

Deputy Premier  
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The Hon. Barnaby Joyce MP  
Minister for Agriculture  
Federal Member for New England  
Parliament House  
CANBERRA ACT 2600

15 JAN 2015

Dear Minister 

I share the Australian Government's vision of agricultural prosperity and welcome the opportunity to comment on the Australian Government's *Agricultural Competitiveness Green Paper*.

Agriculture is a key part of the Tasmanian economy. The Tasmanian Government is committed to growing the value of the State's agricultural sector to \$10 billion per year by 2050.

AgriVision 2050 is the Tasmanian Government's strategic plan to capitalise on our competitive advantages in agriculture, including abundant water, a premium brand, our island biosecurity and excellent growing conditions, to ensure Tasmania continues to benefit from the opportunities presented by growing demand in major export markets.

To this end, the Tasmanian Government is investing in irrigation, research, development and extension, skills and educational pathways, and reducing the regulatory burden on the agricultural sector.

There are a number of opportunities in the Green Paper for the Tasmanian and Australian Governments to collaborate with industry to realise our common goal of increased agricultural competitiveness in Tasmania.

## **Water**

Sustainable irrigation provides the greatest opportunity for Tasmania, and the Nation, to expand agricultural production. New irrigation infrastructure is a key part of Tasmania's ability to harness its water resources to capitalise on its other advantages in agriculture – a temperate climate, distinct seasons, rich, fertile soils and experienced farmers.

Tasmanian Irrigation Pty Ltd – the State-owned company responsible for delivering public irrigation schemes in the State – has provided a separate response to the Australian Government's *Water Infrastructure Options Paper*. In it, Tasmanian Irrigation details Tasmania's recent experience with water infrastructure development including development of a first tranche of ten new irrigation schemes and the

advanced plans for a second tranche of five proposed additional projects (which are highlighted in the Green Paper

Tasmania's successful public/private partnership (PPP) funding model, efficient State/Federal approval processes, and importantly, genuine partnerships with rural communities is a template for irrigation development nationally.

The delivery of water infrastructure is complex and challenging and requires considerable planning before construction can begin. With knowledge of the long lead times involved, Tasmanian Irrigation has progressed the planning, feasibility assessment and development of business cases in order that the proposed 'Tranche Two' projects are ready to go once funding is secured.

Importantly, one of the success factors for the first tranche of irrigation development projects was the investment certainty provided by the up-front financial commitment of the Australian and Tasmanian Governments to the overall program.

By early 2015 the ten tranche-1 schemes will collectively deliver 75 000 megalitres of new water to farming districts across the State. In total, the tranche-1 irrigation program represents a total commitment of more than \$310 million, including \$220 million from the Federal and State Governments and \$90 million from the private sector. It is estimated that as part of the program, a further \$265 million will be invested by the private sector into related on-farm infrastructure.

The potential investment in the proposed tranche-2 program, could total circa \$413 million. Accordingly, a breakdown of the proposed tranche-2 program contributions is as follows:

- \$53 million private sector (irrigator and investors) contribution by the way of direct purchase of Water Entitlements.
- \$220 million private sector (irrigator) contribution into on-farm irrigation infrastructure.
- \$30 million State Government contribution.
- \$110 million Federal Government contribution.

What this illustrates is that the on-farm infrastructure is every bit as essential as the infrastructure bringing water to the farm gate and is an integral part of the overall project cost. Most of the water infrastructure development occurring in Tasmania is opening up new areas of irrigated agriculture, or enabling expansion in existing enterprises, and hence farmers are necessarily investing heavily in on-farm infrastructure to utilise the available water.

## **Natural Resource Management**

With regard to natural resource management, investment at the regional and local level is critical to improving agricultural productivity. Local landowners, care groups and regional NRM organisations – working with governments and industry – are best-placed to identify the issues faced and the methods by which to address them. Investment at this level ensures increased adaptive management capacity by which agricultural production can effectively respond to changing environmental and economic conditions. It also enhances producer and community resilience to drought, as well as increasing education, training and employment opportunities.

