

Agricultural Competitiveness Green Paper Submission

Date submitted

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Name of Organisation/Individual

Australian Superfine Wool Growers' Association

What are the top policies from the Green Paper that the Government should focus on in the White Paper and why?

Introduction

Australian Superfine Wool Growers' Association (ASWGA) commends the Government on the release of the Agricultural Competitiveness Green Paper 2014, the Government's initiatives and programs to date, and the further call for consultation.

The Australian Superfine Wool Growers' Association is incorporated in Victoria and holds 'peak body' status with Austrade for the superfine (SF) and ultrafine (UF) sections of the wool industry, with national membership covering all states of Australia and Mill membership throughout the European Union, India and China with additional strong alliances across nine countries as well as Australia. We represent the voice of superfine production into both AWI and Wool Producers Australia: our peak Research, Development, Education & Marketing and our peak Advocacy and Policy bodies. ASWGA was founded in 1971 and our membership criteria was established on the quality of our production and production systems with an annual subscription. In Australia the Association has seven Regions, and an elected National Council. The work of ASWGA includes representing UF & SF interests and needs into AWEX Classing Codes & Appraisal guidelines; into AWTA measurements; furthering the understanding of international mills on UF & SF qualities and opportunities through an ongoing dialogue and liaison.

The Green Paper refers to the contribution of family farms as the cornerstone of Australian agriculture and the need for policy settings that increase returns to those who contribute most of the work and carry much of the risk.

The key challenges which have caused the decrease in returns to family farms are:

- High input costs – caused by lack of competition from farm input suppliers;
- High labour costs – shearing and wool preparation wages now represent 30% of gross returns from a superfine wool clip.
- Low prices – wool prices for a superfine clip are now at prices received over 30 years ago.
- High Australian dollar - the high Australian dollar represents a 20% reduction in gross wool proceeds for Australian wool growers and is uncompetitive as compared to New Zealand and South Africa.
- Costs to market – the existing wool selling system involves multiple cost structures caused by traditional selling methods and is subject to an independent review.
- GST – some wool growers exporting directly rather than via the auction system, are receiving a 10% increase in gross proceeds from wool sales. This is not the intention of the GST system – however, seems to be the result of the introduction of the GST. There appears to be a competitive advantage for a wool grower selling directly to an overseas buyer, rather than via the usual trade.

ASWGA endorses the Government's robust initiatives towards revising existing policy settings. ASWGA realises it is difficult for Government to receive feedback directly from woolgrowers as a group, who are generally small family run businesses. ASWGA hopes that the feedback and policy suggestions below will be received for consideration, and believes these suggestions represent feedback not just from superfine woolgrowers, but are also indicative of issues facing woolgrowers in the present. ASWGA would welcome the opportunity for confidential discussions in relation to the policy proposals noted below.

ASWGA believes that all policies adopted by the Government in relation to agriculture must have a rigorous monitoring and evaluation assessment of the actual impact of policies, legislation and regulation on the ground to ensure the intended outcomes are actually achieved.

Question 1

What are the top policies from the Green Paper that the Government should focus on in the White Paper and why?

ASWGA believes that the top policies from the Green Paper, focusing on the wool industry, should be allocated into short, medium and long term policies. The top policies, focusing on the wool industry, would then be categorised as follows. The reasons Government should focus on these issues are outlined below.

Short Term

- (i) Communications Enhancing the Mobile Blackspot Program (beyond that which is already planned) and introducing an Access Regime in rural areas for access to the NBN for farmers throughout the nation with efficient and price competitive service delivery.
- (ii) Working with the States Including trespass by drones and their associated photography on farm properties in the national framework for regulation of air space.
- (iii) Drought Providing a national framework for drought preparedness and immediate service delivery of additional assistance for prolonged and severe drought.
- (iv) Working with the States Providing a national framework for co-operatives legislation and tax flow through treatment for co-operatives.
- (v) Working with the States Resume the leadership position in animal welfare and develop a national framework from which State based legislation is developed.
- (vi) Finance, Business Structures and Taxation Introduce a Permanent Concessional Lending Framework & Specialised Rural Reconstruction Bank to assist viable farmers with refinancing non-performing loans
- (vii) Finance, Business Structures and Taxation Amend the Entrepreneurs Infrastructure Programme to encourage new degree qualified entrants to the farming sector.
- (viii) Finance, Business Structures and Taxation Require changes to the role of RDCs to compete with their equivalents in New Zealand and develop long term contractual frameworks which are accessible to individual farmers, for supply of export commodities and relevant collateral products.
- (ix) Education Retaining the TAFE educational structure and strengthening agricultural education via the TAFE network.
- (x) Education Providing more exporter readiness training for growers of superfine wool.
- (xi) Accessing International Markets Developing a national brand, for superfine wool, as a national brand of the nation which cannot be replicated anywhere else in the world.
- (xii) Competition Review the lack of competition and dominance of major firms in domestic food

