

# Agricultural Competiveness Green Paper Response

*Authors:*

Mr. Robert Turnbull

Mr. Gregory Sawyer *MABM (CSU student)*

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## **Executive Summary**

The Australian Federal Governments Agricultural Green Paper on Agricultural Competiveness was released in October 2014 for response by stakeholders in Agriculture.

The authors of this Agricultural Competiveness Green Paper response submission, have formulated a wide-ranging set of ideas in key areas of

- **financial possibility for the continuation of the farm business into the future, generational change within the farming business,**
  - *rural business lease taxation for new generation of farmers*
  - *continuation of Farm Management Deposits, while raising equity in farm business*
- **natural disasters management,**
  - *severe drought to once again be placed into the Natural Disaster Relief and Recovery Arrangements*
  - *need for the assistance of a substantial freight subsidy.*
  - *The need for an interest rate subsidy at the time of a drought declaration as a carry on assistance to keep the farm viable.( The last thing farmers need in a no cash flow situation is to take on more debt.*
  - *The need for an equalising of the funds made available in any freight subsidy*
  - *Small businesses in natural disaster declared areas could also have the ability to access to the same freight subsidy*
  - *A reduction of personal taxation in drought declared areas, similar to zone rebates*
  - *a 100% write off in the first year of installation of grain storage, hay sheds and emergency water infrastructure*
- **Strong and Vibrant Rural Communities in time of drought**
  - *Farm hand personal income tax reduced when living within drought declared areas*
  - *100% write off of all infrastructure as part of drought preparedness including silo's, hay sheds and silage pits and water infrastructure.*
- **Increased Returns at the Farm Gate**
  - *Acknowledgement of the high input cost to move freight from farm to destination*
  - *The appointment of an Independent Commissioner to oversee renegotiation of previous contracts made with the Rural Assistance Authority – due to various funding contracts used for the capping and piping scheme loan scheme.*
  - *The management of the Artesian Basin to continue to provide a guaranteed water supply. With an appointment of relevant non-government stakeholders for the future of the Great Artesian Basin.*

As farmers we continue to look at our businesses future to enhance it, and then continue to be a world leader in the production of quality agricultural goods and services. Both Robert and Gregory have been collectively involved with over 75 years of agricultural and agribusiness history. They have seen during their lifetimes increasing amounts of input costs, market volatility, and increased red tape and reduced international and domestic competition across a wide ranging number of farm products.

Therefore, it is now the time to consider the agenda for both Federal and State / Territory agriculture policy through this extensive consultation process.

The authors note in the Green Paper that *“The Australian Government’s agricultural policy is driven by one key objective: to achieve a better return at the farm gate to ensure a sustainable and competitive Australian agriculture sector.”* Additionally we agree with the position of *“... if this objective is attained then investment in Australian agriculture will follow, more export income will be earned, regional communities will be stronger, better jobs will be created and the health of our economy and nation will be strengthened.”*

### **Writers History in Agriculture**

#### **Mr Robert Turnbull**

*Robert is the principal of R.B & T.M Turnbull of “Bando Station” Collarenebri NSW. It is located thirty kilometres north of Lightning Ridge. The workforce on Bando Station consists of Robert, his wife Therese, and their adult children son Robbie and daughter Hannah. A previous permanent worker had to be retrenched last June as well as two casual workers had to be stood down due to the hardship of the severe drought.*

*Robert is a fourth generation farmer / grazier living and working his land which totals 53000ac. This country in normal times would run 20,000 sheep, 500 head of cattle and crop 6000ac growing many different crops (wheat, oats, chick peas, fabre beans and barley). However over the past two and half years has seen the business forced to sell  $\frac{3}{4}$  of the sheep and  $\frac{2}{3}^{rd}$  of the cattle to provide income to continue the feeding out daily hay / grain and cotton seed in a bid to hang on to the last of the core breeding stock. The last harvest occurred in late 2012 season.*

*The Turnbull family have always prided themselves in the ability to survive flood and drought with drought preparedness a major priority. A major part of their business and property plan has been to hold on to hundreds of tonnes of hay and grain as part of their drought preparedness. They also have had the foresight to cap and pipe the bore drain systems which guarantees water movement throughout Bando.*

