



## **SUBMISSION**

**To**

**Agricultural Competiveness Committee  
Green Paper**

**Prepared by:-**

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## **Background**

The Western Australian Farmers Federation (Inc) (WAFarmers) is WA's largest and most influential rural lobby and service organisation.

WAFarmers represents approximately 3,500 Western Australian farmers from a range of primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers, commercial egg producers and beekeepers.

It is estimated that collectively our members are major contributors to the \$6.9 billion gross value of production (2007/08 . ABS, WA Agri-Food Industry Outlook . December 2009) that agriculture in its various forms contributes to Western Australia's economy.

Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

## **Introduction**

WAFarmers welcomes the opportunity to provide comment to the Agriculture White Paper, following a constructive meeting with the White Paper Taskforce in November 2014, where it was highlighted that a lot of what WAFarmers had raised in the Issues Paper had articulated through to the Green Paper.

WAFarmers agrees with most of the policy ideas suggested in the Green Paper, but wishes to highlight some important priorities to Government.



## 2. Infrastructure

### **Policy idea 1—Building new transport infrastructure:**

Western Australia on average, is the final embarkation point for over three-quarters of Australia's live sheep exports and half of Australia's total live cattle exports. With the predicted sustainable growth of up to a million head of cattle to China, plus substantial increases to Vietnam and Malaysia, Western Australia's capacity for the total task of transporting livestock for export will be pushed far beyond its current capacity, including suitable road networks and surge capacity.

James Point, under the former State Government, was identified, for the southern WA livestock exports, as a strategic, efficient alternative to the current practice of using Fremantle Port. WAFarmers urges the Australian Government to assist in securing this land, situated south of Perth, for an agricultural export precinct.

### **Policy area 2 – Improving existing infrastructure and transport regulation:**

- (a) Producing near half of Australia's exported grain, Western Australia has substantial supply chain issues with the Tier 2 and Tier 3 rail infrastructure, with the only other alternative, road transport, producing inefficiencies; damage to the road network and proving to be a safety issue.

In an average harvest, the areas affected by the failing rail system contribute over \$300 million of grain to Australia's grain exports tally.

WAFarmers highlights not only the economic, social and environmental benefits of grain rail logistics over road, but that recent private investment added supply chain efficiencies until rail access was recently hampered.

WAFarmers supports, given that the regional grain rail network feeds into a critical piece of Federal infrastructure, the Federal government from facilitating investment in the relevant grain rail infrastructure to improve Federal exports.

- (b) The impact of grain deregulation and necessary innovation on harvest windows; reducing regional infrastructure spend and the closure of critical rail networks have substantially increased the numbers of heavy grain haulage vehicles (e.g road trains) owned and/used by farm businesses in which for all but six-weeks per year, lay idle. The result is a typical licence fee of \$10,000 (with the agricultural concession) for a 50 tonne capacity vehicle that operates between 5,000 and 10,000 km per year, depending on proximity to the nearest grain depot. Much of these distances are on unsealed roads, thus



imposing between one and five dollars per kilometre simply for the licence fee. In years of drought, with reduced tonnages, the kilometre charge can increase to up to ten dollars per kilometre.

WAFarmers supports a national scheme that would identify and minimise the amount that the agricultural heavy transport industry is subsidising the remainder of heavy haulage industry.

### **Policy idea 3—Enhancing communications:**

WAFarmers supports infrastructure investment for telecommunications for regional Australia, including mobile broadband network; high-speed internet and the NBN however it expresses concern that throughout regional Australia, mobile phone coverage, assumed to be a given public benefit, is non-existent and/or unreliable sufficient for core business activities.

Regional businesses, and farms, with the necessary use of technology to maintain productivity require reliable mobile phone and internet services. An example is where GPS issues on machinery are fixed using remotely-connected internet services to save thousands of dollars in travel and labour charges from machinery service centres who due to efficiency drivers are now based up to 500 km away.

With today's farm businesses relying less on labour and more on machinery, the issues of productivity; efficiency and occupational safety in regions that are becoming more isolated with fewer, larger farms, are exacerbated from the lack of basic mobile phone services.

