



# Tasmanian Farmers and Graziers Association

## Submission to: Agriculture Competitiveness Green Paper

Department of the Prime Minister and Cabinet

December 2014



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## AGRICULTURE IN TASMANIA

Agriculture plays a unique and vitally important role in the economy, image (in food, tourism and commerce) and social fabric of Tasmania.

### ***Value of Agriculture***

- In 2010/11, the farm gate value of production (GVP) of agriculture, forestry and fishing in Tasmania was \$1.98 billion.
  - agriculture - \$1.15 billion;
  - forestry - \$235 million; and
  - fishing - \$597 million.
- Adding input supply services and value-adding it is estimated the farm-dependent economy contributes more than \$5 billion to the gross state economy.
- The total Tasmania gross state product (GSP) was \$23.9 billion for the 2012 year. The gross value of production (GVP) of agriculture, forestry and fishing collectively amounted to almost 9% of this total - well above the percentage for the nation as a whole.
- Over the past 25 years, the average annual rate of increase in farm gate GVP has been close to 4%. However growth in the farm GVP in the recent past has been slightly slower than average - a result of reduced export returns due to the high value of the \$A; and increasing cost pressures along the value chain.
- Milk and milk products followed by livestock and livestock products were the main sector contributors to farm production value.
- The preliminary Tasmanian government Scorecard data for 2010-11 (prepared by Tasmanian Department of Primary Industries, Parks, Water and Environment) indicates the wholesale value of food and beverage production has remained steady, roughly in line with the previous year at \$2.7 billion This demonstrates the important role that the processing sector plays in adding value to farm gate returns and the fortunes of those who live and work in the farm dependent sector.
- Furthermore, the inclusion of forestry as a long cycle crop enterprise in farming businesses in the state means that the overall economic contribution must include these figures too. Our best estimate is that in 2009/10 this added a further \$400 million to farm gate income. Clearly, as a result of the uncertainty currently evident in this sector, that figure has fallen significantly since then. Nonetheless, on a long term outlook, forestry remains an integral part of a diversified farm business.
- Compared to the previous year, growth in agriculture GVP has broadly offset the fall in forestry GVP.

### ***Employment***

In 2011/12, around 10,500 people were employed directly in agriculture forestry and fishing. A further 8,500 people were employed in services to agriculture and food and fibre value-adding. This is close to 9% of the working population in Tasmania - and well above the national average.

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## **Exports**

- The vast bulk of Tasmanian agricultural product is sold interstate and overseas. Farm exports in 2010/11 easily exceeded \$550m (farm gate equivalent value) when account is taken of pharmaceutical products.
- In 2011/2012, total exports from Tasmania were valued at \$3.196 billion. Agricultural products represented some 30% of that total – approximately \$1 billion. Almost 25% of total exports (\$502 million) were destined for ASEAN countries.
- Agricultural products valued at approximately \$121 million represented 25% of that total. ASEAN countries have become increasingly important destinations too, with overall exports increasing marginally over the past three years; and food exports alone increasing significantly from \$71 million to \$96 million over the period 2009/2010 through 2011/2012. Major products exported to ASEAN countries included dairy (\$42 million); seafood (\$32 million) and wood products (\$20 million estimated from private forestry sector). Key destinations included Japan (35%), China (21%), and Hong Kong (21%).

## **Trade to the mainland**

It is estimated that in 2010/11 raw and value-added product valued at \$1.8 billion of was shipped to the mainland.

## **The environment**

Farmers are also significant land managers in the state, with almost a third of Tasmania's land area of 68,300 square kilometres committed to agriculture.

## **Conclusion**

These figures clearly confirm the importance of the sector as a driver for the state's economy; and vital to Tasmania's social health.

Agriculture is a more significant contributor to the Tasmanian economy than in any other state. With this in mind, it is clear that both Tasmania and the Commonwealth need to ensure that the agricultural base of the state remains vibrant, competitive and profitable.

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## ABOUT THE TASMANIAN FARMERS AND GRAZIERS ASSOCIATION (TFGA)

The TFGA is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

Operationally, the TFGA is divided into separate councils that deal with each of the major commodity areas. As well, TFGA has a number of standing committees that deal with cross-commodity issues such as climate change, biosecurity, forestry, water and weeds. This structure ensures that the Association is in constant contact with farmers, service providers and other stakeholders across the state. As a result, TFGA are well aware of the outlook, expectations and practical needs of Tasmania's agriculture industries.

TFGA's core purpose is to promote the sustainable development of Tasmanian primary industries. The Association is committed to promoting the vital contribution the agricultural sector makes to the environmental, social and economic fabric of the Tasmanian community.

TFGA is represented on a number of state government bodies, including:

- Advisory board of the Tasmanian Institute of Agriculture within UTAS
- Energy Reform Taskforce
- Forest Management Advisory Committee
- Forests Practices Advisory Board
- Freight Logistics Coordinating Taskforce
- Heritage Council
- Office of the Economic Regulator
- Planning Reform Taskforce
- Private Forests Tasmania
- State Firearms Advisory Committee
- State Fire Management Taskforce

TFGA is a member of, or works in close co-operation with, a number of state industry bodies, including:

- Tasmanian Chamber of Commerce and Industry
- Tasmanian Industry Group
- Fruit Growers Tasmania

TFGA is also a member of a number of national industry bodies, including:

- The National Farmers Federation
- Cattle Council of Australia
- Ausveg
- Sheepmeat Council of Australia
- Wool Producers Australia
- Australian Dairy Farmers
- Horticulture Innovation Australia Ltd.

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## A TASMANIAN PERSPECTIVE

We continue to hear and read that the prospects for agriculture are huge, with the need to feed, clothe and house a booming world population. World population growth will climb to more than nine billion by 2050, driving demand for both quality and quantity of food and fibre, as well as the availability of arable land and water. We are entering the 'Asian century' and Tasmanian farmers are well placed to capitalise on this.

With the Tasmanian mainland representing just one per cent of Australia's land mass, we have 12 per cent of the nation's fresh water. Our ratio of arable land to population is the highest in Australia, with agriculture occupying 24 per cent of the state's land mass. Being further south, we have the most usable sunshine; less than the mainland in winter, but more in the critical ripening periods of summer and autumn. And we have some of the world's most skilled farmers and researchers.

As a result, agriculture has long been the backbone of the Tasmanian economy. The sector is forecast to generate almost \$2 billion at the farm gate this year. This is approximately 10 per cent of the overall state income, and one in every three dollars of private sector income. We employ (directly and indirectly) one in every ten Tasmanians. So every Tasmanian has a stake in the future success of the agriculture sector.

Our industry has grown year on year, even during tough times like drought, which is a performance not matched by any other sector. Farming has kept not only Tasmania, but also Australia, out of recession since the global financial crisis. Agriculture has an enormous uptake of new technology, we employ thousands of people, we keep many rural communities alive, and we produce the clean, healthy, fresh food that Tasmanian families take for granted, and indeed that families across the country and world enjoy.

Professor Jonathan West has identified agriculture as one of the key opportunities for growth in the state economy. In the Innovations Strategy he prepared for the state government, he identified that our sector could generate another \$5 billion pa.