wholesale and retail delivery, domestic livestock supply markets, domestic meat processing and wool exporting into foreign markets. Provide a regulatory framework which encourages more buying competition at the farm gate.

(xiii) Competition Require foreign investors in the agribusiness sector to have a local partner, to increase the number of firms competing for product at the farm gate, reduce input costs and deter foreign investors from taking monopoly positions in Australian farm landholdings and agribusinesses.

(xiv) Regulation Expedite APVMA approvals of chemicals for minor agricultural uses which are of vital importance for farmers.

(xv) Drought Continue to develop a national framework for increasing drought preparedness, including finance, mental health and measures for prolonged drought.

(xvi) Water and Natural Resource Management Commission a further detailed study to assess the national significance of water inputs and existing uses and develop a zero sum methodology in relation to extraction of water which is rolled out across the nation. The report would include specific reference to agricultural areas where the water table may be devastated by mining and CSG and specifically exclude those areas from mining development.

(xvii) Biosecurity The biosecurity measures outlined in Chapter 11 are strongly endorsed since without these agricultural exports are at risk.

(xviii) Research & Development and Extension Develop a more co-ordinated strategic long term, consistently funded approach to RD&E for the industry to produce maximum efficiency for the research contribution.

Medium Term

(xix) Water and Natural Resource Management Develop a shared responsibility approach for weed and pest management and control recognising that farmers bear a disproportionate burden of the cost of containing these weeds and pests.

(xx) Transport Infrastructure Continuing to develop a backbone of road and rail infrastructure to bring livestock and produce efficiently to market, including taking into account infrastructure which will support tourism in regional areas.

(xxi) Working with the States Reduce the State based over-regulation and red tape relating to road transport of wool by introducing a national wool transport guideline developed in conjunction with the wool industry.

CHAPTER 2 INFRASTRUCTURE (including Communications)

ISSUE - Enhancing communications – Mobile Coverage

- \$100 million of funding via the Mobile Blackspot Program is totally inadequate to improve mobile coverage in regional areas so that Australian farmers have adequate mobile service to operate a business.

- The mobile coverage stated by the telecommunications companies based on population percentage is misrepresented in regional areas. The coverage follows major roads and major population centres, however, it does not reach Australian farmers who require this coverage to operate their businesses.

POLICY IDEA 3

- Additional Policy ideas should include:

- o Thorough and accurate coverage mapping and accurate representation to Government of actual coverage for farm businesses.

o A Government capital contribution to individual farm businesses for the cost of coverage mapping and additional local antennae installation to make use of existing infrastructure.

ISSUE - Enhancing Communications - Satellite Broadband v Cellular

- Existing satellite services do not provide the speeds that they advertise and are far more expensive than services in suburban areas. In fact, users are paying for services that yield very poor speeds, and consume capacity at levels not experienced in suburban areas for example, a gigabyte of data in suburban areas delivers more capacity than a gigabyte of data via a satellite service. The current satellite services do not even match current city ADSL services.
- For example, an ASWGA member reports - existing Satellite Services were to provide 6 mbps download speed and in actual fact provide 100kbps. Further, a satellite service in the Manilla NSW area, was recently upgraded to a monthly peak limit of 2000MB and offpeak limit of 4000MB for a cost of \$49.95 per month. This service was consumed in 24 hours of usage. By comparison, when a mobile phone with 2500 MB of data was used as a modem, in a suburban area, for the same usage, but left on daily for a period of 5 working days (as compared to 24 hours with the satellite service), the 2500MB of data was not even expended. This real life example of a member demonstrates how costly and inefficient a satellite broadband service is, in comparison to cellular.