Management of animal pests and weeds is expensive but the economic return on well targeted and timely action can be huge. Focusing government resources on surveillance, prevention and eradication of newly introduced pest animals and plants, or outbreaks in new areas, will have the greatest impact and benefits to agricultural productivity. Battling established pests requires partnerships between the non-government sector and private landholders where the costs are shared by the parties provide the best way of effecting action.

The Australian Government also has a role to play in coordinating and investing in ongoing efforts to develop new technologies of all kinds that can have a dramatic and cost-effective impact on established pests threatening Australia's agricultural competitiveness. Such investment is currently very effectively delivered through the Cooperative Research Centres (CRCs), including the Invasive Animals CRC which has enabled a pooling of expertise and industry participation in addressing the major pest problems.

## **Infrastructure**

The cost of sea freight is a critical issue for the Tasmanian economy as it is a key determinant of the efficiency, profitability and competitiveness of Tasmanian agribusinesses. Tasmania has a relatively small internal market, making access to mainland domestic and international markets vital. Over 99 per cent of all goods leaving and arriving in Tasmania are moved by sea and approximately 70 per cent of Tasmania's total food production is currently sold into interstate or international markets. In this context, the Tasmanian Government considers as critical the progression of initiatives that will place downward pressure on shipping costs and improve access by Tasmanian agricultural producers to national and international markets.

Given its limited modal choices for freight, Tasmania is especially vulnerable to regulation that increases the cost of engaging in coastal trade. There is significant industry concern about the effects of the current Australian cabotage regime and its impact on the cost of coastal shipping. The Tasmanian Government supports the expeditious conclusion of the Australian Government's review of coastal trading regulation with the hope that it will deliver practical reforms that will provide cost competitive and sustainable coastal shipping services for Tasmanian businesses.

The Tasmanian Freight Equalisation Scheme (TFES) provides welcome support for businesses in moving outputs and inputs between Tasmania and mainland Australia. However, it does not provide any support to bulk trade and goods bound for international markets. The Tasmanian Government continues to support extension of the current TFES assistance rates to transhipped international exports.

The Tasmanian Government is itself working to re-establish a viable and sustainable direct container shipping link from Tasmania to key international ports and markets, and has recently signed a Memorandum of Understanding with Swire Shipping. This service has the potential to benefit a range of Tasmanian agricultural exporters who are currently forced to tranship their products via Melbourne at significant additional cost.

## **Research, Development and Extension**

The Australian Government's continued commitment to Australia's unique Research and Development Corporation (RDC) model is welcome. The RDCs are a critical source of research, development and extension (RD&E) funding for Tasmania's agriculture sector, which remains vital to assisting all farmers to improve their productivity and competitiveness.

For its own part, the Tasmanian Government reaffirmed its commitment through the 2014-15 budget to deliver an additional \$2.9 million in RD&E funding for agriculture, including additional funds to encourage more industry-relevant RD&E, as well as a Water For Profit program to equip farmers with the skills and information needed to maximise the return on their investment in on-farm irrigation infrastructure and water entitlements. This is on top of the approximately \$4.8 million provided annually to the Tasmanian Institute of Agriculture (TIA) to undertake RD&E.

RD&E priorities need to align with the objective of raising agricultural productivity as a key to increasing profitability and a means of ensuring that public RD&E funds are allocated in the national interest. Through its own programs the Tasmanian Government is seeking to better align agricultural research with the goals of industry, and to translate the results of research into practical benefits for farmers

through improved extension. Beyond the adoption of current technologies, it will also be important to invest in the next generation of technologies that will drive increased farm productivity.

