

**SUBMISSION TO DEPARTMENT OF PRIME MINISTER
AND CABINET – AGRICULTURAL COMPETITIVENESS
WHITE PAPER – COMMENTS ON THE GREEN PAPER**

DECEMBER, 2014

Queensland Farmers' Federation (QFF) is the peak body representing and uniting 16 of Queensland's rural industry organisations who work on behalf of primary producers across the State. QFF's mission is to secure a sustainable future for Queensland primary producers within a favourable social, economic and political environment by representing the common interests of its member organisations. QFF's core business centres on resource security; water resources; environment and natural resources; industry development; economics; quarantine and trade.

Our members include:

- CANEGROWERS,
- Cotton Australia,
- Growcom,
- Nursery & Garden Industry Queensland,
- Queensland Aquaculture Industries Federation,
- Queensland Chicken Growers Association,
- Queensland Dairyfarmers' Organisation,
- Queensland Chicken Meat Council,
- Queensland United Egg Producers,
- Flower Association of Queensland Inc.,
- Pork Queensland Inc.,
- Australian Organic
- Fitzroy Food and Fibre Association,
- Pioneer Valley Water Co-operative Limited,
- Central Downs Irrigators Limited, and
- Burdekin River Irrigators Area Committee

QFF welcomes this opportunity to follow our previous submission to the taskforce by providing further specific information regarding the recently released Green Paper. QFF along with our members and numerous other agricultural organisations have provided two rounds of face-to-face feedback to the taskforce that is developing the White Paper. QFF has previously stated our main points of interest and concern in our first submission to this taskforce and we stand by that submission as well as face-to-face remarks. We note that the Green Paper has canvassed a very broad range of ideas and policy suggestions, including a number that QFF has previously suggested and supports. We also note that some other suggestions have been ignored and not been adequately canvassed in the Green Paper.

An Agriculture Competitiveness White Paper can serve a useful purpose to bring together a compendium of major policies and programs that have the unifying theme of improving the nation's economic performance through actions and programs that improve the international competitiveness of the nation's agricultural sector and associated agribusinesses. While the term 'international competitiveness' is essentially an economic one, it can take a broader meaning of 'sustainably internationally competitive' and QFF suggests this latter term is the more relevant one for this White Paper, given it is to guide long term national government policies. QFF also suggests the taskforce act 'to test' some of the 'policy ideas'. Namely, if it can't be shown to improve the sustainable international competitiveness of Australia's agricultural sector, then it should be removed from the policy agenda.

The very broad range of policies that are listed in the Green Paper mean that is beyond the resources of QFF to provide commentary and analysis of the full list. However, QFF is generally supportive of many of the suggestions that are put forward in the Green Paper. If

even a portion of them were properly implemented then there is enormous potential to drive the productivity and profitability of the Australian farm sector. However, we also note that some of the suggestions are not specific policies per se, but rather are more broad policy principles without a clear indication of how the principle would be enacted.

Given the large work that is therefore yet to be done in refining the list to a more realist and achievable target, and also in refining the principles into policies, this also makes providing extensive feedback difficult. QFF sees that it would be prudent of the government to open this process to feedback once it is able to articulate a more specific and realistic list of policies.

There are some notable omissions from the Green Paper that need attention in the White Paper. Most notably, the Green Paper does not discuss climatic shocks (nor climate change) and the government's role in helping farmers prepare for and recover from such disaster events. It does not address the vital role that the assistance measures under the Natural Disaster Relief and Recovery Arrangements (NDRRA) have played for farmers in recent years, and in particular farmers in Queensland where climatic shock events such as flood and cyclones have been severe and costly. There is also insufficient policy detail on climate risk adaptation strategies, and also on the role of farmers in helping to mitigate greenhouse gas pollution. QFF's vision of climate adaptation in Queensland agriculture is to continuously improve the capacity of agriculture and agribusiness to manage climate variability and climate extremes. QFF aspires that Queensland farmers will focus on embedding climate variability as a normal business "risk" decision, while maintaining a focus on productivity and profitability in the short to medium term. A resilient farm is likely one that is profitable, sustainable, and can effectively manage variations in environment, and also financial and economic aspects of its business, such as commodity prices and input costs. Appropriate Australian and Queensland Government policies need to be established to deal with the future challenges of climate variability within agriculture and beyond.

QFF suggests that re-canvassing stakeholder views on drought is time wasting given the last Productivity Commission review was almost universally accepted and led to Intergovernmental Agreement on National Drought Program Reform (May 2013). That framework is a reasonable one to progress positive policy initiatives and move away from the inefficient reactive ones that don't serve to increase farm sector competitiveness. There is no evidence that concessional loans provide valid financial assistance to needy farmers, and without such evidence that instrument needs careful scrutiny.

Regarding cooperation with the State and Territories, QFF suggests that the focus on red and green tape should be sharpened to include the concept of "best practice in government services" and all policy Ideas should incorporate how that concept can be tested and how it will improve outcomes for farmers. Many of the policy ideas in the Green Paper would not pass that scrutiny and many others are really national government responsibilities. If the Commonwealth wishes to partner with the States for delivery, then a binding Intergovernmental Agreement under COAG scrutiny should be the framework to manage such deals so they don't fuel intergovernmental rivalry and inefficiency. Policy idea six contains 'a nationally consistent and mandatory approach to farm debt mediation' without any evidence that this is relevant to allowing "farm businesses to operate more efficiently" or that such an mandated intervention wouldn't add to red tape and costs. This matter is before a ministerial working group and needs further investigation and negotiation of alternate arrangements including best practice in finance and debt management and voluntary codes and protocols.