POLICY IDEAS – Additional policy ideas should include:

- While the new NBN satellite is forecast to relieve current congestion, existing users need to have immediate access to the new NBN satellite service, including a Government capital contribution for any capital upgrade to NBN. In addition, Government should actively monitor whether the promised capability is actually being delivered.
- NBN optic fibre cable has been connected to some regions (eg by the Dept of Education) however, this cable is currently for sole use and should be made available for additional users – eg any party with NBN optic fibre cable should be required to put in place an Access Regime to allow other parties to access the cable.
- NBN should map and make publicly available the mapping of locations of optic fibre cable, so that potential users can access this system via an Access Regime.
- Government should develop funding for Capital Contributions for rural businesses and communities who wish to access the NBN cable infrastructure.

POLICY IDEA 1 – Building new transport infrastructure

ISSUE

Agriculture operates in a highly volatile commodity market and most agricultural businesses diversify, with many incorporating tourism into their business model. Presently, road and rail infrastructure to support tourism in regional areas, for overseas tourists, is totally inadequate. Air transport is unsatisfactory and overly expensive, due to the demise of many regional airlines.

POLICY IDEA

- Additional Policy ideas should include:

The Strategic Reviews of regional road and rail infrastructure should take into account, the development of this infrastructure to regional towns, to enhance tourism opportunities in those centres, thereby providing farmers with increased opportunities to diversify their revenue streams.

CHAPTER 3. WORKING WITH THE STATES AND TERRITORIES

ISSUE – State Govt deregulation

While the concept of regional transportation hubs is endorsed, particularly for the transportation of

wool via rail (to improve safety aspects, and decrease costs to export), there are some categories of wool, ie superfine wools, which are not transported via rail currently, and are sourced from particular superfine woolgrowing regions. In many of those regions the rail large freight infrastructure has been de-commissioned – so future transport of these wools will continue by road. The future issue for the transport of these wools, is unreasonable regulation by state based agencies. For example, NSW Roads and Transport Authority halting the transport of wool by road due to bale distortions causing minor overhangs. Subsequently, considerable funding was spent to re-design wool bales, over an issue which may not have been necessary and may have represented excessive bureaucratic over-regulation.

POLICY IDEA – Additional Policy ideas should include:

COAG should introduce a national wool transport guideline, developed in consultation with industry, for transport of wool by road and rail, which has the effect of reducing the interference of State based agencies.

ISSUE - Enforcing animal welfare legislation as well as strengthening laws to stop trespass on farms. In the wool industry, animal welfare on Australian farms drives consumer demand in countries importing our wool – particularly in the exotic superfine marketplace. Animal welfare must be a nationally driven agenda, since leaving this highly emotive issue to the States and Territories will not provide the national leadership which is required. An example of a national issue left to the States and Territories is the OJD framework which is still remarkably disparate between States and causes impediments to the trade of animals across State borders.

POLICY IDEA 6d. - Policy ideas should include:

The Federal Government should resume the leadership position in animal welfare and develop a national framework from which State based legislation is developed.

ISSUE

Illegal activities by activists are not confined to physical trespass. They also include launching of drones and photography from drones. This photography can then be photo-shopped into images which bear no resemblance to the actual situation.

POLICY IDEA

The Federal Government must legislate against this form of trespass on Australian farms and include severe penalties. In addition there should be powers to determine who placed the images on the web, and impose penalties on those parties.

ISSUE - Adopting the Co-operatives National Law

It is very clear that profit has shifted from the farmer upwards to the retail chain – particularly in the superfine wool industry, where the foreign buyers are now a small and concentrated group. The pressure on farm profits in the superfine wool industry means that many of these farms without their existing diversification, would be unprofitable. This is a national issue, applying to notable market dominant retail food & wine chains in Australia (who are putting buying pressure on producers), but is even more complex in the context of exporting superfine wool. The only options for superfine wool producers are:

- To reduce their input costs but at the same time, maintaining quality – producers are already very active in this endeavour; and
- To have the opportunity to bypass existing exporters and export their own product.

POLICY IDEA 6 e. - Policy ideas should include:

Superfine wool producers must have the national opportunity to join forces and compete in the purchase of farm inputs. In addition, they need the opportunity to form their own export

organisations. The State and Territory regulation of co-operatives creates impediments to the formation of a national buying group or exporting group, such as ASWGA, an organisation which has members in every Australian State.

The Co-Operatives National Law, must be fast-tracked but as part of the national companies law so that the law becomes part of the national companies code. Further, the law should clarify the flow through taxation treatment of co-operatives.

