research functions to regional areas. With a strong university presence (Charles Sturt University), and potential to link with state-based research via the Trangie Research Station (managed through NSW Department of Primary Industries) the Orana would be an ideal area for the location of federal agricultural research services.

You may consider the following in your recommendations:

- Include locations in the Orana in the decentralisation of government research functions to regional areas

10. Biosecurity

Regional Development Australia Orana has no comments on biosecurity issues at this time.

11. Accessing international markets

Regional Development Australia Orana would support any efforts to improve access to markets for the agricultural sector, as well as education about future potential markets for primary producers. This includes providing more exporter readiness training; we have noticed there is a lack of education for businesses that are in the early stages of preparing to be export ready. Exposure to international markets, trade missions etc is often reserved for those businesses deemed export ready or already exporting. There would be great benefit in providing more information to businesses at this early stage, and assisting smaller businesses raise their sights to international markets and supply chains.

Thank you for the opportunity to respond. Regional Development Australia Orana is happy to be contacted regarding any point made in this response.

Kind regards,



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