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12 December 2014

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

Via online submission

Dear Minister Joyce,

The Australian Cane Farmers Association Limited (ACFA) makes the follow submission to the Agricultural Competitiveness White Paper taskforce, commenting on the Agricultural Competitiveness Green Paper.

The association broadly supports the 25 Policy Ideas identified by the Green Paper and offer our comments in the attached submission.

Yours sincerely,

Stephen Ryan  
General Manager

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## Agricultural Competitiveness Green Paper

### **Policy idea 4 – State government deregulation**

Coordinating the removal of red-tape and green-tape consistently on a national basis would increase efficiency for producers, in particular national industries and businesses.

### **Policy idea 7 – Improving market competition**

There is an acute need to address the pricing paths of Government owned or regulated monopolies; for example water and electricity prices for irrigators in Qld.

The prices of these inputs are now unsustainable and must be addressed for agriculture to grow and be profitable.

It is not practical for service monopolies to seek full cost recovery or a rate of return on assets when there is no effective measure of the efficiency of these businesses and there is no competition to drive efficiency.

The ACFA supports a transparent and binding process to assess the performance of monopolies, ensure that they operate efficiently and to ensure that their service charges are affordable.

### **Policy idea 8 – Strengthening competition laws**

The *Competition and Consumer Act 2010* (CCA) attempts to ensure fairness for the consumer by protecting small buyers – mostly consumers – from the market power of what often amounts to monopoly or oligopoly sellers. However, the act does little to protect weaker sellers, such as agricultural producers, from the market power of monopsony/oligopsony buyers.

Relatively small producer/sellers are often bound to singular processors or have a limited few oligopsony buyers as an alternative. These producers are also often at an information disadvantage to the buyers. They often have little market power to negotiate the terms and conditions of supply and payment contracts and are likely to be coerced into long-term contracts with little chance of an affordable dispute resolution mechanism, which could deliver a fair outcome. This is particularly true for the producers of raw, perishable products, which are not of themselves farm-gate commodities.

The result is that producers are often price-takers and the effect of their share of value is illustrated in the Agricultural Competitiveness Green Paper (p. ix).

Under foreseeable circumstances, most producers will remain the producers of bulk products and commodities, as the opportunity for diversification and vertical integration is not present for most.

There is an opportunity for Government to address this asymmetry in competition law.

### **Policy idea 10 – Improving access to finance**

Agricultural projects sometimes fall outside the guidelines of traditional lenders and may also be too large for State Government financial assistance loan providers.

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There is a role for a specialist agricultural lender, which has a risk profile that is matched to the agricultural sector.

### **Policy idea 13 – Improving the transparency of foreign investment**

In general, the ACFA supports foreign investment, while recognising that increased transparency and controls could be important in order to address issues such as transfer pricing, which may result in a loss of income and taxation revenue. In the case of foreign-owned processors, transfer pricing may result in opaque price signals and decreased returns to producers.

A further benefit of increased transparency would be a clearer reading of the value, in the form of revenue and dividends that is removed from the Australian economy.

### **Policy idea 14 – Strengthening agricultural education**

The pathway to a career in agriculture can begin in primary school and high school. The use of up to date multimedia resources for presentation to students can create a positive image for agriculture, including the sector's contribution and benefits.

If the profitability of agriculture is addressed, the demand for agriculture related enrolments through the existing tertiary institutions could be self-correcting.

### **Policy idea 18 – Improving water infrastructure and markets**

Additional water storages are required in order to make full advantage of the potential for Australian agriculture. The cost of water must be affordable for agriculture to be profitable.

### **Conclusion**

Many of the Green Paper Policy Ideas relate to current Government enquiries and processes. There is a clear opportunity to coordinate these processes with the development of the White Paper and subsequent policy.