The changes to incorporate co-operatives on a national basis into the Companies Code and taxation legislation, could be achieved very quickly and easily, if Government decided to fast-track these changes. For example, changes to the Companies Code and taxation law, were achieved for the corporatisation of the Australian Gas Light Company, in less than 12 months.

CHAPTER 4. COMPETITION & REGULATION

ISSUES – Strengthening competition laws

Competition policy should focus, on attracting investment, but also achieving more players in the sector and not less.

There are too few exporters of Australian wool. Consolidation of the number of foreign buyers and exporters (as a result of the GFC), has resulted in less competition for Australian wool and lower prices to wool-growers.

There are too few agribusiness organisations in Australia. The dominance of a few suppliers of agricultural products, means there is virtually no price competition for the woolgrower buying important farm inputs such as fertiliser and farm chemicals.

Overall large, dominant agribusiness firms, including foreign firms, put pressure on farm returns. These large firms control the pricing of farm inputs and the pricing of farm exports (particularly wool).

Policy Idea 8 - Policy idea should include:

Many other countries require foreign investors to have a local partner. Australia should adopt a similar model, so that foreign investors in Australian agribusinesses, must adopt a local partner, who has the pre-emptive ability to buy out the foreign investor should that eventuality occur. This could encourage farmers to take up investment positions in firms that provide farm inputs and exports and keep more returns at the farm gate. In addition farmers have the opportunity to take up a co-investment with a business partner and create more competition.

ISSUE - Improved regulation

Whilst the Government states they are providing \$8million to APVMA to increase funding for chemicals for minor uses, this initiative has not yet been implemented. There are long delays on product approvals which are unreasonably inhibiting agricultural returns due to lack of manpower hours for product review. For example, the delays in APVMA approval of the RHD boost for calicivirus and PAPP poison for wild dogs and foxes are examples of how this initiative could have been implemented more quickly – these issues are of vital importance to farmers.

POLICY IDEA 9 a. - Policy idea should include:

Immediate implementation of funding to increase manpower hours at APVMA is required and a better prioritisation and fast-tracking of important chemicals is necessary.

CHAPTER 5. FINANCE BUSINESS STRUCTURES & TAXATION

ISSUE – Permanent Concessional Lending

There is little ability for young people with farming qualifications and backgrounds to enter the

industry – and difficulty for those potential farmers to acquire farm assets due to the volatile nature of farm revenues. Forecast gross and net returns/cash flows to many farmers are insufficient to convince traditional bankers to lend to new entrants.

Additionally, the lumpiness of cash flows is unattractive for potential investors or lenders to allow growers to expand their enterprises to achieve economies of scale. However, a strategic purchase can transform an existing farm business.

Policy Idea 10a

The concept of a permanent concessional lending to support the Australian farming community is endorsed. This concept existed in the 1960s (and tided many farmers through the 1965 drought) via the former Commonwealth Development Bank. This type of lending could incorporate an income contingent loan scheme.

Policy Idea 12a

The existing Entrepreneurs Infrastructure Programme is a most appropriate programme to assist new entrants (eg degree qualified children of farming families) to establish their farming businesses, and to encourage further investment or diversification by existing farmers. This submission endorses the modification of the Entrepreneurs Infrastructure Programme to assist small to medium businesses in the agriculture sector. This program could also be extended to other SME businesses venturing into next stage processing of agricultural raw materials for the domestic and export markets. Eg the resurrection of wool scouring, knitting and weaving facilities in the nation for production of high end fabric from superfine wools as many of these facilities have been lost to production offshore.

ISSUE

Woolgrowers in New Zealand have the support of their grower funded organisation New Zealand Merino who negotiates export contracts for superfine wool. In Australia, this type of service and support, and availability of insurance and collateral contracts is not available from grower funded levies. Individual superfine woolgrowers are price takers, without the backing of a large organisation as support. There is inadequate framework to compete with the NZ growers who have commissioned a study by Stanford University to develop the size of their footprint in the superfine marketplace.

POLICY IDEA 12 Farm Business Improvement

a. Business advice – Additional policy ideas should include:

- i) Support for woolgrowers to put long term supply contracts in place for sale of their product – eg industry generated legal form contracts enshrined in legislation which protect growers from predatory behaviour of large organisations – eg these templates already exist in terms of wool export contracts but are difficult for individual growers to access. The terms should favour the growers and assist in protecting them from risk and be ‘compulsory’ for foreign wool buyers to access the product.
- ii) An efficient system of insurance to support these long term contracts.
- iii) Available collateral contracts to support the sale of wool under long term supply contracts.