*This drought so far has seen the business, feed out 5000t of grain, 3000 5x4 of hay, 200t of cotton seed a long with lick blocks has cost the family farm \$1.3 million in feed and lost production bills.*

*All the cattle have been away on agistment since August 2013.*

*Robert is the key spokesperson for the Bando Action Group which consists over 50 grower families from the local area to Bando (Lightning Ridge)*

*Phone – 02 68290285 Fax – 02 68290829*

*Email – cod501@bigpond.com*

**Mr Gregory Sawyer**

*Gregory has been involved in Agriculture for the past 28 years in various roles. He continues today to be an integral part of many farming business with the marketing of wool and sheep from the Central and Western regions of NSW in his role as a wool and sheep specialist with Australian Wool Network.*

*He is also a “hands on” director and 1/5 shareholder of Ooranook Pastoral Company which runs 90 cows and up to 1500 sheep in the Braidwood area. He is committed to the future success of Agriculture and Agribusiness as evident in his studies at Charles Sturt University where Gregory is currently undertaking a Masters of Agricultural Business Management.*

*Phone – 0409 555 877*

*Email – [gsawyer@woolnetwork.com.au](mailto:gsawyer@woolnetwork.com.au)*



## **Family Farm Business and its continuation into the Future**

### ***What Immediate action that needs to addressed.***

An increasing amount of farmers are reaching retirement age, some would like to be able to pass on the family farm business to a younger generation. But due to many financial constraints, or lack of equity in the business this is becoming harder and harder to achieve for both the current owners and potential new owners of the business.

Robert and Therese's children have the desire and passion to carry on the family farming business. They wish to be 5<sup>th</sup> generation farmers providing food and fibre to the world. For the younger generation to be financially sustainable on the land we would urge the Federal Government to consider the following:

- *A lease back arrangement of the farming business to their children / younger people wishing to pursue a career in agriculture. At a mutually agreed figure which could be serviced by a lease arrangement. This lease amount would service the remaining level of debt owed by the farming business each year.*
- *There would be a required amount of debt level on the property, and this would need to remain at no less than 60%.*

This may not be a new idea in some business. However there is an increasing need as our farming principals grow older, to have the ability to allow for financial stability and succession planning of the younger generation. By working on this idea, would continue to see families being the cornerstone of the farming community as noted in the Green Paper key point 2.

### ***How these key points can be achieved***

Basic business principals recognise that with more equity in the business, provides the business the ability to finance through times of hardship, which then allows the business to "stand on its own two feet". The long term survival within the farming business model should consider not about deferring tax, but paying off your capital to give more equity within the business.

Additionally it is widely recognised that Farm Management Deposits (FMD) are a great tool and necessary for the survival of farming businesses.

The writers of this submission recommend to the Federal Government the following key points:

- *To grow equity in the business further – it maybe be achieved through an **incentive tax credit** on an amount of 8 to 10% upfront tax when monies are directed at paying off capital in preference to paying into a farm management deposit. This incentive would allow farming business and small business to build their equity in their business over time.*
- *Unlike FMD, this system would see an immediate tax input to the government.*
- *There would be no capital redraw taxation – in times of hardship / natural disasters where some may choose to draw on some of their equity in their business*
- *This in turn gives the business the ability in times of hardship a more solid finance position with banks via their higher equity in their business. While also giving farming business a further enticement for those wishing to pass on the business to a younger generation.*

***Eligibly criteria for through a tax credit system as we are proposing:***

- *Business need to derive more than 60% from primary production*
- *Business need to be viable to be eligible*
- *Check through the ATO office for genuine eligibility criteria.*
- *Not made available to public companies, only sole traders / partnerships / private companies*
- *Not made available to those with less than 60% equity .*

Once the business has reached 60% equity in their business, the incentive would be open to those businesses to increase their level of equity through the tax plan we are proposing. This will then make these businesses less reliant on government help and assistance in time of hardship. At the same time the government is collecting tax to further support Australia Agriculture into the future.