The significant ongoing co-investment by the Australian and Tasmanian Governments in irrigation infrastructure will need to be complemented by a commensurate investment in RD&E to realise the potential of the new schemes and maximise the contribution of irrigated agriculture toward the Tasmanian Government's AgriVision 2050 target. To this end the Government is supporting TIA to develop an irrigation RD&E program in consultation with Tasmanian Irrigation and other stakeholders that should pave the way for new partnerships with the RDCs. Given Tasmania's leading role in irrigation development, it is well placed to lead national research, development and extension through such initiatives as the Australian Government's Rural R&D for Profit program.

The Green Paper appropriately recognises extension as a key to increasing on farm productivity and a priority for strengthening. However, it is beneficial to distinguish between extension, which provides the general interface between research and the end users of technology, and consultancy which focuses on tailoring technology to a specific business. The former is largely a public good whereas the latter is a private good. Consultancy services tend to be intermittent whereas the adoption of new technologies is not instantaneous and needs to be championed over an extended period. The optimal adoption of new technologies is likely to require a public/private extension model where the private sector is encouraged to provide consultancy services that are integrated with a base level of generalist extension capable of providing the necessary continuity.

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

Improving educational pathways will require collaboration between industry, school, VET and higher education sectors at both the State and National level.

A key part of the Tasmanian Government's AgriVision 2050 Plan provides targeted investment of \$450 000 over three years in building skills and innovation within the agricultural industry. This includes a commitment to promoting the diversity of career pathways into agriculture, improving the coordination of training and skills development through a partnership between industry and government, and fostering and facilitating closer collaboration between registered training organisations, TIA, and agriculture sector organisations and leaders. This recognises that industry, Government, TAFEs and universities need to collaborate on promotion of agriculture science.

Workplace needs and development should lead investment in education and training across the whole value-chain. This includes awareness of the changing needs and demographics of the agricultural sector. There needs to be specialised education pathways for both entrants to the agricultural industry and to support upskilling of existing participants.

Policy idea 14(d) for the creation of national agricultural tertiary centres for excellence is supported, especially in regional areas. As a joint venture between the State Government and the University of Tasmania, TIA provides a model that could be considered for such centres of excellence, given that it encompasses RD&E and education and is the only such fully integrated research partnership in Australia.

The role of extension and knowledge brokering in the centres for excellence will be critical to ensure productivity gains are realised from research and development. The system of Federal funding for institutes must therefore provide a reward system for professional extension providers. It is noted that the Tasmanian Institute of Agriculture in its separate submission to the Green paper has proposed that 'extension' and 'extension research' should be considered a legitimate activity for Australian universities. Accordingly, resources for agricultural extension need to become a standard component of Category 1 funding.

## **Competition and regulation**

Further collaborative efforts at all levels of Government are needed to remove unnecessary regulation. The bilateral agreement on environmental assessments between the Tasmanian and Australian Governments is a positive step forward and the COAG red tape mapping exercise should provide a useful starting point for launching a broader deregulation agenda. The Tasmanian Government is already pursuing a range of initiatives to cut red and green tape and looks forward to contributing to the COAG reform agenda.

The objective of ensuring that participants within the supply chain do not misuse their market power is strongly supported and is likely to be most effectively addressed through strengthening competition laws. However, an investigation of the obstacles to cooperative formation and whether there is an opportunity for the Australian and State and Territory Governments to address these is also supported.

Policy idea 7(a) proposing reporting by ABARES on price indices for agricultural products as a means of increasing transparency in the supply chain and better informing agricultural producers in negotiations and decision making is supported. Policy initiatives that would assist producers in managing risk, including price risk, should also be considered. This might include work by ABARES through their Regional Outlook Conference program.

## **Finance, business structures and taxation**

The option discussed under Policy Idea 10(a) of the Australian Government extending permanent concessional lending to support farm innovation and productivity enhancement is worthy of further consideration, provided the scheme is carefully targeted and structured to avoid the risks noted in the Green Paper. The proposal under Policy Idea 12(a) to extend the Entrepreneur's Infrastructure Programme to smaller businesses is also supported, particularly if done in concert with a concessional loan scheme that supports farm innovation.