CHAPTER 6. FOREIGN INVESTMENT

ISSUE - Improving the transparency of foreign investment.

While the Government’s efforts to improve the transparency of foreign investment are commendable, there is no effort by Government to maintain Australian ownership of agricultural

land while promoting investment and competitiveness. In addition, there is no encouragement upon existing owners of agricultural land to retain that ownership for generations of Australians in the future and encourage those Australians to invest and retain that economic benefit within the nation. Large foreign firms are buying up farm land and exporting product within their organisation, this represents a transfer pricing risk to the taxation system. Eg a foreign firm producing cattle in Australia and exporting those live cattle may be exporting them at a price lower than the cost of production – and there will be no return to the Australian economy from the use of the genetics and export sale.

Policy Idea 13 – Additional policy ideas should include:

Foreign investment laws regulating foreign investment in Australian farms must be amended so that such foreign investors have a local partner. Many other countries require foreign investors to have a local partner.

Australia should adopt a similar model, so that foreign investors in Australian farms, must adopt a local partner, who has or can develop the pre-emptive ability to buy out the foreign investor should that eventuality occur. This could encourage farmers to take up investment positions in different types of organisations, and keep more returns at the farm gate which would have favourable consequences for the Australian economy.

There are already examples of this form of foreign investment in large superfine holdings, where Australian landholders have retained a continuing interest. However, without legislative amendment this policy cannot be affected.

CHAPTER 7. EDUCATION, SKILLS & TRAINING & LABOUR

ISSUE – Strengthening agricultural education

The TAFE structure already exists and should be used as the vehicle for strengthening agricultural education. The TAFE programs are delivered through an extensive Australia wide network physically located in regional areas with nationally recognised courses on-line, however, within the on-line options there is no agricultural listing.

Policy Idea 14 Additional Policy Ideas should include:

a. Working with States & Territories to provide specialised learning in agriculture in the future

The TAFE structure already exists and should be used as the vehicle for strengthening agricultural education in addition to the Agricultural Colleges. The online courses must include agricultural courses.

d . Creating national agricultural tertiary centres of excellence requires amendment as set out below Programs such as the NSW Regional Re-location Grants could be used to support and attract expert professionals to take up teaching positions in the TAFE network that would provide the opportunities for the TAFEs to offer even more educational opportunities at a level which would be attractive to agricultural participants. Farmers and young adults working on-farm, do not necessarily have the time to be 'off farm' to obtain a university degree – which is why the diploma opportunities offered by TAFE are so appropriately tailored to regional communities. The TAFE structure is the most efficient and effective use of funding to up-skill farmers in regional areas and to house the created Agriculture Tertiary Centres of Excellence.

CHAPTER 8. DROUGHT

ISSUE – Increasing drought preparedness

Existing lenders to the primary production sector, (given the lenders pressures on performance, their

own balance sheets and cost of funds) are unable to tailor debt packages for farmers who are faced with the potential of drought and therefore, negative cash flows. Totally unconscionable are the current activities of a certain bank, in foreclosing on loan books which have been bought via the acquisition of securitised debts. These current actions by lenders to the agricultural sector cannot be allowed to continue by Government.

Policy Ideas 16 & 17 In drought support – Additional policy ideas should include:

- i) TAFE modules on drought proofing be developed to cover the full range of climatic zones and include the range of financial instruments/tools available. These modules must be made available online as well as at regional TAFEs across Australia. This could be accompanied by online chat sessions to enhance the learning opportunity and provide essential social support.
- ii) While it is accepted that Government does not wish to interfere with the proper functioning of the financial sector, Government is reminded that in the 1950s and 1960s, competitive, strong primary production farms were built using the support of the Commonwealth Bank and post 1960, its Commonwealth Development Bank arm. These banks supported their grazier customers through tough and difficult times eg during the 1965 drought.

Government must work with the finance industry and enable a financial institution which is prepared to lend to farm businesses with a business structure that is suitable. Further, Government must take steps to ensure that mortgage protection insurance for such loans is economically and competitively available, and that farmers are able to take out drought insurance products.

