



## Australian Grain Exporters Association

### Response to the Government's draft Green Paper on Agricultural Competitiveness

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#### Overview

AGEA welcomes the Government's draft Green Paper on Agricultural Competitiveness that is a precursor to the White Paper being developed to "drive the long-term agricultural policies of the government and ensure Australia's agriculture sector remains a significant contributor to the economy and local communities." "The White Paper will identify pathways and approaches for growing farm profitability and boosting agriculture's contribution to economic growth, trade, innovation and productivity."

The draft Green Paper recognises that agriculture plays an important role in the economic and social fabric of Australia and the Government has identified the sector as one of the five pillars of the Australian economy.

AGEA supports this initiative and believes that the draft paper addresses the key issues that are and will influence the agriculture sectors' competitiveness into the future.

The Australian agricultural sector has proven itself to be adept in responding to challenges in the domestic and global environment. The farm sector is today very much part of the broader food and fibre value chains and initiatives to grow the total value of individual sectors has helped improve farmer returns as they are part of that value chain. This focus has also helped to better connect farmers to customers and be positioned to capture value as customer needs change and demand grows. In a global environment where food security and food safety are continuing and growing issues, it is ever more important that growers are part of the food value chain.

AGEA believes that the draft Green Paper has a number of positive initiatives for the sector, but also recognises that resources are limited. Thus, our response to the draft paper highlights those areas that AGEA views as priorities and where grain exporters, farmers, the broader agriculture sector and the Government can benefit substantially.

#### Key priority areas

1. A strong, viable and profitable farming sector is critical  
The export sector, like most other parts of the value chain, needs a strong and viable farm sector. The Green Paper identifies the gap between the high performing farms and the others. While it has long been an objective of state and federal Governments to improve the financial performance of farmers, greater and continued efforts to lift the proportion of high performing farms are needed. This involves understanding what drives returns for the high performing group and education to enable the broader farm sector to achieve similar outcomes.
2. Competition has and will continue deliver better outcomes  
Deregulation of the grains industry has delivered a better outcome for growers – more choice, better returns, more market opportunities and more investment on farm and post farm-gate. The draft Green Paper supports the principle of reducing all unnecessary regulation at all levels of Government. The pathway that the grain export sector has been on towards full deregulation should be continued. Consistency between State and Federal Government where regulation is imposed is also important e.g. GM regulations

AGEA supports open and contestable markets. AGEA's focus is on assisting Australia to grow its exports of grains and oilseeds. It brings the export sector together to focus on pre-competitive issues that underpin the position of Australian grains and exports in world markets and to ensure that the export supply chain operates efficiently.

Open and contestable markets will deliver a profitable and competitive industry. The Australian grains industry has benefited from deregulation. This is demonstrated by:

- More customers buying Australian wheat
- Australia has not lost a bulk wheat export market
- Container trade is growing also without market loss
- The quality of Australian wheat being exported is meeting market demands
- There is choice for growers in meeting end use requirements
- Increased investment across the supply chain

While the industry has adapted to and is benefitting from deregulation, further investment is required to ensure supply chains remain cost competitive and efficient.

Exporters are seeking a globally efficient supply chain in which they have certainty and the ability to execute sales; where relationships through the supply chain are commercially based; and where port capacity is contestable.

3. Infrastructure investment needed to address 'now' issues as well as long term competitiveness

Investment across road and rail is critical to improving the efficiency and competitiveness of the grains sector. Key areas for focus are around standardisation, increased capacity on infrastructure in key drawing areas and strengthening existing priority pathways.

*Rail*

The key priority for rail infrastructure in the grain sector is not green field projects, but rather a focus on ensuring the existing system is efficient and cost effective.

In the short terms, the priorities should be to:

- Maintain the network so its "fit for purpose", with emphasis on the pathways to port
- Standardise gauges where practical
- Invest in passing loops on main lines

The longer term priority should be to increase axle weight loads and increase line speeds.

AGEA is happy to discuss specific examples/projects if required but believes that these are well understood by Infrastructure Australia and State Governments. State Government initiatives such as the Murray Basin Rail Project are very positive. AGEA encourages the Federal Government to work with State Governments on planning and funding.

*Road*

Road is a very important component of the grain logistics task. A key area for improvement is standardisation of regulations such as 'chain of responsibility'. A national approach to the obligations under regulations such as this would significantly reduce the red tape and cost burden for the grains sector.

Another area that needs review is the "last mile access" as this currently imposes inefficiencies in a number of areas due to impractical regulations.

#### 4. Maintain and enhance investment in Research and Development

Supporting the focus on a strong and viable farm sector, R&D to increase yields is critical for the grains sector. Growers' benefit directly from improved yields (either through genetics and/or management practices).

AGEA supports the current Government support for the R&D sector and believes this should be continued. However, also believe that there is greater scope for public/private partnerships in relation to R&D and this may require bodies such as GRDC to have more flexibility to be able to enter into partnerships with private parties.

One tool that offers potential to increase yields and therefore assist to address food security and food safety concerns is biotechnology and GM crops. While there continues to be strong investment in the R&D, there also needs to be investment in educating consumers around the benefits of GM. AGEA believes the Federal Government and GM seed breeders should take a lead in this area.

