



Primary Producers SA

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Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
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Agricultural Competitiveness Green Paper

Thank you for the opportunity to comment on the green paper, including at our meeting with Australian Government representatives on Friday 21 November 2014. This submission summarises some of the points made at that meeting and supplements points raised initially in response to the issues paper.

1. Infrastructure

PPSA has been working with the State Government on transport regulations and infrastructure requirements – particularly heavy vehicle access and regulations (for movement of farm machinery and vehicles and for transporting both inputs and produce). A survey was conducted, with over 500 responses received. It is imperative that the National Heavy Vehicle Regulator is a willing participant in achieving improvements in these areas.

Appropriate access to port facilities must be maintained, or established where access problems still exist. Closures of rail lines may also have negative impacts (through diverting freight onto roads) which need to be carefully considered.

Telecommunications infrastructure is a priority, with significant internet and mobile coverage issues frequently raised¹. Effective investment in addressing black spots would be welcomed, including through long-term satellite services for rural and remote areas.

2. Working with the States and Territories

Streamlining of regulations and regulatory processes is appreciated. Work Health and Safety (WH&S) is an area that is commonly causing concern for primary producers, with conflict occurring between some WH&S requirements and business and production demands and constraints (e.g. financial, time and practical constraints).

The need for co-operation with States and Territories with respect to research, development and extension (R,D&E) is also noted, particularly with respect to the implementation of the National Primary Industries R,D&E Framework, ensuring that commitments are delivered.

¹ It was estimated that there may be an opportunity cost to grain growers of around \$2 to \$3 per tonne due to lack of telecommunications capacity for grain marketing.

Better land use decision making is important – adequately valuing primary production and high value primary production land (including in the context of mining and gas activities and proposals). For example, South Australian primary producers can be disadvantaged by decisions regarding mining and gas proposals being made by the Minister for Mineral Resources.

3. Competition and regulation

It is noted that the National Farmers' Federation's submission on the issues paper recommended that the Australian Government has a role in "[e]nsuring Australian farmers are not disadvantaged compared to international competitors, in both international and domestic markets"².

Of course links can also be made between competitiveness and the policies and costs associated with each of the other categories listed here. Clear Country of Origin Labelling is recognised as being important.

4. Finance, business structures and taxation

Again, the inclusion of access to finance in the green paper and the implementation of a concessional loans program are both welcomed. However the accessibility of the concessional loans program to primary producers in SA is also still queried.

While major banks remain the major source of finance for primary producers, their policies (particularly as they apply to primary producers in poor seasons or consecutive poor seasons and poor pricing periods) can have a large impact.

It is acknowledged that stamp duty is collected under state legislation but stamp duty provisions and exemptions can be vital for successful succession between generations and for new entrants to primary production.

5. Foreign investment

Greater transparency, through a register of foreign ownership of agricultural land and water (and possibly agribusiness enterprises), is supported. However, potential positive outcomes from appropriate foreign investment and partnerships are also recognised, particularly where those partnerships can help to provide access to markets.

6. Education, skills and training, and labour

Recent funding programs have tended to focus on qualifications. While it is important that qualifications are available for industry entrants (including school-leavers) at a range of levels, shorter training (e.g. single units of competency) and non-accredited training play a large role when such a high proportion of industry participants face serious time constraints. An Industry Skills Fund which supports non-accredited training may assist in this area, hopefully with a lower level of bureaucracy and higher level of industry guidance than other recent programs.

Support for the inclusion of agriculture within the school curriculum is needed. Support for existing formal and informal training providers may in some cases be preferable to the establishment of new

² Further noting that the 2014 OECD Agricultural Policy Monitoring and Evaluation figures have again shown that New Zealand and Australia had the lowest levels of government support (measured as a percentage of farm receipts) of all countries for which data was analysed. This needs to be considered in the context of trends towards cost recovery (with greater cost burdens being borne by primary producers), higher regulatory burdens in a number of areas (such as Work Health and Safety, animal welfare and environmental regulations) and high labour costs.

centres or bodies (e.g. the Waite Research Institute, Minnipa Agricultural Centre, Roseworthy Campus; farmer and grower groups, including those within the Ag Excellence Alliance and Hortex).

The green paper did not address the competitiveness of labour costs (e.g. award wages) relative to those of overseas competitors.

7. Drought

PPSA would support greater accessibility of concessional finance and provision of resources for a mental health support person within the rural financial counselling service, not only for drought but for a range of more extreme and distressing circumstances for primary producers (including bushfire response, extremes in price volatility, disease outbreaks etc). The Menswatch program and services of Dr John Ashfield and Associates (tailored specifically for rural and remote communities) are also worthy of support.

It was suggested at our meeting that the cost of the risk assessment for multiperil insurance could be supported by government, rather than subsidisation of premiums (consistent with policy idea 16).

8. Water and natural resource management

A focus on large, public dams was noted. In South Australia, smaller, private dams and groundwater resources make up large portions of the water resources used by agriculture, horticulture and viticulture (subject to the South Australian *Natural Resources Management Act 2004* and policy set by both the South Australian Government and regional NRM boards), in addition to water drawn from the River Murray and Lakes Albert and Alexandrina. Other primary producers use water supplied by SA Water, at a high price. These high prices have been impacting on the viability of livestock enterprises that rely on SA Water to supply their water needs.

Water security has been a pivotal issue for a number of primary producers in SA. For example, for primary producers reliant on River Murray water, the cost of temporary water entitlements can increase from around \$80 to \$100 per megalitre during an average season up to \$1500 per megalitre during or following a drought.