Thus, the key features of a viable framework for financing farm businesses would include the following:

- (i) A specialised 'agricultural bank' which is able to offer long term loans to farmers at competitive lending rates.
- (ii) Long term debt arrangements for farmers, supported by mortgage protection insurance, having features that allow farmers a hiatus on interest and principal repayments in times of drought, and capacity to pay repayment terms.
- (iii) Fairly priced insurance products available to farmers to provide 'carry on fodder reimbursement' in times of drought. (Farmers can insure for nearly all their other risks – but drought fodder insurance is not currently available.)

Policy Idea 17

(a) Additional mental health support in times of drought

Provision of additional support must be adequately resourced and mobile to be effective.

(b) Provision of additional assistance for prolonged and severe drought

In response to Governments request for feedback our responses are as follows:

- A drought event beyond the reasonable capacity of farmers to prepare for, is a combination of both severity of conditions and length of the drought. The minimal length of time which farmers should be expected to manage should be one year. No, a drought should not be expected to exceed past records to be beyond the reasonable capacity of farmers to prepare for. Yes – this assistance should be applied at the local area – because based on current rainfall patterns, even within a local area, there can be different areas affected by drought.
- Eligibility should be on the basis of regional, individual and financial criteria. New entrants to the sector should be given special consideration eg if they have just set up the operation, and immediately suffer drought conditions in the first 3 – 5 years.
- Yes – individuals should have a properly prepared business plan, and like any business, a forecast cash flow, demonstrating risk mitigation to be eligible.

- Support should include a period of recovery, because it takes at least 12 months after a drought for the land to recover: and following the last 10 year drought some land is still in recovery mode after 4 years.
- No – this comes back to the length and severity of the drought. Each drought should be assessed on its specific circumstances. At the commencement of a drought – nobody knows what the length and severity of the drought will be.
- The measures should include:
 - o The first measure should be a moratorium on interest on debt – (as is offered by the banks for financial disasters eg the Brisbane floods) and a moratorium on loan repayments by farmers, without those loans going into default. (Finance providers could include insurance in their debt packages for these occasions.)
 - o Access to Centrelink benefits for low income families eg when the farmer is totally consumed with feeding stock and unable to work off-farm to generate income.
 - o Government must develop a clear set of criteria and programs to provide certainty to farmers and which distinguish between Federal and State responsibilities.

CHAPTER 9 WATER AND NATURAL RESOURCE MANAGEMENT

ISSUE – Improving water infrastructure and markets

The duty of care to leave water resources in an improved condition for future generations must be a fundamental principle of management of water resources. Measures cannot be isolated to the various irrigation methods.

The list of potential water infrastructure projects (Table 4) includes only dams and water storage. This list appears shameful in its simplicity, lack of research and breadth of thought for generations to come, and consequences for existing water resources, and whether this infrastructure will benefit the overall system itself.

The community, particularly the farming community, remain alarmed at the decisions by the One Stop Shop, which will result in the desecration of environmental and cultural heritage. These decisions inevitably favour large mining projects due to the generation of employment opportunities. Powerful industries (eg horse racing) backed by moneyed investors, have the funding to prevent mining in their community – however, there are other situations where the community voice is not heard.

The Governmental approach of the One Stop Shop for environment approvals, research into coal seam gas and coal mining development, and multiple land use framework that supports land use based on merit and community consultation do not currently meet the expectations of a 'fair outcome' for rural communities and for the nation.

Government actions identified in Chapter 9, seem remote and ineffective to affected parties, who may be resisting the development of a coal mine on their door-step, which could desecrate entire landscapes, existing land uses and water resources. Often, due to divergence of views in a community – eg one party who may substantially benefit economically, but other parties who will be severely disaffected, community consultation is a poor excuse for a proper process for deliberation of all community concerns.

Policy Idea 18 - Policy ideas should include

This submission disagrees with Policy Idea 18 a. In the Green Paper. This submission considers that Policy Idea 18a should be replaced by a policy idea which encompasses the following.

Government should request and fund the Working Group to commission a further detailed study as

an update to the 2007 National Plan for Water Security, or as a study under new Terms of Reference, which focuses on:

- Key agricultural regions and their historical rainfall, and contribution of that rainfall to the water table (ie water inputs), and existing extraction of water from those regions (ie water use and existing licences for use) and therefore as a conclusion whether any further depletion of water reservoirs should occur by the grant of additional entitlements or other uses (eg CSG or coal mining or other industrial uses). As a conclusion, the report should form a view on which agricultural regions cannot be sustainably mined – for the foreseeable future.