Regarding finance, business structures, and taxation, QFF suggests the aim here should be explicitly stated "to improve competitive market performances by fostering open, competitive and transparent market structures", rather than such pointless concepts as "making sure that farmers can access finance as cheaply as possible". The Government's role should also be then limited to correcting market failures, and focusing on getting the macro parameters right such through tax and financial systems Inquiries. There is no evidence that Policy idea ten is valid. Concessional loans have had very limited success and without independent assessment there is no case to suggest they should become a permanent fixture in government program's. QFF also note the extensive work on water and water infrastructure in the Green Paper.

QFF supports the nine principles of water infrastructure investment in the Green Paper, but we also make the following observations:

- The Federal Government should not become distracted by the need for the headline grabbing spectacle of large-scale announcements (dams) without conducting proper feasibility assessments into such projects. There are significant risks and challenges that come with developing new agricultural areas (especially in northern Australia) beyond simply water infrastructure, including supply chain infrastructure and investment, market development, and climate risk.
- The Government must also focus on better utilising existing water infrastructure assets. Smaller on-farm storages may often be a cheaper and more effective means of capturing water for productive use than large scale dams.
- QFF encourages caution in a rush to develop new dams. While we support new development where it is sustainable and markets can be developed, some irrigation schemes in Queensland have utilisation below 50 percent. Large dams are expensive to build, which can result in very expensive water for irrigators.

Regarding the process in the future, QFF iterates the following points from our initial submission that we see should continue to underpin the final White Paper.

- 1. The Federal Government needs to balance the development of new areas with catering for growth and infrastructure in existing farming regions.**
- 2. QFF seeks government programs that encourage alternative sources, and/or efficiency use on farm and within irrigation water supply schemes to stem loss of farm profitability and productivity caused by rising electricity prices. Government must continue to enact policies that place downward pressure on electricity prices and look at developing irrigation or food and fibre specific tariff responses to acknowledge the specific energy needs of agricultural production**
- 3. The Federal Government must look at the broad and complicated tax system that faces farmers, and remove distortionary and duplicative taxes, as well as take a broader long-term view of the productivity gains this would create, and therefore offset any potential revenue shortcoming.**
- 4. QFF calls for an improved understanding and measurement by government on foreign investment actions, with a broader long-term policy objective in this area. Government should commit with industry to fund a positive message campaign that promotes the value of the farm sector and encourages both domestic and foreign investment. The sector needs to be free from populist or narrow views of foreign investment, which typically label it as something to be avoided. The sector needs greater public awareness that some of the greatest threats posed to the sector – and therefore food security – are not foreign investment at all, but rather with ensuring farmers are paid a decent price for their produce, above matters such as foreign investment.**

5. ***Governments must address the current drought, but also look to the long-term objective of preparedness and resilience. QFF calls on the Federal Government to commit to long-term drought and natural disaster reform policy as a matter of urgency and to invest in and implement further preparedness measures.***
6. ***The Federal Government must reconsider or reduce the target of mandatory renewable energy in Australia of 20 percent by 2020. The current high cost of this energy source compared to other sources places a further cost burden on farmers already facing crippling increases in electricity costs. The Renewable Energy Target could be reduced, or abolished entirely, with the policy already having encouraged significant investment in the sector, and further investment likely due to other government policies. A better approach could be to partner with farmers on renewable energy projects on farm, which would be more efficient and cost-effective, delivering outcomes for farmers and removing pressure and constraints on electricity supply. Greater investment is needed in climate adaptation strategies beyond the current R&D model.***
7. ***Detailed planning must focus on providing adequate scientific investigation to verify environmental water needs within catchments and downstream from the Northern Basin, as part of the Murray Darling Basin Plan. In particular, there is a need to verify the northern Basin Plan shared Sustainable Diversion Limit. This must be followed by effective local engagement to determine how best to recover and deliver water to achieve environmental outcomes including targets for the recovery of groundwater in the Condamine area. Options of buy back and on-farm water infrastructure investment must continue to be made available to recover water from willing sellers. However, investments must focus on water use efficiency measures as a more heavily weighted measure than buyback. Suitable monitoring programs would also be required to assess ongoing performance.***
8. ***QFF calls for further investments in and commitments to Australia's quarantine status. Improvements are also needed around the risk assessment process for imported agricultural products.***
9. ***QFF calls for a consultative and collaborative approach with industry to trade related issues and an assurance from government that its actions will not undermine important agricultural trade markets.***
10. ***The government needs to encourage the ACCC to take action against market failures in agricultural value chains. QFF also acknowledges and supports calls from the dairy industry for a supermarket ombudsman and mandatory code of conduct. We also believe that the government must take a broader view of challenges facing sectors such as the dairy industry beyond the simple supermarket shelf price. IE, while low supermarket prices may seem on face-value a win for consumers, the long-term implications are more diabolic and concerning for consumers, and therefore require government attention. Queensland's horticultural industries face similar challenges.***
11. ***QFF appreciates that there are few levers at the government's disposal to mitigate the high dollar. Nonetheless, sensible economic management of the country's debt and general policies that are economically sound create a base for many other economic indicators.***
12. ***Farmers expect and deserve Internet services that are reliable and of sufficient speed to efficiently conduct their business, and at a cost comparable to that paid in metropolitan regions.***

- 13. The Government must outline a clear and sustainable roads plan, with a focus on improving capacity and enhancing the flood resilience of roads. Improvements to flood resilience of the Bruce Highway are badly needed. The diesel fuel rebate for farm vehicles must be retained.***
- 14. Governments must continue to acknowledge and support the importance of these programs. Sound BMP programs, with adequate funding support, can also be used to address many of the problems outlined in this submission.***

QFF thanks the taskforce for its work to date and looks forward to continued involvement in the process in 2015.