Agriculture is also one of the key targets for growth in the state's Economic Development Plan, which includes a vision for Tasmania to substantially increase its food and agriculture production and become a major supplier of the nation's premium food products.

These findings have been supported by the recently released Deloitte's report entitled *Positioning for Prosperity? Catching the next wave*, which focuses on business imperatives for a prosperous Australia. The report identified that the next set of super-growth waves we need to ride as agribusiness, gas, tourism, international education and wealth management.

Deloitte says that the first place to look for sectoral growth is in markets that can be expected to grow faster than the global economy as a whole. Their analysis shows that we have a 16.2% comparative advantage in agriculture. The Australian average is 5.2%; and the next nearest sector is mining at 13.3%.

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On this basis, they have identified agriculture as Australia's 'forgotten hero' – the sector which offers the greatest potential for economic growth amongst the five top spots. Furthermore, they have singled out agriculture as Tasmania's best prospect for growth.

So it is not just farmers saying that Tasmania's economic prosperity is dependent on agriculture!

However, it is important to understand that this future is dependent on just one thing: growth. Just as crops need water to grow, the farm sector needs investment to grow.

TFGA recognises the parlous financial circumstances facing the nation at present and we understand the efforts governments are making to address this crisis. We are under no illusion as to the magnitude of this task and we understand that it will require difficult budget decisions. We are supportive of tough measures by the Australian government to consolidate the national fiscal position, reinforce our reputation as strong and responsible economic managers and build a sustainable economic base into the future. However, cost cutting alone will not deliver the systemic change we need to move forward.

Both federal and state governments should be looking for options to grow income, as well as cut costs. Yet there's been no recognition at all of the other side of the ledger in the current debate.

Governments must actively pursue key opportunities to invest in growth sectors of the economy, sectors that already make a key contribution in setting the Tasmanian economy up for future prosperity and that can actually do more into the future, sectors such as agriculture.

Now is definitely not the time for government to be cutting its investment in agriculture. It is important, for instance, that relevant capacity within government agencies is not further eroded, as has been the case in the past. Some cuts have delivered efficiencies, and there is still room for re-ordering of departmental priorities and funding allocations.

However, the agriculture industry is concerned that there is little room remaining in the system and unfortunate resourcing trade-offs are already emerging. This will be to the detriment of the industry - and the state - at a time when experts are emphasising the importance of expanding agricultural research and development activities.

There is a national debate about food and agricultural policy in Australia and policy that impacts food and fibre production. The development of the National Food Plan, the ongoing work to implement the Beale Review reforms to Australia's national biosecurity system, trade developments, the introduction of the carbon tax and moves to remove it and the carbon farming initiative, negotiations on the future of water use for agriculture, and public debate around issues such as milk pricing and coal seam gas have highlighted the need for governments to maintain a strong policy capacity and investment in areas related to agriculture. Unfortunately, current resourcing constraints limit government capacity to contribute to national debates and policy development.

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Certainly, there have been some very positive developments over recent times in a policy sense and some parts of government are actively promoting the value of agriculture and the vital role farmers play in creating wealth for all Tasmanians. Yet, at the same time, other parts of government seem to be going out of their way to stifle growth and drive farmers out of business.

More and more policy decisions are putting our agriculture sector at a disadvantage with even our mainland colleagues let alone when compared to farmers in other less regulated international markets.

This is unsustainable. If agriculture in Tasmania is to continue to be one of the key, if not the key economic drivers of the state economy and to generate more wealth and prosperity, farmers must at least be able to compete on a level playing field with other Australian producers.

Regulatory costs continue to impose significant burdens on farmers with no evidence of any increased return. We are continually told that farmers must operate in a global market – and we do. That means our prices are set by factors well beyond our control; and we have limited capacity to claw back more of the retail dollar to cover increasing on-farm costs.

We all recognise that regulations are a necessary part of everyday life. However, regulations need to be practical and evidence-based. Good public policy requires ownership by those that it impacts, failure to achieve that goal results in poor policy outcomes. There seems to be a mindset within some parts of government that they must set the highest regulatory standards anywhere in the world regardless of the science and the impact on farm businesses.

It is not clear if this bizarre disjunct is deliberate or inadvertent. What is clear is that, unless we get a more sensible approach to regulation of the agriculture sector, then many of our farms will be driven out of the industry.

Clearly, given the right operating environment, agriculture is a key part of the solution to financial woes at both state and national levels. However, this can only happen if governments understand the impacts their decisions have on farm businesses and ensure that regulations are not burdensome. If governments continues down the current track of unjustified over-regulation, then farmers simply can't continue to absorb the costs that result.

And that will put paid to our capacity to drive much needed growth for all Tasmanians.

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## TFGA SUPPORTS THE NATIONAL FARMERS FEDERATION SUBMISSION

TFGA is a member of the National Farmers Federation (NFF); and has contributed to the development of the NFF's submission on the Green Paper. The NFF has consulted comprehensively with its members and others in preparing its submission. In addition, the Federation has analysed and draws attention to linkages between the Green Paper and its own comprehensive 'Blueprint for Australian Agriculture'. This document was produced after extensive consultation in 2013.

TFGA strongly supports the NFF submission.

In particular TFGA:

- Agrees with the NFF's comments in relation to nine (9) 'Australian Government agricultural policy principles' as proposed in the Green Paper.
- Supports the NFF's proposed 'Short Term' and 'Longer Term' priorities for each of the government's nominated 'Categories for policy Ideas'.
- Notes and supports the NFF's comments in relation to the Tasmanian Freight Equalisation Scheme (TFES) and the Bass Strait Passenger Vehicle Equalisation Scheme (BSPVES).

In the following sections, TFGA makes specific comments which either:

- go beyond the proposals and recommendations made in the NFF submission; or
- are related particularly to Tasmanian circumstances and Tasmanian agriculture.



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## **ADDITIONAL SPECIFIC TFGA COMMENTS ON THE GREEN PAPER**

### **Policy Idea 1: Building new transport infrastructure**

### **Policy Idea 2: Improving existing infrastructure and transport regulation**

#### **Tasmanian Freight and Transport Challenges**

Tasmania is an island state so, unlike the other members of the Australian federation, we are largely reliant on coastal shipping for inbound and outbound services. There are thus specific circumstances unique to Tasmania that are highly relevant to this review. The detail following is provided to explain and highlight these differences.

Tasmania has a relatively small population of just on 500,000 permanent residents; and a Gross State Product (GSP) of c\$24 billion. The state has been hit hard by the increase in the value of the Australian dollar (\$A). In the farm sector alone, this has been conservatively estimated to have reduced state export income by \$430 million a year.

The state economy bears the costs of a modern service economy but is struggling to generate the growth and economies of scale to absorb these costs. Achieving this outcome is unlikely without an increase in the level of economic activity.

TFGA believes that it is vital for the future economic viability of the state to ensure that there is a cost structure for Tasmania that approaches 'equivalence' to that enjoyed for freight moved between capital cities in Australian mainland states.

This will enable more competitive movement of goods, services and people to and from Tasmania to domestic and export markets, as well as help attract investment capital. In turn, this will raise the private enterprise incentive to broaden the state's economic base and help reduce unemployment to the national average.