In keeping with its election commitment, the Tasmanian Government is investigating the development of a low interest profit contingent loan scheme to fill a gap in the market where banks are unable to provide the full level of funding that is required to support innovation, new entrants and smaller specialised agribusiness enterprises that do not readily fit within the scope of the banks' national lending policies.

With regard to Policy Idea 11(g), the Tasmanian Government would be concerned about any reforms to the Wine Equalisation Tax rebate that could negatively affect small producers, which contribute significantly to Australia's regional economies and communities. Tasmania's wine industry accounts for less than one per cent of Australia's total wine grape production but is a high quality, high value sector with a growing international reputation. The industry is dominated by small producers focused on cellar door operations, consequently any increase in the net taxes paid by small producers could severely impact on the industry's significant growth potential.

It is important that the Australian Government continues to invest in rural financial counselling services equitably across Australia, including in smaller states and territories. The Rural Financial Counselling Service in Tasmania has, since 1986, provided a positive service to primary producers and small rural businesses experiencing financial hardship. Although not initially designed as a long term measure, the RFCS has assisted with rural adjustment and is often in high demand during periods of drought. The Tasmanian service consistently case manages around 150 clients annually in Tasmania. Furthermore, there could be benefits in developing a pro-active rural business point of contact and referral service for business sustainability and other support services.

## **Accessing international markets**

There is a need for improved information on export opportunities, including market requirements, market segments, consumer preferences and product trends, local industry conditions and the activities of competitors. Many smaller agricultural sectors lack the capacity to capture this information. Undertaking trade research is expensive and as such there needs to be a collaborative effort between the Australian Government, State and Territory governments and industry bodies.

Many small to medium enterprises would benefit from export and international readiness training before they begin exporting. While the Tasmanian Government already provides export readiness training, it is not specifically targeted at the agriculture sector. Due to the complexity of issues around agricultural exports, it would be beneficial for such training to be provided through a specialist, national provider. Export readiness training could also be used as a vehicle to deliver complementary training in other priority areas such as marketing.

The system of market access and subsequent compliance needs reconsideration. Better coordination of industry needs and real market opportunities could be achieved by reinstating the Department of Agriculture as the principal decision point on market access priorities. Market access costs remain high and should be reviewed and addressed, such as by extending the role of Approved Officers to include not only phytosanitary issues but also controls for markets where specific protocols exist. The high cost of export compliance also deters many small producers and efforts should be made to reduce the number and frequency of audits required by trading partners.

The achievements of the Australian Government in negotiating free trade agreements (FTAs) with Australia's key trading partners are warmly welcomed. There is a risk that the benefits from tariff reductions may not be realised if they are not aligned with technical market access approvals. Accelerating the development of technical market access country and commodity strategies, linked to the most recently concluded FTAs, should be a priority to capture the full benefit of the gains achieved.

Tasmania is well recognised domestically for its fresh, premium products but is limited to promoting its brand in selected niche segments in overseas markets due to the scale of production in the State. The development of a coordinated national approach to promoting Australia's agriculture and food brand internationally is supported – but it must be one that can accommodate the individualised brands developed by various agricultural sectors, States and Territories, regions and producers. While the development of such a brand should be driven primarily by industry, the Australian Government should consider providing seed funding to establish a taskforce to lead the process. The development of a national brand could also include a process for rationalising or recognising quality assurance schemes to minimise the need for multiple audits and reduce compliance costs.

In relation to Policy Idea 24(f), it is recommended that the Australian Government review its positions overseas to ensure that its resources are strategically focused on developing key opportunities linked to the competitiveness of Australian exporters.

## **Foreign investment**

Tasmania needs and welcomes foreign investment to grow Tasmania's agribusinesses, introduce technology and innovation to our agriculture sector, and build export markets. The Tasmanian Government strongly supports appropriate foreign investment in the State's agricultural sector. Continued flow of investment capital, including overseas capital, will be critically important for Tasmanian businesses to grow and thrive in an increasingly dynamic and customer focused agribusiness sector.