***Simplicity of the payments to the Government***

We recognise that the removal of red tape is a key government policy as noted many times since the Federal Liberal Party came to Office in 2013. Therefore the simple solution of making these incentive tax payments to the ATO would be:

- *For it to be collected through the banking system of taxation.*
- *This then allows for traceability of payments to reduce rorting of the system furthermore the government would be guaranteed of a payment to the ATO.*

***Summary of Family Farm and its continuation into the Future***

People may not be able to access a commercial loan if their equity level is 60% or lower due to a vastly reduced capacity to service the loan repayments. Consequently this would make it unviable for young families to take over the farm, as the amount of lease needed towards paying the capital (to their parents or business owners) of the business would be out of their reach.

Furthermore if a farming business had 80% equity in a farming business this would then allow a farmer to negotiate a loan with the bank to reconstruct his debt in time of need such as now (drought). Higher equity levels assists with the reduction in the need for concessional loans from the government and furthermore not relying on government welfare (handouts).

The eligibility criteria and collection of monies to the government is needed to be not complex or provide barriers in understanding and in execution.

## **Natural Disasters – Drought, Fire and Flood**

The simplicity of reporting is paramount for the future in Agriculture in times of natural disaster. Over many droughts, floods and fire in living memory we see an increase in fact finding tours, trying to find the extent of the hardships that people have been dealt.

There should be a better way to get professional, concise and relevant information through to the Ministers in times of need.

### ***We feel that this can be best achieved through:***

- *The affected area of the natural disaster being identified earlier with immediate assistance measures put in place to help those affected by the natural disaster.*
- *Four local shire farmers need to be selected for their understanding and knowledge of the local shire area. These delegates would come from a range of businesses and not currently involved within any level of government.*
- *These delegates would report direct to their minister and present their findings on behalf of whole affected community.*
- *They need to be selected from within each shire e.g. N/S/E/W . These local shire delegations are residents of the shire. They have a full understanding of the disaster which is impacting the area in question re flood, fire and drought at that particular time.*
- *In times of severe drought there will be times that are beyond the reasonable capacity of farmers and shires to prepare for – we ask drought be once again placed into Natural Disaster Relief and Recovery Arrangements (NDRRA). This would allow these affected areas to be identified and emergency help directed to the affected areas. (This area of focus needs to be treated separately from the rest of the state or shire, this would then allow for key components of the NDRRA to be applied).*
- *Through these identified areas – they would allow governments to be focussed in their responses and / or funding availability to those most in need. E.g. northern end of the Walgett Shire who have suffered now for the past 2 ½ years without natural disaster recognition.*
- *In times of fire or flood the affected areas can be checked through google mapping.*
- *We agreed with the Green paper submission that more emphasis should be put on the findings of the Bureau of Meteorology relating to extremely low rainfall areas*
- *We further agree that vast areas of the country within shire boundaries receive greater or far less falls than other parts through the shire through erratic storm activity. The need for further recording stations will allow for greater identification as per our proposal incorporating in to the NDRRA*

As you are mostly aware currently vast amount of productive country in QLD and Northern NSW are experiencing the worst drought conditions since time started recording records. Farming business are experiencing hardships and are now faced with the ongoing drought going into 2015, with many cropping businesses not being able to record an income until early 2016, even if the drought broke prior to the end of 2014.

It is important to many, that a mechanism be in place (Federally and State/ Territory) to be able to recoup some of the costs that have been paid out to continue to make agriculture a viable and a



rewarding profession for them and their families. Many farmers are enduring the worst conditions, whilst trying their very best to produce affordable fresh food for all Australians. (As stated in the Green Paper key point 9). In many circumstances grazier's stock numbers have been reduced down to a nucleus of their core breeding stock. If the following drought measures were to be implemented this would provide immediate assistance through a:

- *Substantial freight subsidy.*
- *There is a need for an equalising of the funds made available in any freight subsidy. This equalisation would allow those living vast distances from the available feed a "level playing field".*
- *Many owner / operators in the recent subsidy were paid less than those commercial operators in the pickup and delivery of feed. The maximum amount payable to owner / operators was \$5 per kilometre; however it currently costs \$7 or more to run a truck with a 48t to 49t payload.*
- *Truck operators, who work in the local community, would be able to continue to work and provide a service. Freight subsidy is seen as a stimulation of funds which flows throughout the wider community in various forms.*
- *A number of areas in the south of NSW have no road train or B Double access, making the freight cost much more expensive. This would improve transport linkages as noted as a key point in the Green Paper.*
- *Small businesses in natural disaster declared areas could also have the ability to access to the same freight subsidy - thus keeping remote and small community townships more viable with business being able to remain open. I.e. a local tyre dealer / fuel supplier*