#### ***The challenge of Bass Strait***

The 2006 Productivity Commission (PC) Inquiry established that Bass Strait freight rates were at the time equal to or higher than most other short haul sea freight distances around the world. This continues to be the situation today – with sea freight rates from northern Tasmania to Melbourne port being similar to the freight rates for the same product from Melbourne port to Asia shipping hubs and beyond.

As the PC has previously pointed out, the relatively short distance across Bass Strait does not suit a shipping efficiency mode, which, for the most part, favours longer hauls with weight being less of a constraint than for road transport.

Further, the PC has pointed out that Australian coastal shipping policy does not assist competitiveness in respect of manning, wage rates and access by international flags and consultation at the time identified that overhaul of this policy area is long overdue.

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On the product supply side, as much of cargo is perishable food that goes to predominantly mainland markets, shipping timeliness and quality control are integral to the service.

The loss of a regular direct shipping service to international markets from Tasmania further hinders shipping competitiveness. The Port of Melbourne (with its associated freight and port costs) now effectively controls Tasmanian exports to international destinations. This poses increasing challenges, especially with the impending privatisation of the facility. While recent discussion has pointed to the potential for increased air freight, this will only ever be a realistic option for high-value and generally perishable products.

Agricultural produce accounts for some 30% of total northbound freight; and it tends to be perishable and subject to seasonal demand.

From a farming viability perspective, farm production is necessarily diverse in order to manage and mitigate risk management. Apart from generally variable demand and uncertain prices in niche markets, high-value production generally accounts for a relatively small proportion of product supply.

From a freight shipper perspective, the demand for freight service into the future reflects a significant element of ‘chicken and egg’; that is, it is contingent upon Bass Strait service cost, reliability and competitiveness. This means that shipper demand projections are hard to make with absolute confidence.

On the infrastructure side, it is fair to say that the Bass Strait shipping service is delivered with relatively old shipping technology. Against this, with ship size and scale increasingly dominating over port capacity and timeliness – at an international level, there is an emerging demand for faster, versatile, energy smart, short haul feeder vessels to facilitate efficient freight service delivery. This is evident all around the world.

All of these factors affect the competitiveness of the shipping service across Bass Strait. New investment upstream from key northern Tasmania ports would seem to be only part of the solution. As evidenced by under-utilisation of key new tunnel and connector corridors in Australian mainland cities, projected infrastructure utilisation appears easily over-estimated.

### ***Factors inhibiting the provision of international shipping services to Tasmania***

The Tasmania-based Freight Logistics Co-ordination Team (FLCT) – working with consultants Juturna and Aurecon – reported in December 2013 on this area as part of an internal review.

Under the heading ‘The viability of a commercially sustainable international shipping service must be determined by the market’, the FLCT said:

*“For international exporters/importers, transshipping through the Port of Melbourne adds significant complexity and cost compared to the direct service out of Tasmania. However, it also provides important service choice to exporters.”*

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*“Tasmania’s international carrier volumes are low, at around 40,000 TEU out of a total container task of 450,000 TEU. Tasmania’s exporters are diverse, with different service needs related to their product, cost structures and end destinations.*

*“The FLCT recognises that while there are market challenges, there is a need to definitively prove or disprove the viability of an international service.*

*“Initial contact has been made with a number of potential shipping service providers that already operate in Australia. Their feedback indicates that any commercially sustainable service will require a clear commitment from exporters that is large relative to the potential international trade.”*

The TFGA considers these FLCT observations convey a probable lack of product scale and timeliness of the previous international shipping service – seemingly the main reasons why the service ended in May 2011.

For these and other reasons – including access to containers – the TFGA believes that product destined for export from Tasmania is likely to remain heavily reliant on the Port of Melbourne to gain access to export shipping destinations. This monopolistic situation poses significant threats to Tasmania, especially in light of the Victorian state government’s recent decision to offer a long-term lease for the port for public tender.

### ***Tasmanian Freight Equalisation Scheme***

In 2006, the PC went to great lengths to point out that the Tasmanian Freight Equalisation Scheme (TFES) would ideally be replaced by better targeted regional infrastructure projects. More recently, the FLCT report implied that the high level of government ownership of Tasmania’s logistics – ports, road and rail – may not have served the state well in achieving increased logistics efficiency.

On the other hand, the TFGA believes that the 2006 inquiry did not demonstrate for Tasmania that infrastructure could fill the competitiveness gap that is otherwise provided by TFES and BSPVES assistance. Rather, the PC appeared to focus on the opportunity cost of the schemes to mainland taxpayers and, on that basis, suggested the funding could be better spent elsewhere.

There seemed to be little understanding of the fact that the Australian government commits more than \$3.0 billion per year to highway road and rail on the mainland to help deliver productivity and efficiency gain; yet makes no similar commitment to Tasmania. Inexplicably, this investment does not appear to be equated with the expenditure under the TFES.

It is TFGA’s view that the rationale for the introduction of the TFES has not changed and, in fact there is strong argument for expansion of the scheme coverage in light of changing market dynamics. On that basis, we would argue strongly that the TFES must at least be maintained until better infrastructural solutions would enable it to be removed.

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The FLCT observed that internal road and rail infrastructure need to compete harder for freight business, especially on parallel road and rail routes.

Notwithstanding this, the TFGA believes that, at this stage, it is uncertain whether a quantum leap in Tasmania's internal infrastructure would deliver a competitiveness improvement sufficient to eliminate the need for TFES for agriculture sector activity. Of course, this situation may change in the future and we would reassess our views in light of new market arrangements for products.

Further, considering the size, population and economic diversity of the state, the TFGA believes that increased internal infrastructure investment may well under-deliver if it is not closely aligned to achieving a significant improvement in freight intermodal efficiency and scale at (inevitably) fewer northern Tasmanian ports.

The point was made earlier that short shipping routes around the world are increasingly becoming "feeders" to major shipping routes, larger ships and ports. Shipping 'feeder' service infrastructure – including vessels that can provide a high-speed, multi-faceted delivery that substitutes technology for manning and demarcations (and consistent with coastal shipping reform) – could perhaps deliver a more efficient service across Bass Strait.

Streamlining operating infrastructure, such as container standardisation (domestic versus international) and intermodal linkage, would add to potential efficiency gains. While perhaps helping to access investment funds, it is not currently clear whether alternative privately driven investment and infrastructure models would deliver competitiveness enhancements for the state that would eliminate the need for TFES.

A critical impediment to the competitiveness of Tasmanian Agriculture is the cost of transporting goods across Bass Strait. Put simply, Tasmanian agricultural producers and other businesses are at a significant disadvantage, compared to their equivalents in other states. The cost to transport their produce and products across the Strait is much very more than the cost to transport similar goods the same distance on the mainland.

For this reason, the TFES exists to level the playing field. It helps to ensure that producers in all states are treated relatively equally, acknowledging and supporting a key principle in the federation of the states.

The Bass Strait link is an unavoidable part of the supply chain between Tasmania and the Australian mainland. This means that the cost of transport across this tract of water must be competitive to realise economic potential – as must be the cost of moving product and people around the national road highway on the Australia mainland.