We recognise the importance for foreign investment to be subject to scrutiny to ensure that it is in the national interest. The established processes of FIRB provide an appropriate framework for this scrutiny.

The Tasmanian Government considers the current thresholds requiring investment approval by FIRB as being broadly appropriate. It is important that FIRB's processes remain contemporary and conducive and not be a burdensome regulatory hurdle for foreign investment. The current balanced approach to foreign investment should enable growth in the agricultural sector while not disadvantaging the national interest. The suggestion of extending the Australian Government's register of foreign ownership of agricultural land to include water is consistent with this approach and is therefore supported.

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

The suggestion under Policy Idea 5(a) that farmers receive a return from mining activities on their land through a share of royalties is not supported further than is already provided for in the *Mineral Resources Development Act 1995* (Tas). The Act provides that private landowners who held minerals at the commencement of the Act continue to own those minerals (except in the case of some specific minerals such as gold, silver and oil) and therefore can derive royalties from their sale should they be extracted by a mining operation on their land.

The Act also provides that owners of private land, both holding land before the Act commenced, or acquired after its commencement, own any category 3 minerals (rock, stone, gravel, sand, clay used in construction). In addition, Part 8 of the Act allows for compensation to be paid to landholders whose interests are affected by mining exploration or production, either in accordance with an agreement between the parties or as determined by the Mining Tribunal.

These arrangements represent a fair and appropriate process for the compensation of landholders for the loss of the use and productive capacity of their land. Accordingly, there is no justification for the further sharing of rents and royalties on minerals that are owned by the community.

### **Biosecurity**

It is vital for Tasmanian agriculture that Australia's national agricultural framework supports regional differentiation in biosecurity based on assessments of the level of risk. Regional differences are currently taken into account with respect to pest/disease status and establishment potential. Where these criteria indicate an elevated risk, two further criteria should be used to consider differences in the potential consequences between regions, and regional differences in the feasibility of implementing control measures. The latter criterion would enable consideration of additional risk mitigation measures that are feasible by virtue of geographical barriers such as Bass Strait.

As noted in relation to the chapter on accessing international markets, extending the role of industry Approved Officers to include not only phytosanitary issues but also controls for markets where specific protocols exist could significantly reduce market access costs for Australian exporters. Approved Officers in Tasmania receive the same training as government officers and typically have an intimate knowledge of the industry in which they are employed. Importantly, they also have a direct stake in the integrity and effectiveness of inspections.

### **Drought**

It is important that there continues to be a nationally consistent approach towards drought preparedness and assistance for prolonged and severe drought.

In terms of drought preparedness, the Tasmanian Government is working closely with industry bodies to raise awareness of the Bureau of Meteorology's (BOM's) technological advancements. The BOM's ongoing development of finer scale forecasts that will help underpin on-farm decision support tools developed with industry warrants continued Australian Government support.

With regard to Policy Idea 17(a), there is a need for additional support for mental health in drought-affected areas. Tasmania's Rural Alive & Well (RAW) is a well-regarded regional preventative mental health support service formed to develop the resilience and capacity of individuals, families and the rural communities in which they live to react to challenging life experiences with a particular emphasis on suicide prevention, mental health and wellbeing. With additional resources, successful rural community-based models such as RAW could be evaluated and those found most effective supported to enable them to be rolled out across Australia.

In closing, thank you for the opportunity to comment on the Green Paper. I look forward to the Australian Government announcing its future direction for agricultural competitiveness through the White Paper. I also look forward to working with you through this process to capture the growth potential in Tasmania and enhance the overall profitability of our agriculture sector.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jeremy Rockliff', written in a cursive style.

Jeremy Rockliff MP  
**Deputy Premier**  
**Minister for Primary Industries and Water**