- Conduct of a study of water uses by local authorities and State Governments and develop a framework which requires that all water used/extracted from the system by those users is recycled and replaced into the system ie zero sum extraction of water. This framework be rolled out across the nation and eventually adopted by industry.

ISSUE – Natural resource management initiatives

The problem of weed and pest management and control, requires coordination across the regional and national landscape and across all land tenures. No individual land area is responsible for the whole problem. Australian government investment in this area is essential both as a landowner and to underpin the national approach to a national problem that impacts the general public with potential human health and environmental consequences.

Policy idea 19 b. More targeted pest & disease management control

i. Managing established pests and diseases on Commonwealth lands.

Partnership programs that recognise shared responsibility between governments and other land managers, are already proving successful in minimising impact and maximising resources. This approach can be adapted to weeds and other pest species and needs to be rolled out throughout Australia. Eg. The Brindabella –Wee Jasper Wild Dog & Fox Management Program.

These programs should include a shared responsibility model, a funding component for all landholders who expend their own funds on herbicides, insecticides and sub-contractors to control pest species in waterways. This is a considerable cost for small landholders on programs that are enforced by local councils, but farmers bear a disproportionate burden of the annual cost of containing these pests – which may have resulted from introduced species from suburban gardens in the first instance.

ii. Investing in changing the way pest animals and weeds are managed on farms, Adequate funding must be made available within a shared responsibility funding model for much needed R&D&E to discover new knowledge and create better tools and methods.

iii. Supporting industry/community led action and innovation

Aligning this with partnerships as in (i) above would give greater efficiencies.

CHAPTER 10. RESEARCH DEVELOPMENT & EXTENSION

ISSUE – Strengthening the RD&E system

Effective Research Development and Extension requires long-term commitment and funding across the agricultural innovation framework. Recent funding cuts to the CSIRO and CRCs may result in lack of continuity for programs which can only achieve results over long time frames. Funding cuts have a devastating effect on the loss of contribution of knowledge – especially as those parties with the knowledge gathered in the agricultural and scientific sector in Australia reach retirement age and leave the work-force altogether. The challenge is harnessing this knowledge and establishing

continuity, certainty and direction.

Policy Idea 20 - Policy ideas should include

a. Updating the rural RD&E priorities to better align with community needs.

Adequate time and money must be allocated by government in a shared responsibility funding model to cover the unique agricultural scenarios arising in R&D eg impact from droughts and/or wet periods can delay and/or extend R&D projects. Agricultural cycles run in a minimum of 12 months and in the case of the 'Ewe Lifetime Project' a ewe's productive cycle averages out at 5 years.

The question that remains, what is the method by which Government proposes to update rural RD&E priorities. It is suggested that the long-term strategic stability and coordination of RD&E in Australian agriculture needs to be addressed. For example, in the UK, this long-term strategy is coordinated with other sectors by the UK Biotechnology and Biological Sciences Research Council (BBSRC) which has been conducting agricultural research at its site at Rothamsted for over 200 years.

b. Establishing a new body, or tasking existing Research bodies to coordinate cross sector research.

CRC's are currently coordinating cross sector research and performing well for agriculture eg Invasive Animals CRC and the Sheep CRC are both well engaged with farmers nationally, drawing on scientific expertise nationally and internationally, with their programs actively engaging national commercialisers such as Animal Control Technology Australia, Woolworths and Coles: as well as conducting strong extension projects that include robust social engagement R&D to ensure extension success. CRC's provide cross-cultural engagement throughout these value chains.

c. Enhancing access to the R&D Tax Incentive

The R&D tax incentive should be available in the farm sector regardless of the form of entity which expends the R&D – eg whether that be individual, partnership, trust or company. Further, it is recommended that the R&D Tax Incentive may require alteration to encourage investment in the farm sector. It is suggested that possible examples of application of R&D in the farm sector could include: costs of soil tests, costs of formation of vegetation test sites (including seeds, fertiliser, agronomist consulting etc) for introduction of new grasses and clovers, development of irrigation innovations & tree planting. Many farm businesses are 'cash strapped' and expenditure of this kind is outside their capabilities, therefore, the R&D tax incentive would need to reflect a 'refundable offset' so that the farmer received a 100% refund for such expenses. Further, appropriate safeguards would need to be put in place so that only genuine cases were eligible for the refund.

d. Promoting the development of extension services

Extension knowledge must be available online through a good and extensive communication network system. Extension services could align with the national educational TAFE system. If extension is totally via private delivery, fluctuating farm returns may inhibit uptake.

e. Decentralising Government agricultural research functions (such as RDCs and agencies of the Dept of Agriculture) to regional areas as appropriate.