The Federal Government invests more than \$3.0 billion annually in construction and maintenance of the national road highway structure in the mainland states. At a current representative cost of approximately \$2.5 million/lane/km to build a national road highway system and not less than \$0.5 million/km to upgrade to highway standard, the investment is ever-increasing.

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## **Expectation**

It is essential that Tasmania is seen as one link in the national transport network and that its geographical location does not put it at an economic disadvantage. All Australians have much to gain by the implementation of a fairer transport cost structure.

## **Policy Idea 4: State government deregulation**

### **Red tape**

The Tasmanian Farmers and Graziers Association acknowledges that regulation sets a minimum level of performance that is required to meet community standards and expectations. However, it is critically important that regulation is appropriately targeted and clearly communicated; that stakeholders are educated; and that any restrictions are minimised to ensure that our competitiveness is not limited and we avoid perverse outcomes.

Often, it is the cumulative impact of regulation that more generally concerns the industry. It is only when we have the accumulated burden of federal, state, local government and regional council associations that we begin to understand that with four or more layers of competing and often contradictory regulation it becomes near impossible to find an economical way through. When coupled with seemingly minor regulatory imposts, the competitive burden can become overwhelming. This malaise of regulation often leads to developments not proceeding on the basis that it is all too hard.

The Tasmanian government's report 'Measuring Red Tape' released in January 2013 reported some extremely disturbing figures for the agriculture sector in Tasmania. The gross value of production for agriculture, fishing and forestry in Tasmania is \$1.982 billion, of which the agriculture sector accounts for \$1.150 billion. The cost of regulation for these three sectors of the industry is \$321.4 million per annum. That figure is overwhelming as a standalone figure, but it represents 16.2 percent of the value of production in Tasmania.

So where agriculture, fisheries and forestry account for around ten percent of Tasmania's Gross State Product, the three sectors carry more than twenty five percent of the total regulatory compliance cost in Tasmania. These figures are more than likely to be on the conservative side, and the real impost will be potentially significantly greater.

Notwithstanding that fact, the reality is that as a sector agriculture carries a far greater regulatory cost burden than any other industry within the Tasmanian economy, a situation that is no longer sustainable.

TFGA believes that governments at all levels should be seeking to reduce and eliminate excessive regulation and hence reduce compliance cost burdens on small businesses such as farmers.

There is a clear understanding in industry of the negative impacts of excessive regulation and the duplication and perverse outcomes that result.

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Governments need to commit to a systematic review of all regulation with a view to identifying and subsequently removing all regulation that is duplicated and or fails the 'common sense' approach.

Regulations that by their nature either produce perverse outcomes or have a greater propensity to produce such results need to be repealed or significantly modified.

In particular, there is a clear need for better education and a corresponding realignment between the federal and state governments regarding their environmental objectives. There is no co-ordination of expectations between levels of government; nor is there any recognition of cumulative impact.

Each government regulatory instrument considers only the provisions of its specific wording; and does not look at whether there are possible synergies between different agencies, or even different levels of governments.

All expectations incorporated in regulation or legislation carry costs. In the case of environmental regulations, including offsets, those costs are born by landholders (often farmers) with no capacity for recoupment.

This is simply untenable.

There is ample evidence to show carrots work better than sticks. If the community wishes to protect environmental attributes, then the community must pay – and that means the government has to fund such activities.

At the very least, such an approach recognises basic principles of equity, and spreads the cost burden in accordance with the 'user pays' principles that governments are all too quick to adopt when they wish to cost-shift.

If the community has the information necessary to assess real performance and measurable outcomes, there may be greater understanding that any expectation of continued landholder acquiescence in footing the bill for such activities is not only unrealistic, it is also delivering perverse outcomes.

In any case, if the community has to consider each investment in the light of opportunity cost, it is likely most will value more basic social services (such as health and education) more highly.

### ***Local government***

Tasmania is seriously over-governed. There are 29 local government councils servicing Tasmania's population of around 500,000 people.

In comparison, the state of Victoria has a population exceeds of more than five million people covered by ten local government areas.

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Interestingly, there were 29 councils in Victoria when the Kennett government forced amalgamations 15 years ago. More than a million people live in the Brisbane City Council area.

This over-government brings enormous costs – both directly, in supporting council overheads; but also indirectly in divergent and often confusing regulations. The state government needs to move to streamline this unsustainable system.

### ***Government as land owner***

Following the recent Tasmanian Forests Agreement process, over 52% of the Tasmania is now in public ownership under various forms of title arrangement. This makes the Tasmanian state government the largest land owner in the state.

Private landholders have the right to expect that they will not be adversely affected (financially or in any other way) by circumstances created on neighbouring properties, especially when their neighbour is a government agency. Unfortunately, the state government has not demonstrated basic good neighbour behaviour.

The Tasmanian farming community is constantly concerned about the effect that impacts spreading from public land have on the environmental, productive and safety significance of private land. The boundary fence doesn't stop the spread of fire, flood, wildlife or weeds. However, responsible management on both sides of the fence will assist to control spread of these risks from public onto private land.

TFGA believes that the state government should immediately commit to the development of a good neighbour charter between private and public landowners.

This should include a commitment to meet half the cost of materials to replace or repair fencing or other assets on private land where these are destroyed or damaged by bushfires, floods or other activities that originate from roadside verges, national parks, state parks and forests or other state-owned landholdings. It should also be required to control weeds, pest animals and other encroachments on neighbouring lands.

### **Policy Idea 5: Protecting the resource base**

#### ***Mining***

We believe that governments needs to adopt a regime that promotes avoidance of environmental harm as opposed to mitigation which is a secondary outcome at best. Offsets, particularly financial, should only be permitted in exceptional cases and only when a project is of such significance and the associated environmental impacts are unavoidable.

Rural resources such as productive land and water need to be protected from degradation and the negative environmental impacts of projects.

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## **Bilateral Agreements**

We note that the concept of bilateral agreements is subject to a review after five years, with the review being undertaken by the relevant administrative units of the State and Commonwealth governments. We believe that any such reviews should be independent and should seek as a matter of course public comments on the effectiveness of the agreement and the 'one stop shop' approach. Any reviews should be measurable, evidence based and include clearly defined outcomes, it is imperative that this process be transparent.

Governments have a vested interest in approving projects that will enhance their revenue base and contribute to economic growth. We are concerned that this inherent conflict could impact on sound decision making in relation to environmental approvals, particularly for resource based projects. With this in mind it is imperative that there not be a diluting of the oversight by the Commonwealth and that the Commonwealth maintains the ability to intercede if required. Given the risks within the initial implementation phase of the agreement we recommend that there be an annual review for the first three years to ensure that the agreement is meeting its objectives and predetermined targets.

Given Commonwealth budget constraints, coupled with the Tasmanian budget which itself is fiscally restrictive, we have serious concerns regarding funding for the implementation of the agreement. The State based Environmental Protection Agency has been heavily criticised for failing to meet its current obligations and have themselves publicly indicated that they have resourcing issues.

With this current situation unresolved we fail to see how agencies can meet the obligations that will be placed with them under these agreements.