**As an immediate priority (due to the harsh and extreme drought conditions being experienced in the Walgett, Bourke and Brewarrina Shires) this freight subsidy should be back dated to when the first round of subsidy reached its claimable level.**

Key issue to dot point two is; *An example is the recent \$20000 freight subsidy which was quickly exhausted by those living nearby to the available stock feed. E.g. those farmers living in Narromine travelled 200km round trip to the Forbes area for the same hay or grain that those from Lightning Ridge (round trip 1400km)*

### **Summary Natural Disasters – Drought, Fire and Flood**

In summing up, all levels of government and both sides of the House, need to have a serious discussion regarding the dire situation affecting both small business and farming business / families. Many are trying to cope with the most severe drought in the Bourke/ Brewarrina /Walgett / Lightning Ridge areas. It is very disappointing that a special disaster shire has not been considered as parts of these shires have received the lowest rainfall in the past 2 ½ years since records have been kept for the past 130 years.

Additionally bipartisanship at a state and federal level should be combined at a time of an ongoing natural disasters that affects the farming /small business. By undertaking our recommendations farming communities will survive into the future as will the community's access to maintain affordable Australian grown fresh food, through a strong and viable Australian Agricultural sector.

### ***Strong and Vibrant Rural Communities in times of Severe Drought and Natural Disasters***

In the Green Paper, the Federal Government is looking to support strong and vibrant rural communities. A strong and vibrant community comes from within the people of the community. During times of drought, and currently this has been occurring in many areas, for a variety of reasons the community is being affected greatly by people leaving. We would ask that the Federal Government consider the following action plans so that the once strong and vibrant villages / community can once again become stronger and attract more people to make it grow further.

We further recommend the following ideas for consideration by the Federal Government

- *Help towards farm hand wages to be able to keep employees on the land, (we understand once they leave the land, they don't return). In some cases they remove vital services including teachers due to reduced class size numbers, limited bus services which in turn affects the small village's and communities.*
- *Farm hands are more than an employee; in many cases they bring ideas, knowledge and support both physically and mentally to the affected farmer and their families. They also provide great stability to other local business including social clubs, shops and the community spirit.*
- *A reduction of personal taxation in drought declared areas, similar to zone rebates. Again the criteria would need to be flexible but tight enough to remove some of the roting that may occur. This measure if applied by the government could greatly assist struggling farming business with their farm hand wages.*
- *The waiver of rates (Federal / State / Local) in my area, would be (Western Lands Rates (NSW), Wild Dog rates and LLS rates). This could be rolled out as a government acknowledgment to the areas recognised in extreme hardship.*
- *We further agree with submissions to the Green Paper, that Drought Preparedness of a 100% write off in the first year of installation of any drought proofing measures examples grain storage, hay sheds and water infrastructure (cap and piping). Furthermore the government through the Taxation White paper must consider the previous section 57AA Special Depreciation Allowance to Primary producers that was part of the 1952 taxation laws.*
- *The various incarnations of S57AA have been of great assistance in times of need to the agricultural industry of Australia. We believe this section of the Taxation Laws should be re-enacted for natural disaster events.*
- *This S57AA has been amended many times over the past sixty years, however this deduction would need to be qualified through a drought declaration and it is not normally allowed to other tax payers.*

## **Increase Returns at the Farm Gate**

By reducing barriers to productivity and profitability as noted in the Green Paper, this should increase returns to the grower at the farm gate - agreed. However, currently vast amounts of productive country within NSW and QLD are affected by barriers that reduce our competitive advantage in the market place.