RD&E policy investment principles must take into account that substantial Agricultural R&D \$'s are raised from farmer levies and therefore should be reinvested to benefit the farm sector by conducting R&D that is housed in rural and regional universities, organisations and others.

f. Regular five-yearly assessments of the RD&E system

There already exists a rigorous assessment system in RDCs and CRCs. If there is a perceived lack of relevant outcomes and/or ineffective outcomes the problem lies in the design of the RD&E and/or the monitoring and evaluation system and clear communications on the purpose of the R&D and how Extension will be executed and funded.

Policy Idea 21 Administrative changes to the RDC model to increase transparency and reduce costs, including giving RDCs a targeted set of objectives

The object of this policy idea is for RDCs to be more transparent in relation to reporting their RD&E projects. This policy idea is in response to calls from farmers, who provide a large proportion of the research funds by way of levies, and who generally feel that they have little input into setting the strategic direction in which those funds are applied. An example of desperately needed research that is not undertaken is the issue of tackling unreasonable commodity price declines in the Superfine and Ultrafine Merino industries. These wool types have their historical origins in the early settlement of Australia and with their specialised Australian genetics are almost unique in the world. Given the current poor prices for this specialised commodity, it is unlikely there will be sufficient newcomers to maintain Australian production levels as the current aging farmers retire – this decline is already evident.

Government must direct the relevant industry to institute a study of the demise of such specialised sectors of agriculture, or they are likely to disappear over the next decade and Australia will lose our unique supply positions.

CHAPTER 11. BIOSECURITY

The biosecurity measures outlined in chapter 11 are strongly endorsed, since without these measures agricultural exports from the nation are at risk.

CHAPTER 12. ACCESSING INTERNATIONAL MARKETS

ISSUE - Strengthening Australia's overseas market efforts.

The export of wool occurs in a complex value chain, unfamiliar to many superfine woolgrowers, who historically have relied upon their broker and the auction system for the sale of their wool. Due to the GFC, and reduction in number of foreign wool buyers and local exporters, superfine woolgrowers cannot any longer rely upon the current marketplace to achieve necessary returns for their product, but must adapt and change and secure more value from the value chain.

Policy Idea 24

b. Improving exporter services and our understanding of overseas markets. And.....

c. Providing more exporter readiness training.

In particular the policy ideas that encapsulate a better understanding of overseas markets and exporting to those markets, and exporter readiness training, should be adapted to specifically include superfine woolgrowers as a group, to bring more competition to the marketplace.

For instance, in New Zealand, NZ Merino, which is a woolgrower funded organisation, directly negotiates with foreign buyers on behalf of its grower members.

e. Developing national promotion efforts (such as through a national brand)

Development of a national brand is extremely important for the superfine wool industry. Superfine wool must be developed as a national brand of the nation, to preserve Australia's market position by establishing an Australian brand ie a brand which cannot be replicated elsewhere in the world. (The Italian business sector, Milano Unica, is currently establishing the 'Italian made' brand identity in China to protect their 'Italian' market position in readiness for the day that China has equal design and technology skills.)

What policies from the Green Paper don't you support and why?

The following policy ideas in the Green Paper are not supported:

(i) Chapter 7 – Policy 14d – Creating new Regional Centres of Excellence via the university system is not necessarily appropriate in regional areas, unless the programs are via distance education. (Even then – with the lack of suitable internet in regional areas – distance education is a challenge.)

Regional Centres of Excellence should encompass the existing TAFE structure which works well as a vehicle for strengthening agricultural education. Farmers do not necessarily have the time to be 'off farm' to obtain a university degree – which is why the diploma opportunities offered by TAFE are so appropriately tailored to regional communities.

(ii) Chapter 9 – Policy 18a – the list of potential water infrastructure projects is not supported.

Australia has a deficit of water inputs. The proposed list may only add to that deficit. What is required is a further holistic approach to water usage in the country by local authorities, State Governments, the community and industry users. This may mean some projects are deferred until the deficit is appropriately managed. Further study is required before this ad hoc list of water infrastructure projects should proceed.

General Comment

No additional comments are provided. ASWGA expresses its thanks for the opportunity to contribute to policy development in the agricultural sector, particularly for superfine and ultrafine wools.