It is clear that, in order for the implementation to be effective, the state EPA will require additional resources and funding. It is highly unlikely that the state financial situation will allow the state government to provide that assistance. Under these circumstances, it will be necessary for the Commonwealth government to provide Tasmania with additional resources and funding. Failure to do so will undermine the implementation of the agreement.

The TFGA will not support cost shifting to project proponents. The policy concept behind the 'one stop shop' was to reduce red tape and costs. Any cost shifting to proponents would only undermine the concept and policy position.

### **Policy Idea 6: Strengthening farm businesses**

It is clear that if Australian farmers are to remain viable, let alone capitalise on the many identified opportunities for growth and expansion, they will have to innovate in a third agricultural revolution.

Many commentators are recognising that there has to be a concerted effort to deliver on-farm cost efficiencies if we are to meet global food needs without a major expansion in agriculture's footprint.



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This will require the trend of declining investment in research, development and extension activities to be turned around sharply; and the Australian community has to be prepared to reinvest in integrated food, water and energy research, development, extension and education (RD&E) here in Australia.

Even assuming this happens, if producers are to be able to respond to the output from RD&E efforts, they must have sufficient capital to adopt the new practices. This requires the ability to invest over a relatively long timeframe with a reasonable expectation that current profitability will be sufficient to cover the investment in new equipment, varieties and practices.

Because farming returns are ultimately determined by value chain efficiency, there is a basis for a more integrated approach to monitoring and ensuring that competitive value is fairly accessed by the agriculture sector.

Recent debate on labour awards has focused on penalties for working on weekends in the hospitality sector. Such penalties – weekend, shift and other loadings - apply right along the value chain, adding a layer of cost to operations. This is especially the case in food processing where to achieve and maintain food quality standards, harvesting and processing of fresh vegetable (for example) will often not wait till Monday.

Consumers in today's world expect and receive service 24/7.

Further, such penalties are generally not an outcome of five day week employment but under permanent part-time or casual employment arrangements. This work often starts in the middle of the week and weekend days make up standard hours. While anachronistic, such added costs penalise global competitiveness – especially in regional Australia where there are often no other jobs to be had.

Furthermore, domestic producers are subject to a range of market behaviours designed to maximise profits at the retail end to the detriment of the production end of the value chain. The continual downward price war being engaged in by the two major retail outlets is taking its toll – with many farmers already driven out of business.

## **Policy Idea 9: Improving regulation**

### ***Country of origin labelling***

The TFGA has consistently been a strong supporter of improving the current labelling system both internationally and domestically. In relation to CoOL, improved labelling will potentially provide a high level of traceability and provide consumers with enhanced information ensuring better and more informed purchasing decisions. That said, we do need to recognise that often country of origin is not the determining factor in a purchasing decision, price is often the dominant factor in many socio economic groups.

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The current CoOL is often confusing for consumers and arguably limiting for some manufacturers. At a national and state level the agriculture sector has an enviable reputation for safety and quality and producers and manufacturers should be able leverage these to generate premium and niche markets.

The current terminology used in food labelling is confusing and fails to adequately inform consumers, resulting in a need for easily understood and standardised language. The use of “Made in” and “Product of” may have definitions under law, however consumers find them contradictory and unclear and they do little to enhance the credentials of the products being sold. These comments also extend to such terms as “organic”, “natural” or “free range”, consumers need to know that when these and other similar worded products are sold that the labelling is clear and has a readily understood definition. A ‘truth in labelling’ dictum should apply across the board; and severe sanctions should be applied for those found guilty of circumventing Australia’s CoOL laws by staging imports through third countries.

Australian manufacturers, and the Australian and Tasmanian agriculture sectors in particular, operate in a highly regulated regime covering a range of areas from environmental issues, animal welfare, food safety, Agvet applications and much more. These regulations impose a much higher cost base for Australian products and their producers relative to many other countries that compete directly with them, both internationally and domestically. While improvements to the current labelling system are necessary it is equally important to ensure that any changes do not disadvantage Australian producers. On the contrary the opportunity exists to enhance Australian produce by ensuring that imported product is clearly labelled and in doing so, consumers can be informed of product from countries that do not operate under the same stringent regimes that Australian producers do.

Many consumers are not aware that a number of other countries do not apply the same food safety and environmental regulations that Australian producers have to comply with.

This information does have the potential to level the playing field in a very effective manner. Next to cost, food safety is an important consideration for many consumers and does influence buying choices. If consumers are made aware that some overseas products are produced in less than ideal conditions via more stringent labelling, then they may more favourably look at Australian produce notwithstanding cost differentials.

In broad terms, we need to recognise that over seventy five percent of the agriculture product produced in Tasmania is exported from the state, of this a significant component is then shipped internationally. With this in mind, it is important to understand that some of these international markets are critical to both the agriculture sector and the broader Australian economy. In that context it is imperative that food labelling laws do not adversely impact on these crucial markets and any changes implemented are sensitive to this.

The TFGA is very supportive of appropriate and accurate labelling laws, particularly in relation to CoOL. However, we nevertheless need to be cognisant of the need to ensure labelling costs are kept to a minimum. Partially, this will be achieved by ensuring that the labelling laws are

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not overly burdensome and that changes are appropriately targeted to achieve the maximum reform at the lowest possible cost.

### ***Enhancing agriculture's contribution to regional communities***

The TFGA believes that rural and regional communities will be served best where the inputs and services environment enables agriculture investment, value-adding and wealth creation to thrive.

However, where such agriculture base load activity and employment fails - such as has been recently the case in the Tasmanian forest industry - the resultant flow of benefits to local communities cannot be sustained.

Competition for labour and resources from the mining sector combined with the high value of the Australian dollar over recent years, have placed exceptional upward pressure on regional agriculture value-adding costs. This is especially the case where business has sought to retain essential engineering and electrical skills. It has also shown how mobile the labour market can be if comparable wage rates cannot be met.

New communications technology such as Sense-T have been facilitated by the roll out of the NBN in some rural Tasmanian regions. This program is demonstrating significant potential for capacity building and cost lowering in the application of key agriculture sector inputs.

Investment by farmers in increasing the level of skills and training serves regional communities well. However, in the face of a steady exit from the sector, the extent to which agriculture is capable of continuing to deliver these outcomes seems unclear.

Where farm profitability is depressed, the regional communities dependent on the agriculture industry will suffer. This in turn will place increasing pressures on already-stretched government services and facilities.

Tasmania already lags behind the national average on many socio-economic measures. We can ill-afford further lead in the saddlebags.

Government at all levels can assist by:

- supporting regional communities by ensuring base load services are provided to agriculture and industry on cost competitive terms rather than as a source of income;
- maintaining and enhancing the regional skills base;
- providing access to communications technology that helps build industry and regional capacity; and
- investing in technologies such as Sense-T which facilitate the adoption of precision farming applications that reduce input costs and improve on-farm efficiencies.

### **Policy Idea 10: Improving access to finance**

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In relation to Tasmania, the scale of infrastructure investment required will in many instances be insufficient to deliver a meaningful return, a key reason why government continues to own most of the infrastructure assets in the state. While the opportunities for expansion of agriculture in Tasmania are clear, there are numerous hurdles to be addressed if this potential is to be achieved.

