

22 December 2014

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

Incitec Pivot Limited submission to the Agricultural Competiveness White Paper.

Please find enclosed a submission on approaches to regulating coastal shipping in Australia. **This submission is confidential.** It should not be disclosed to any third party without the written consent of Incitec Pivot Limited.

Introduction

IPL supports the development of an agricultural competitiveness green paper and the objective of better returns at the farm gate. As we will outline below, in order to meet the objective of increasing returns at the farm gate, the government must take a whole of agricultural value chain approach to ensure that we can fully meet the opportunities that are available to us as a food producing nation including the growth in demand for hard and soft commodities – driven by the industrialisation and urbanisation of China.

About IPL

Incitec Pivot Limited (IPL) is a leading global company which manufactures markets and distributes a range of explosives, fertilisers and related products and services to customers around the world. A leader in its chosen markets, the company holds a portfolio of recognised and trusted brands and is the number one supplier of fertilisers on the east coast of Australia and the number one supplier of industrial explosives and related products and services in North America through the Dyno Nobel businesses. Employing approximately 5000 people, IPL owns and operates manufacturing plants in Australia, USA, Canada, Turkey, Mexico, Chile and Indonesia and has joint venture operations in South Africa, Malaysia and China.

IPL is the largest supplier of Australia's soil health and nutrition needs, helping farmers maximise productivity to remain competitive in global markets. IPL's locally manufactured phosphate and nitrogen-based fertilisers are vitally important to Australia's capacity to grow more high quality food for our own consumption and for the world's ever-increasing population. IPL partners with local distributors to provide farmers with an extensive distribution capability, exceptional customer service, innovative and high quality fertilisers and agronomic services. With our significant regional profile, we are also an employer across regional Australia.

In addition to supply of fertiliser product, IPL is a major provider of soil, plant and water analytical services in Australia. Assisting farmers to identify the most cost effective nutrient solution to help growers optimise their productivity.

Development of an agriculture competitiveness green paper

The timing of the Green Paper supports the Federal Government Free Trade Agreements with providing opportunities for Australian primary producers to deliver high quality food and fibre to growing export markets. This is consistent with our objective as a business which is to provide products and services that help farmers maximise productivity to remain competitive in global markets.

As this submission will cover below, the agricultural value chain includes much more than what happens inside the farm gate. There are many dependencies across the agricultural value chain and it is vital that this green paper take a view across the entire spectrum if it is to achieve this objective and ensure that we can fully meet the opportunities that are available to us as a food producing nation.

Making the best use of our natural resources

The agricultural competitiveness paper states that **the future of agriculture depends on sustainable use of natural resources (p72)** while this is true, it is important to give adequate representation to the part that energy plays in food production. While this is addressed in the energy white paper it should be part of the agricultural competitiveness discussion.

Natural gas is the basic feedstock in the production of ammonia, and therefore nearly all nitrogen - based fertilisers. Natural gas accounts for up to 90% of the cost of ammonia manufacture. The price of Australian natural gas therefore substantially affects the price of nitrogen fertilisers manufactured in Australia. In recent years there has been a global increase in demand for natural gas as a result of increasing energy consumption.

Despite the competitive advantage of abundant gas resources which would support both export activity and local use, Australian manufacturers, including for the production of fertilisers, are increasingly being offered gas contracts at export prices, rather than a competitive market price.

Such pressures will invariably place local fertiliser manufacturing under strain. Australia is already a net importer of fertiliser. In our view, total reliance of foreign fertiliser supply could put the Australian farmers at further risk of interrupted supply and variable quality of fertilisers, whilst they are seeking to produce a high quality product for domestic and export consumption. IPL's locally manufactured fertilisers, (Gibson Island, near Brisbane, and Phosphate Hill, near Mt Isa) are essential in the food and fibre produced in this country. These fertilisers are produced under Australian standards which guarantee the safety and quality of the products and ensure the farmers have the product they require. With the Government continuing to support a high quality food industry in Australia, IPL recommends that the Government ensures that the policy settings encourage competition in the gas market so natural gas is available in Australia for conversion into Nitrogen fertiliser products.

These policy settings include facilitating access to gas resources to get more gas flowing and support for infrastructure to enable producers to get their gas to market, such as pipelines and processing facilities either through encouraging investment in new development or through designation of assets as facilities of national importance or extension of the National Gas Access Arrangements.

Northern Territory and Queensland Dual infrastructure corridor – rail line Mt Isa to Darwin and gas pipeline

The Government has already shown its commitment to development in northern Australia, through the development of the **Developing Northern Australia White Paper**, which intends to set out a clear, well defined and timely policy platform for realising the full economic potential of the north. A plan for northern Australia must include ensuring the continuation of domestically manufactured fertilisers at Phosphate Hill which has the capacity to produce 950,000 tonnes of high quality fertilisers each year.

Research and Development

At IPL, our Research and Development program aims to produce insights that benefit Australian farmers, including improvements in fertiliser use efficiency derived from better products, practices and agronomy for economic and environmentally sustainable outcomes. To support this, our agronomy laboratories offer soil and plant testing to farmers. This, together with professional advice from our team of agronomists and our Nutrient Advantage decision support system, provides the diagnostic data, best practice information and advice farmers need to choose the right fertilisers and apply them correctly to improve their productivity.

The new products that farmers need to not only increase productivity but to continually improve environmental outcomes are still being created, and as the demand for food increases and the availability of land shifts then these products will be integral to Australia's ability to meet food demand well into the future. The fertiliser manufacturing sector is a vital part of the agricultural R&D program.

Education

The agricultural competitiveness paper correctly focusses on the need to broaden the understanding of food and fibre production in our education system. The inclusion of food and fibre production, agricultural and primary industries in Australia into the Australian curriculum review is a positive step. This could be extended to working to improve the image of the industry more broadly as a positive image around agriculture is a key factor in driving resources and people to the industry. Consumers have never been more aware of where their food comes from and how it has been grown. It is up to the agricultural sector itself to ensure it is on the front foot in promoting itself as a source of high quality food and fibre. Every part of the agricultural value chain has a role to play in this and IPL is willing to be involved, where appropriate.

Sustainability

IPL supports the sustainable use of all our products and our focus within the value chain is on ensuring that the health, safety and environmental impact of products, product packaging and services are considered and managed responsibly throughout the product life cycle, with a particular emphasis on the effective use of fertilisers.

IPL is a strong supporter of the fertiliser industry's best management practice program FERTCARE® – while FERTCARE is a voluntary program, we believe that widespread adoption by those who handle, apply, sell and give advice on fertilisers will lead to significant environmental and productivity gains for agricultural industries in Australia and also underscore our competitive advantage in clean food products.

Summary

IPL supports the development of an agricultural competitiveness green paper. However as we have outlined above in order to meet the objective of increasing returns at the farm gate, the government must take a whole of value chain approach to ensure that we can fully meet the opportunities that are available to us as a food producing nation.