## **3. Working with the States and Territories**

### **Policy idea 6—Strengthening farm businesses:**

#### **(a)**

WAFarmers supports not only a mandatory farm debt mediation process for its members with its financier, but encourages farm businesses to undergo farm mediation when determined by the financier to be ~~at~~ <sup>at</sup> risk, not within 21 days of letter of demand as per some other states.



According to the Rural Financial Counselling Service WA, it is often one-three years between asset management initiation and legal recovery where applicable. This time allows the stressed farm business to come to terms with its predicament, identify suitable options, and articulate a way forward to resolve the debt situation. Insufficient time may force producers into receivership and result in distortion in the market place; community displacement and social concern.

**(d) enforcing animal welfare legislation and strengthening laws to stop trespass on farms**

Australian agriculture has made significant improvements to the adherence, compliance, awareness and to the standards, concerning animal welfare.

In recent times, there has been a spate of criminal behaviour from activists targeting livestock businesses, including arson, livestock food poisoning, intentional damage, and criminal trespass, that has not only destroyed key assets, but affected the ability of employees, contractors and farm businesses to operate effectively and safely. Ironically, it places animal welfare at risk, not to mention human safety.

WAFarmers implores Government to strengthen laws that deter activists from interfering with the ability of a farm business to operate within the legislative environment provided.

## **4. Competition and regulation**

**Policy idea 8—Strengthening competition laws:**

- (c) – WAFarmers believes it is time for the creation of a supermarket ombudsman with penalty powers and a mandatory code of conduct for supermarkets (across all commodities) backed by direct financial penalties. Recently, supermarket giant Coles has been ordered to pay \$10 million in penalties for "serious, deliberate and repeated" misconduct towards suppliers that were in some cases in financial trouble.



**Policy idea 9—Improved regulation:**

- (a) The cost of inefficiencies to farm businesses for the time taken to have farm chemicals to market is immense. With both productivity increases and sustainable resource management reliant on a more complex biological environment, it is essential that WAFarmers believes in changes to the regulation of AgVet chemicals, such as through relying on the advice of trusted foreign regulators and allowing the Minister to issue temporary permits for chemicals.

**5.Finance, business structures and taxation**

**Policy idea 10—Improving access to finance:**

- (b) Australian agriculture is being constrained by lack of internal and local external capital. According to the Australian Farm Institute, debt-funding is unsustainably high. At present, the only equity-funding solution is via foreign investment, which is often not appropriate for the national interest. WAFarmers believes that the Australian Government could create an incentive framework to encourage greater institutional investment in agriculture. Options could include creating superannuation products that exchange cash for partial equity in farms and the issuing of special Government bonds to finance agricultural infrastructure investments, with taxation concessions for investors.

**Policy idea 11—Improving tax system efficiency and equity:**

WAFarmers acknowledges that special provision for taxation measures for agriculture have been generally favourable in previous decades, however changing economic dynamics pose a significant risk to the ability for bona fide farm businesses to withstand the increasing volatility and complexity within the industry.

- a. revising the non-commercial loss rules to encourage investment - increasing access to the primary producer exception to the non-commercial loss rules by raising the income threshold from \$40,000 to \$100,000.
- i. *In some circumstances, with complex family farm structures and drought, it is feasible that farm business operators, particularly younger farmers, do not meet ANY of the business rules for non-commercial losses AND with the pressure to work off-farm to put food on the table, not meet the <\$40,000 off-farm.*



- b. increasing thresholds and extending eligibility for the Farm Management Deposits Scheme (FMDs) by increasing the deposit limit for FMDs from \$400,000 to \$1 million to reflect that with climate change, it is now common in each five year period, one very large surplus, two large losses, and two near to break-even years. With the increasing limit on seasonal finance by mainstream lenders, these increased FMD funds would cater for up to two years of input costs needed to sustain the operation. Additionally, WAFarmers highlights the relevance of raising the off-farm income threshold, extending access to FMDs to companies and trusts and re-establishing early access provisions in times of drought.
- c. reducing the complexity of depreciation for farm plant and equipment by changing the effective life schedules for farm plant and equipment, which would result in a positive effect on productivity.
- d. realigning the Zone Tax Offset scheme to be representative of the true cost of isolation from publicly funded amenities such as health and education services and public transport. WAFarmers highlights that rural isolation is no longer restricted the 26<sup>th</sup> parallel.
- e. allowing farmers to trade tax losses to non-farm businesses, such as banks, to assist farm cash-flow in low-income years