There is a significant 'small farm' problem in the Tasmanian agriculture sector. While there is no quick fix solution, and the impact is likely to be longer term, there is considered to be a sound case for government to extend current sector support arrangements to farm consolidation property purchase.

The particular challenge of vineyard, orchard, and other perennial agricultural finance is the substantial gap between planting and commercial harvest (about five years). Similar challenges face farmers looking to establish or expand dairying facilities that require significant initial investment but have a relatively long payback period. Purchase of irrigation entitlements also poses challenges for many farmers. The upfront purchase price is just the beginning of required expenditure and delivers water only to the farm gate. Industry estimates are that every dollar spent on purchasing entitlements requires another two to get to the point of delivering water - on irrigation infrastructure, drainage, equipment and so on.

Current structures for debt and equity do not address these problems.

Banks are reluctant to lend for these purposes when first cash flow is so distant, and landowners commonly do not generate sufficient cash flow from other activities, such as sheep grazing, to meet the obligations of substantial loans.

Equity investors are reluctant to commit without ownership of the underlying land, which landowners are reluctant to grant.

The result is that most landowners invest in small units, hoping to expand incrementally as cash flow builds. The total industry in Tasmania expands very slowly by international comparison.

The issue of sovereign risk in the forestry industry has been a further complication facing many farmers in Tasmania.

Private forests make a larger contribution to Tasmania's gross state product (GSP) than either mining or the hospitality and tourism sector.

A 2008 report, *Measuring the Economic Value of Private Forests to the Tasmanian Economy*, found that 26 per cent of Tasmania's forest cover is privately owned. These private forests contribute \$450 - \$650 million annually to GSP, or 3.2 per cent of the state's economy. Mining directly contributes 2.6 per cent and hospitality and tourism 2.2 per cent.

Private forest owners have carefully managed forests, often for generations. These management regimes have resulted in maintenance of biodiversity and non-forest values while still generating an income for families. In many cases, the returns from these

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investments have been used to enhance and improve both the environmental and economic aspects of the resource.

However, recent developments as a result of the Tasmanian Forests Agreement 2013 have significantly impacted not only on returns from forestry assets but on the value of those assets themselves. Financiers have not only tightened lending ratios on new farm developments, but in some cases have also reconsidered ratios for existing portfolios and required further cash injections or divestment to maintain loan facilities.

This industry restructure has had devastating impacts on many farmers. Yet there has been no recognition from governments as to how this might be redressed.

No one clear solution appears to exist to accessing increased sector finance in the short term. Accessing capital for the sector is becoming increasingly difficult because of the perceived low investment return. Externally funded investor models demand a return over a much shorter timeframe and this rarely fits with the vagaries of agriculture investment – even with high value outputs. Following the global financial crisis, traditional bank and other financiers have also looked for much higher short term returns and, as a result, they have withdrawn to some extent from the sector.

However, as more and more experts are predicting that global demands for food will be increasing rapidly in coming years, it is likely that finance will become somewhat less of a limiting factor.

Government can assist by:

- underwriting the issue of long term infrastructure bonds which might be of interest to domestic superannuation funds where the return is ultimately based on listing or selling off the infrastructure asset;
- further reducing the restrictions on access to farm management deposits as a tool to manage income volatility and consider alternative ownership structures that can unlock investment capital;
- providing access to, or underwriting, lending programs to assist in establishing or expanding farm activities with longer term return profiles (eg orchards, vineyards) – possibly through a HECs type funding scheme; and
- recognising the structural adjustment issues facing the private forest sector in Tasmania and providing short term financial assistance for farmers impacted by the outcomes of the Tasmanian Forests Agreement.

As outlined at the start of this submission, the Australian government does not have to make any apology for investing and creating jobs in the agriculture sector supply chain as effective rates of assistance are now substantially lower in Australia (and New Zealand) than in all other competing countries.

It is also clear that the agriculture sector makes a major contribution to sustaining jobs and infrastructure in regional communities, as well as providing an important custodial role in managing the environment.

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### **Policy Idea 15: Strengthening labour availability**

The positive outlook for agriculture for Tasmania outlined in this submission means that, with the right policy settings, these roles can be enhanced.

There is a well-documented shortage of labour in the agricultural sector. This shortage shows no signs of reducing over the next decade, as baby boomers start to retire and the gap is unable to be filled by the incoming labour supply. In short, the gap between supply and demand for agriculture shows every sign of widening as the market for labour becomes even more competitive and individuals are able to become even more selective in their choices.

The demand for skilled labour in the agricultural industry is, not surprisingly, mostly in the intensive farming areas. These requirements should continue to be addressed as a priority.

There is also a shortage of middle management personnel – an area that appears to attract little attention in most discussions around the agricultural labour shortage. There are some institutions that are helping to fill this gap through programs such as leadership courses. However, this area needs to be looked at and a training model aimed at middle management needs to be developed.

Supply of labour is market driven. Farming is competing with industries that are willing and able to attract labour by offering generous salaries. Also, salary packages often include non-cash benefits that are rarely formally recognised as part of overall remuneration eg farm housing etc.

Until the farming industry itself recognises the need to become more competitive in this area, and develop targeted salary package options, this is unlikely to change.

Farmers have traditionally been very poor in promoting training and education in their existing workforce. Whilst this trend is slowly changing, there needs to be a much quicker acknowledgment that an investment in skilled labour is an investment in their business. Farmers need to be much more proactive in helping to develop their own skilled workforce.

The continuing automation and rapid development in ICT in farming will alleviate some on-ground labour shortage issues. However, other measures need to be adopted if the gap in supply is to be reversed. It is worth noting that these automation and increasing ICT applications are at the same time opening up a whole new skill demand within agriculture as we seek people able to operate and service these technologies.

In light of these circumstances, it is disappointing to note that there has been a reduction in funding in real terms in training and skills development in the agriculture sector over recent years by both state and federal tiers of government.

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This is exacerbated by the shift to full cost recovery for course fees by government deliverers, which is placing access to courses beyond the reach of many individuals and employers.

The adequacy of funding is further impacted in Tasmania by the constant restructuring of the post year 10 education system in recent years. Splitting of TAFE into separate bodies, namely the Tasmanian Polytechnic and the Tasmanian Skills Institute (TSI), increased costs and caused confusion in the marketplace. The recent decision to once again combine these two entities into TasTAFE is welcome, but has caused further disruption to students and employers. This will take some time to settle down.

A lack of demand for specialised industry studies has led to a corresponding challenge to the viability of traditional agricultural training facilities.

There is a need to review the model which is being used to deliver agricultural training in Australia to bring it into line with contemporary farming practices. The model under which most of the current facilities operate is unsustainable and dated.

Most farm facilities in educational institutions are not being kept updated due to the financial challenges of operating in an environment where commercial realities are not the driving factor for the farm's existence.

This has resulted in teaching being delivered in an environment that often has not kept pace with current technology and best practice. Rather than continuing a losing battle to make struggling farm education facilities viable and relevant, there needs to be a shift in focus to developing strong partnerships with industry to deliver the practical side of programs. This has dual benefits: education is delivered in a 'real world' environment; and stronger partnerships with industry are forged.