9. Research, development and extension

This is clearly a high priority for resourcing. As noted above, delivery of commitments under the National Primary Industries R,D&E Framework are a starting point. Concerns are consistently expressed about adequate resourcing of extension, as well as other issues such as: the proportion of time spent by personnel on seeking funding and administrative reporting, rather than technical work and development; security of tenures (continuity of funding and impacts of short term project funding); critical mass; and succession planning. We have a good network of primary producer groups working in this area and this should not be overlooked by any new initiatives, funding programs or policy developments.

10. Biosecurity

This is another high priority and a critical area for adequate investment to protect our sector – both for appropriate standards and surveillance to be applied to imports and for assistance to be provided to exporters to meet the requirements of overseas markets. Surveillance and response systems must not be compromised.

11. Accessing international markets

Capacity building to meet overseas market demands (particularly in terms of biosecurity requirements) has been mentioned above. At our meetings and in our previous submission we have also raised the importance of coordination and cooperation in exploiting market opportunities, including through trade agreements and negotiations and marketing and promotion in key markets.

For further information on any of these matters please contact Amy Williams on 08 8297 0899 or at awilliams@ppsa.org.au.

Yours sincerely

A handwritten signature in black ink that reads "Rob Kerin". The signature is written in a cursive style with a large initial 'R'.

Rob Kerin

Chairperson

Primary Producers SA

Appendix 1 – Points raised by PPSA in response to the issues paper

- PPSA notes that the National Food Plan also previously collated numerous key issues through a consultative process and should be a point of reference for this work.
- Opportunities for overseas promotion of Australian primary produce exist. For example, into markets such as Singapore. More coordination and cooperation is needed in this area. The promotion of competition, rather than collaboration, through competitive funding processes has been raised in both this context and the R, D & E and training contexts.
- Development of new products to meet market demands, both domestically and overseas, continues to present opportunities too. An example which has been given is the development of almond meal as a substitute for flour.
- However it has been highlighted that exploitation of market opportunities does not just entail opening new markets, but also maintaining existing markets – through mechanisms such as FTAs, meeting biosecurity and other market requirements, and ongoing investment in promotion and marketing in key markets.
- Marketing remains an area with potential for capacity building – particularly for grain producers. There are concerns that commissions can currently drive grain marketing advice, rather than independent advice in the best interests of grain growers.
- The cost of labour is a key point to emphasise. This has both direct and indirect impacts on costs of production for primary producers. This is also a driver for high levels of investment in machinery and technology and, in some cases, may result in overcapitalisation and other inefficiencies. Another example given has been wineries not crushing on weekends due to high labour costs.
- A separate white paper on energy is welcomed. It is understood that this will encompass fuel (petrol, diesel, gas). These are key inputs and rising costs for primary producers.
- Supply chain issues can be critical. For example, grains supply chain costs (including transport costs) tend to be much higher than those of overseas competitors³. There is clearly room for improvement, including through investment in transport infrastructure. Other constraints include a lack of food-grade containers to shift produce through ports.

The monopoly on grain handling facilities is also a key issue here. Lack of competition has been cited in other sectors as well – for example, in meat processing.

It has been pointed out that value adding does not only occur through processing. For some fresh food products, marketing (encompassing market access and biosecurity provisions) is perhaps the key opportunity for adding value.

- Protections for primary producers both domestically (by the ACCC) and from overseas risks (such as dumping of product, biosecurity risk and products produced to lower standards than those applied to Australian primary producers) need to be maintained or strengthened.
- The ability to challenge “whether expectations are out of proportion to the risk” (page 13) is supported – in particular, through robust cost:benefit analysis. The estimate of approximately four percent of total

³ Australian Government, Royal Commission into Grain Storage, Handling and Transport, 1988; SA Parliament, Final Report of the Select Committee on the Grain Handling Industry, 2012.

farm expenses being for costs of compliance with regulation seems quite a low estimate, particularly for some sectors. In the area of environmental regulation, there is some duplication of regulation between the EPBC Act and state-based legislation, for example. Transport regulations are another area of concern and inconsistency between jurisdictions (especially local government areas).

- There are persistent concerns about loss of extension capacity for the adoption of research and development findings. The rationalisation of R & D through the National Primary Industries R, D & E Framework increases the reliance on good extension of R & E findings over a larger area, in addition to the need for independent advice focussed on primary producers' interests. However, some potential for sharing extension capacity (as well as R & D facilities and staff) is acknowledged. It is critical that the commitments under the National Framework are not shirked by governments.

Other concerns raised regarding R, D & E include: the proportion of time spent by personnel on seeking funding and administrative reporting, rather than technical work and development; security of tenures; critical mass; and succession planning.

- The incentives to deliver quality training outcomes for industry through current funding and governance arrangements for training have been queried.
- Poor mobile and internet access are an important constraint for many primary producers in SA. This can affect marketing capacity, in addition to ability to access technical information, for example.
- While recognising some of the limitations associated with multi-peril insurance, risk management along these lines may be an area for further development.
- Consistent drought policy is needed – both over time and across jurisdictions and regions.
- The inclusion of access to finance as a key issue in the issues paper is appropriate. Accordingly, the Farm Finance Program is welcomed. However the level of accessibility of this program to primary producers in SA is queried.

Potential for foreign investment, which does not require the sale of farmland, may exist. For example, a South Australian winery has received investment from a Chinese investor. The investor also purchases (and markets) the winery's product, as part of the arrangement. The preparation of suitable prospectuses for potential investors may be a tool to facilitate this type of investment.

Potential investment in agriculture by Australian super funds may also warrant further investigation.

- Competition for land is another area where agriculture competes with other sectors of the economy, including urban developments. While it is recognised that this is predominantly under state jurisdiction, the protection of farmland is a challenge for many state governments.