WAFarmers believes that to avoid market distortion, this option would be most useful for farm operations with little or no remaining equity to exit and/or adjust outside of the industry with some dignity, by trading accrued tax losses sufficient to re-establish (e.g house; small business; retirement). This would in effect reduce the need for Government to offer exit grants, which often end up in banks pockets.

- f. allowing farmers to opt back in to the income tax averaging provisions after a period of time to recognise changing circumstances. WAFarmers believe that tax averaging must be expanded from five (5) to seven (7) years to match the current volatility in income



### **Policy idea 12—Farm business improvement:**

- a) establishing a programme offering independent business advice and assistance to farmers to improve decision-making and performance. In line with its submission to the National Rural Advisory Committee on the Rural Financial Counselling Service, WAFarmers believes that expanded powers of rural financial counselling service are more appropriate than more advisors. Advisors are not independent, and unless holistic business planning occurs, can influence/perverse decision making and/or do inadvertent potential harm.
- b) expanding the role of Rural Financial Counselling Service to assist at risk businesses, promote learning and extension activities and provide links with mental health support services. WAFarmers believes, as supported by the National Rural Advisory Committee on the Rural Financial Counselling Service (RFCS) Review, that through a combination of human factors (such as pride), and widespread lack of understanding of business management by many farming families, that most referrals to the RFCS are often too late to be truly effective and could be assisted much earlier before options to recover fully, and the benefits of capacity building into a business are extinguished.

## **6.Foreign investment**

WAFarmers wishes to congratulate the Minister on the work that has been done on foreign investment but urge that the register of foreign ownership of agricultural land is fast-tracked

## **7.Education, skills and training, and labour**

### **Policy idea 15—Strengthening labour availability**

Given the massive issue that the availability of skilled workers in regional Australia creates to the industry, WAFarmers unreservedly supports the recommendation that the Working Holiday Maker (417) visa conditions are adapted to allow the increasing of the qualifying age, expanding the country coverage and allowing a second application from the same applicant.



## **8. Drought**

### **Policy idea 16—Increasing drought preparedness:**

WAFarmers unreservedly supports the options such as accelerated depreciation, encouraging multi-peril crop insurance by providing a grant to reduce the cost of the risk assessment process and improving climate information. WAFarmers would like to acknowledge the large resource that the Bureau of Meteorology offers, and highlights that extension is needed to promote the use of many products that the industry are generally not aware of.

### **Policy idea 17—In drought support:**

- b. provision of additional assistance for prolonged and severe drought that is beyond any capacity of farmers to prepare for, such as a one in 75-year drought.

WAFarmers would like to highlight that in terms of criteria for drought assistance, that growing season rainfall in WA needs to be a relevant criteria. The phenomenon exists where farms have not had reliable seasonal winter rainfall for several years, but are ineligible for funds due to unusual summer rainfall which largely is of little use due to weed issues and evaporation.

WAFarmers would like to critically highlight the serious anomaly where farms under debt arrangements with primary financiers have their entire farm proceeds confiscated, leaving them with not only a tax bill, but from the taxable income, not even eligible Farm Household Assistance (FHA). WAFarmers suggests that hardship provisions be implemented where a farm can still access FHA where it can prove that it did not have access to the farm business profit due to banking policy.

## **9. Water and natural resource management**

### **Policy idea 19—Natural resource management initiatives:**

- (b) promoting more targeted approaches to pest and disease management and control. WAFarmers believes that wild dog control is now a major hurdle for investment into suitable, sustainable rural communities, particularly on marginal cropping land. Furthermore, the scourge is imposing on more intensive farmlands. WAFarmers believes that wild dog control needs better co-ordination between state and federal Governments. WAFarmers also would like to highlight the relatively unrecognised threat to biosecurity.