It is clear that, for the agriculture sector to maintain growth in food and fibre trade, substantial investment will need to be made in infrastructure and R&D to maintain supply chain competitiveness.

The debate as to whether adequate funding is allocated for agricultural research in Australia continues. In straightened economic times such as these, perhaps the best we can hope for is to prevent further contraction in investment and to preserve what we have. However, we certainly need to get smarter about how we use existing resources across the board.

The effectiveness of R&D will in part be determined by government commitment to extension services at all levels, predominantly targeted at mid-range farmers who need to be encouraged to keep pace with change and because they play a critical role in supporting follow-on rural community services. Another key capability measure will be the development and uptake of technological approaches to industry development – such as Sense-T, robotics, improved genetics and so on.

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Rural supply chain competitiveness would be further assisted by dismantling labour market inflexibilities as they are a product of a bygone age and do not exist in countries with which the Australian agriculture sector competes.

The nature of farm businesses has changed dramatically in recent decades. Today, most properties have moved away from the traditional family farm model, handed down through the generations, operated in the same way and based on knowledge inherited along with the land. Today's successful modern farm is run as a business, often specialising in specific fields utilising scientific knowledge and innovative practices.

If the future demand for education and skills training is to meet industry expectations, then any model adopted must not just reflect the needs of a successful modern farming enterprise but also be proactive in looking at future needs.

### **Policy Idea 18: Improving water infrastructure and markets**

The Green Paper says, in relation to speculators in the water market, *"Some stakeholders suggested that the functioning of the water market may be improved if speculators were banned from participating in the market"*.

TFGA does not support this proposition. From our own experience, Tasmania's remarkable Midlands Water Scheme, the largest irrigation development in Tasmania's history, would not have been possible without outside investment. Such investors can add benefit, particularly in liquidity and attracting capital to water markets.

### **Policy Idea 19: Natural resource management initiatives**

#### ***Environmental regulations***

The burden of environmental regulatory expectation falls more heavily on farmers in Tasmania than mainland farmers – and has a significant impact on competitiveness.

Much of this regulatory burden results from state government decisions, and is thus outside the scope of the Review. From a Commonwealth perspective, the Environment Protection and Biodiversity Conservation Act (EPBC) is the dominant legislative instrument used to regulate environmental matters.

In our view, there are a number of significant failings with this legislation.

The current process of listing matters of significance allows the regulatory reach of this legislation to continue to grow with little likelihood of there being any reductions without a major overhaul of the Act. Listings of significant matters need to be contemporary and relevant, failure to do so exacerbates a culture of distrust and noncompliance.

There is an implicit assumption in the EPBC that threatened species and/or ecological communities can and should be protected, no matter the cost or the consequences. Recent



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scientific debate suggests that this assumption requires much more rigorous testing; and it is important to recognise that such aspirations are not always desirable or attainable.

As a community, we need to reassess our ability to protect and nurture all threatened and endangered species.

In doing so, it will be important to prioritise those that have a very real likelihood of success and accept that some will not survive. Humans will continue to undertake activities that have adverse environmental impacts - and of course they should seek to avoid and mitigate these wherever possible.

However, pragmatically, it is also important to accept that some level of residual adverse environmental impact is unavoidable and a part and parcel of our existence as a species. These adverse impacts cannot realistically be compensated for in any meaningful way; and listings need to be reviewed regularly to ensure that they bear up under contemporary scrutiny and community expectations.

The TFGA is aware that there have been cases of agriculture developments not requiring environmental approvals at a state level and proponents proceeding on that basis only to find that, notwithstanding the state exemption, the EPBC Act requires them to have an environmental approval. This would suggest that currently there is a significant disconnect between state and federal environmental objectives which is further compounded by a lack of information and education.

It is difficult enough to navigate through the multiple levels of environmental regulation in Tasmania. However, this is further compounded by the lack of synchronisation between different jurisdictional areas. The proposed one-stop-shop concept for environmental approvals will only be successful if it takes into account all levels of regulatory imposts and seeks to ensure that the environmental objectives are coordinated and that steps are taken to ensure perverse outcomes are mitigated.

Further regulatory imposts that make agriculture in Tasmania less competitive than the sector in other states arise from the situation regarding the forestry industry in Tasmania.

Specifically, the ban on further land conversion which resulted from the federal Regional Forests Agreement and comes into effect from January 2015 will pose significant costs to farmers. This ban effectively prevents them from expanding their farming operations, in an environment where scale and diversification are key drivers of viability.

Clearly, with more than half the state now in environmental and other reserve land categories, the imperatives behind this decision have changed significantly since the mid-1990s.

Such imposts are unacceptable interferences with basic property rights. If there is a genuine need for further contributions from the farming sector to environmental wellbeing, then there needs to be recognition that costs need to be shared equitably across all members of the community.

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## **Stewardship**

Tasmanian farmers believe that there should be a balance between agricultural development and the environment.

However, they also believe that, where farmers have costly environmental demands placed upon them, there must be appropriately funded environmental stewardship programs.

Tasmanian farmers bear a disproportionate share of the cost of protecting and maintaining the natural environment. Too often, they are expected to undertake conservation measures that carry with them considerable costs but where the benefit is to the wider community.

Stewardship payments – also referred to as payments for ‘ecosystem services’ – are a way of creating positive economic incentives for natural resource managers to manage their land and activities in ways that improve or maintain environmental health.

These might include restoring habitat for endangered species, improving water quality and availability through catchment protection, or sequestering carbon in biomass or soils.

One method favoured by governments overseas is to provide direct payments to farmers and other landowners in order to encourage ‘conservation-oriented’ land-use and/or management practices. This could involve expanding biodiversity offset schemes, in which negative impacts in one area may be offset by restoring equivalent biodiversity elsewhere.

Other approaches to reimburse farmers for the cost of environmental conservation might include reducing a farm’s local government rates, as well as the government making direct payments to landholders who set aside land. Other mechanisms include the purchase or leasing of land, eco-labelling and certification schemes, and the creation of tradable entitlements, or other new markets (such as tradable carbon rights or habitat offsets).

Market-based conservation or stewardship programs are well established in North America and Europe. There are also programs in parts of Africa, Asia, and Central and South America.

In 2007, Mark Rey, Under Secretary in the US Department of Agriculture, summarised the benefits of using market-based approaches as follows:

“Market-based conservation is an innovative way to ... preserve productivity and enhance landowner livelihoods, while producing numerous environmental benefits. Market-based solutions can provide flexibility to undertake actions that have the lowest cost and result in more cost-effective achievement of natural resource conservation and environmental goals compared to traditional command and control approaches. ... I look forward to the day when credits for clean water, lower levels of greenhouse gases, and protected wetlands can be traded as freely as corn or soybeans are today.”

Achieving improved environmental outcomes will generally not provide immediate net production benefits to farmers; and, in many cases, these programs will come at a real and

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prolonged cost. There may be good reasons for asking farmers and other resource managers to bear reasonable costs of preventing future damage to the natural resource base – which is their core business asset. However, these reasons do not apply to the costs of major catchment-wide environmental programs where the benefits accrue at a community level. In these instances, it is reasonable to expect the wider community to contribute to the cost of achieving these outcomes.