This is further emphasised as graziers in the North West of NSW have continually faced with high freight costs to take farm produce away from the farm:

- *Currently it costs 3 times more for a bale of wool to move from Wanaaring to Dubbo about 600km, then it costs to move the same bale of wool from Sydney to a Chinese port destination;*
- *Many growers now pay over \$7 per head for sheep to be trucked from Lightning Ridge to Dubbo. That is about \$2500 cost per 4 deck load of sheep or \$6 per km.*
- *It currently cost \$80 to \$90 per tonne for the transport of grain from farm (Lightning Ridge) to Newcastle port. A third of my net returns is paid in extensive freight cost another third is taken up with the growing and harvesting costs. This would (if we had some) return to the business less than \$80 per tonne before taxation.*

Again as mentioned previously in this submission the drought is causing vast hardships to many experienced and very good farmers and their businesses. Furthermore the authors of this submission recognise that many water capping and piping trusts have had 50% incentive as a drought preparedness measure before this drought, however the level of grant monies was lifted to 75% input by the government due to the current drought situation.

These monies were exhausted quickly when other shires across NSW were deemed to be in the same situation as the Bourke / Brewarrina / Walgett shires.

We recommend:

- *The government both State and Federal could appoint one commissioner (appointed by government but not a government employee) to over view where possible savings and gains could be made in times of need – thus seeking to increase returns at the farm gate.*
- *A process needs to start in the re-negotiation of previous contracts / loans in the set up and delivery of cap and pipe schemes.*
- *A commissioner could go forward with a mandate to consider a renegotiation process in the reductions of interest rates payments through the Rural Assistance Authority (RAA). An amount of interest to be paid could be vastly reduced to amount of 2% to help with our no cash flow situation being currently experienced with our 10 year loan through the RAA.*

Furthermore the authors note in this submission that the water savings through our forward commitment to cap and pipe high flow bores in the NW of NSW lead to less water being needed to be extracted from the Artesian Basin. We recommend that the government continue to fund (Federally and State/Territory) this environmental saving scheme.

**The long term survival of Australian Agriculture depends 100% on the Great Artesian Basin, it is the country's greatest natural asset. It needs to be managed well as we progress in the 21<sup>st</sup>**

**century to continue increasing returns at the farm gate. Furthermore this will guarantee water supply needed for agriculture to survive and produce food and fibre at a sustainable level for all Australians.**

As landholders we are very concerned as to mining / exploration operations that may have a detrimental effect on the quality of water and the long term survival of the basin. Not enough scientific evaluation has been explained to the farmers. Further scientific consultation needs to be continued throughout this process.

For farming communities and business to continue to survive, there is a need to continue seeking productive returns through a range of measures. There is a need to invest in infrastructure to make freight a least component of the farm gate returns. The federal government in a nation building program should further look at how this can be best managed to assist all parties in the growing / selling and distribution of our food and fibre to not only all Australians but to also to our trading partners.

Graziers are mentally, physically and financially exhausted in our area. The above if implemented will have flow on effects for the grower (returns to the farm gate), the environment (water savings) and the global population that we are supplying raw goods to feed and clothe.

### *In Final Summary*

The consultation of the Australian stakeholders for the Agriculture Green Paper is a step forward for many who want to see change, assistance, financial viability and the further development of Australian Agriculture.

The agricultural sector has for many centuries and will continue to, to make a significant contribution to the Australian economy—both nationally and in regional areas. Our farmers and graziers are resilient hard working people; they work hand in hand with many small businesses for the survival of our rural/regional and remote communities.

However many farmers / graziers in vast areas of NW NSW and QLD are currently and have been for the past almost 3 years

- unable to plant a crop
- unable to hold onto core breeders
- unable to secure viable feed for stock
- and will be unable to source stock once the drought breaks
- This makes it hard and becoming harder to support those businesses and people who provide a complimentary service to Australian Agriculture. Without subsidies, tax concessions, renegotiation, acknowledgement of natural disasters in times of severe drought then the family farm and its ability to be the cornerstone will be greatly diminished.

The authors of this submission have spent time talking to, listening and seeing firsthand the effects of natural disasters, generational change, and unchanged returns at the farm gate. We know there is a real need for the Australian Governments to provide a balanced and well defined (with flexibility) Agricultural policy. Furthermore there is an increasing need to once again to allow people to build their strong and vibrant communities through many measures that we have suggested in our submission.

Additionally if the Australian Government’s key objective as written in the Green Paper “is to achieve a better return at the farm gate to ensure a sustainable and competitive Australian Agricultural sector”, then we would ask the relevant federal and state/territory ministers and working committees consider our ideas to advancing Australian Agriculture into the future for the benefit of not only us and our farming families but for the benefit of all Australians.

-----end of report-----