#### 5. Market access

Ongoing investment in market access is critical to the success of the sector e.g. free trade agreements, technical market access negotiations, biosecurity, etc. The number of market access barriers are increasing and investment is needed to ensure that the industry has the tools to enable it to address and comply with these technical barriers.

AGEA supports trade reform and welcomes the recent FTA that have been announced with Korea, Japan and China and encourages the Federal Government to continue to finalise the Trans-Pacific Partnership (TPP). Conclusion of the TPP would open new trade and investment opportunities for Australia in the Asia-Pacific region and promote and facilitate regional supply chains which will benefit the Australian economy and farm gate returns.

While further free trade arrangements should be encouraged, the sector needs access to efficient and cost effective infrastructure in order to be able to capture the benefit from these arrangements. This highlights the importance of investment in areas like infrastructure and in getting the competition settings right.

#### 6. Encourage foreign investment

The policy framework should encourage foreign investment and make it easier for this investment to occur. It is important that changes to the Competition and Consumer Act, Foreign Investment Review Board and other policy agendas do not inhibit foreign investment or operations of foreign companies or drive global capital to other destinations. The grains industry is highly exposed to the global market and investment is required to ensure that the sector can take advantage of the opportunities in the global market. The draft Green Paper recommends greater transparency around foreign investment that is a reasonable outcome provided the policy settings facilitate access to foreign investment.

Transparency, clarity and consistency regarding Australia's foreign investment framework are critical to Australia's ability to attract the right and proper foreign investment which will strengthen the Australian agricultural sector.

#### 7. Labour

The grains industry from farm through to storage and handling to processing and ports has a large regional footprint and a substantial demand for labour and, in particular, seasonal labour. The industry utilises labour under 457 visas extensively but access and cost would be significantly enhanced by greater flexibility in regard to access to labour, movement between facilities and training.

## AGEA response to draft policy ideas

The table below summarises AGEA's view on the draft policy ideas in the draft paper. The shaded ones are the priority areas in AGEA's view. A number of policy ideas are in areas that are not directly relevant to AGEA and thus, we have not made comment on these.

Policy idea	AGEA view
<b>Infrastructure</b>	
Policy idea 1—Building new transport infrastructure:	
improving links between public and private freight lines and port infrastructure	Agree
investigating all-weather access rural roads	Agree
identifying air freight hubs in regional Australia	N/a
Examining infrastructure for greenfield developments	Disagree from a grains perspective – focus on improving existing rail network. Refer above
Policy idea 2—Improving existing infrastructure and transport regulation	Agree
Policy idea 3—Enhancing communications	N/a
<b>Working with States &amp; Territories</b>	
Policy idea 4—State government deregulation	Support in areas aligned to grains sector priorities
Policy idea 5—Protecting the resource base	N/a
Policy idea 6—Strengthening farm businesses	N/a
<b>Competition and regulation</b>	
Policy idea 7 — Improving market competition	N/a (although do not support any one corporate structure being favoured over others)
Policy idea 8—Strengthening competition laws	a) not supported Support ACCC being appropriately resourced but also need to have the appropriate skill set e.g. in regard to grains need people who have an understanding of the industry and how it operates to be able to effectively implement and enforce the regulations in place
Policy idea 9 – Improved regulation	Support improved access by farmers to appropriate chemicals that meet health and safety standards
<b>Finance, business structures and taxation</b>	
Policy idea 10—Improving access to finance	N/a
Policy idea 11—Improving tax system efficiency and equity	N/a
Policy idea 12—Farm business improvement:	N/a

<b>Foreign investment</b>	
Policy idea 13—Improving the transparency of foreign investment	Support but also support Government having a more consistent message on and approach to foreign investment and encouraging this where its supports growth of the sector
<b>Education, skills and training, and labour</b>	
Policy idea 14—Strengthening agricultural education	N/a
Policy idea 15—Strengthening labour availability	Support
<b>Drought</b>	
Policy idea 16—Increasing drought preparedness	n/a
Policy idea 17—In drought support	N/a
<b>Water and natural resource management</b>	
Policy idea 18—Improving water infrastructure and markets	N/a but support where economically and environmentally sustainable and will assist farmers to increase production
Policy idea 19—Natural resource management initiatives	N/a Support more targeted disease and pest management/control
<b>Research, development and extension</b>	
Policy idea 20—Strengthening the RD&E system	Support updating the rural RD&E priorities to better align with community needs but should be growers and customers as well as community Don't support establishing a new body, to coordinate cross-sector research (believe mechanisms for this are already in place) Support enhancing access to the R&D Tax Incentive and promoting the development of extension services Don't support decentralising Government agricultural research functions e.g. GRDC, APVMA
Policy idea 21—Improving the rural RDCs	Support
<b>Biosecurity</b>	
Policy idea 22—Improving legislation	Support
Policy idea 23—Improving the biosecurity system	Support
<b>Accessing international markets</b>	
Policy idea 24—Strengthening Australia's overseas market efforts	Support undertaking further trade research and accelerating the development of technical market access and commodity strategies to prioritise market access efforts. In regard to expanding the global footprint, not against this but believe funds better spent, in short term, on R&D, infrastructure and addressing technical market barriers.
Policy idea 25—Improving Australia's export & import systems	Ongoing activity