There have been some limited trials of stewardship programs in Australia. It is now time for governments to step up to the plate and move to immediately introduce market-based mechanisms.

### **Policy Idea 20: Strengthening the RD&E system**

### **Policy Idea 21: Improving the rural RDCs**

#### ***TIA Submission***

TFGA has seen the submission made to this process by the Tasmanian Institute of Agriculture (TIA). Overall, we are quite supportive of the positions outlined in their submission. In particular, we support the comments therein with respect to investment in R, D & E.

#### ***New body***

TFGA does not support the creation of a new body to promote cross-collaboration in research, development and extension. The existing Chairs of RDCs group should be better resourced to encourage collaboration and cooperative research.

The Chairs group should also be tasked with the responsibility for ensuring that there are clear benchmarks and measurables to enable assessment of value for money on a consistent basis.

### **Policy Idea 22: Improving (biosecurity) legislation**

### **Policy Idea 23: Improving the biosecurity system**

#### ***Regional differences***

While the TFGA is supportive of a more competitive environment and the removal of barriers to trade more generally, there are areas within the sector that periodically come under attack – and are considered ripe for reform.

One such area of particular importance to Tasmania relates to the inferred lack of science in relation to opposition to the import of some fruits and vegetables from countries that have known costly pests and diseases.

Tasmania has a high level of disease freedom and it is TFGA's view that the case for food imports from such diseased countries has never been adequately justified under 'minimum risk' science. As such, maintenance of Australia's science-based quarantine system is vitally important.

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The TFGA strongly believes that the case for regional differences within that system is also important for our competitive positioning.

### **IRAs**

There needs to be a change in culture within Biosecurity Australia to overcome the high level of antipathy and mistrust felt by industry with respect to the process of determining import risk assessments (IRAs). At the moment, industry feels like an IRA is something that is done to them, and they have no meaningful opportunity for input and no capacity to influence the outcome.

Currently, the announcement of an IRA is an industry's worst nightmare. Growers feel, rightly or wrongly, that the businesses they have built up over generations are under threat from a decision made by a nameless, faceless person in Canberra. They already have to battle a range of pests and diseases with an increasingly restricted arsenal so the possible introduction of new pests and diseases seems to defy logic.

Effective engagement in the IRA process is time consuming and expensive and many industries do not have these resources.

There is a strong feeling that the whole process is stacked against them with potential importing countries able to invest in research to support their case and paid officers in these countries pulling together their applications. On the other hand, Australian growers get no support to provide an alternative perspective.

Whilst it may not be the case, there is a strong perception in industry that the outcome of an IRA is a fait accompli and industry involvement is just lip-service.

### **NEBRA**

The National Environmental Biosecurity Response Agreement (NEBRA) sets out emergency response arrangements, including cost-sharing arrangements, for responses to biosecurity incidents that primarily impact the environment and/or social amenity and where the response is for the public good.

With the apparent decline in jurisdictional resources traditionally used to assist industry in the field of disease surveillance and control, the federal government must maintain as one of its highest priorities the adequate resourcing of its responsibilities for environmental biosecurity activities.

### **Policy Idea 24: Strengthening Australia's overseas market efforts**

### **Policy Idea 25: improving Australia's export and import systems**

There is little doubt that a large, increasingly affluent population in our region will provide significant economic opportunities for Australian farmers.

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The main opportunities for agricultural producers lie in understanding the great variety of consumers, cultures, languages and markets that exist within Asia, in order to target high quality and high value products to export to selected markets.

Tasmanian farmers are already well ahead of the game in recognising the importance of Asia as an export destination.

In 2011/2012, total exports from Tasmania were valued at \$3,195.56 million. Agricultural products represented some 30% of that total – approximately \$1,000 million.

ASEAN countries have become increasingly important destinations for Tasmanian exports, with food exports increasing significantly from \$71.16 million to \$95.62 million over the period 2009/2010 through 2011/2012. Major products exported to ASEAN countries included dairy (\$42.28 million); seafood (\$31.63 million) and wood products (\$19.5 million estimated from private forestry sector). Key destinations included Japan (35%), China (21%), and Hong Kong (21%).

Tasmania has many potential opportunities as a trading partner in the Asian region, but also in Europe. We should be able to capture new markets strengthened by our global reputation and integrity as a cool climate island state producing clean “safe food” which is disease free. This would boost the state's agricultural export opportunities. Future expansion and further innovation could occur in the area of both unprocessed and value added agricultural products.

Asia's robust economic performance over three decades, as well as a growing and increasingly affluent population, provide positive trade prospects for Tasmanian products. As reported in the 2012 state issues paper, *Tasmania's Place in the Asian Century*, the agriculture sector has significant opportunities to expand production including dairy, wine, beef, fruit and vegetables. There are also opportunities in biofuels and forest-based products.

China's rapid economic growth, industrialisation, urbanisation and expanding middle class present real opportunities for Tasmania – as do the growing westernised middle class cohorts in India and Indonesia. The increasing two-way trade in goods, services, knowledge and people between Tasmania and Asian countries will be increasingly important in providing both export income and investment in our economy.

However, the suggestion that Tasmanian - or Australian - farmers will automatically gain greater access to Asian markets due to regional proximity is naïve at best.

As is already clear, market competition for a share of Asian food and fibre demand growth from all round the world is intense; while cultural barriers take time to break down and build trust with potential customers. This means that only globally competitive food and fibre supply chains will be able to access and further build presence in such markets.

A strategic approach to identifying and developing new high value and high growth export markets will be vital to achieving success for Australian agricultural exporters. To exploit the

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potential growth in export markets for agricultural produce, the federal government must push for consistent market access regulations across Asian countries, as these barriers have a significant impact on production processes and agrochemical practices.

Harmonisation of phytosanitary standards and regulations for fresh produce imports are crucial for an optimal trading environment for exporters.

The government has recognised the urgency needed to gain and maintain access to these markets because the comparative advantage on which the agriculture exportable surplus has been built is at risk of being lost if agriculture fails to compete effectively. It also recognises the benefits to the community in accessing lower priced goods and technology by removing import barriers to trade.

Government can further assist by:

- completing free trade agreements with India and Indonesia;
- increasing the focus on non-tariff barriers to trade such as with SPS;
- parallel investment in road, rail and port infrastructure to ensure logistics efficiencies in product aggregation and shipping are maintained;
- facilitating market access and market intelligence through Austrade and with EMDG support;
- encouraging investment from domestic and foreign sources to build capacity and resilience in the Australian agriculture sector; and
- maintaining a comprehensive and user-friendly trade database to measure and assess market opportunities and activities.

### ***Management of incursions***

The TFGA has serious concerns about the competing imperatives of governments in making decisions on whether incursions are to be eradicated, managed or accepted as endemic. In these instances, there is a clear pecuniary interest for both state and federal governments - and decisions maybe influenced accordingly. That is unacceptable – and has in the past clearly resulted in poor decision making that has imposed unreasonable cost burdens on industry.



## **Tasmanian Farmers and Graziers Association**

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