

# **SUBMISSION**

## **AGRICULTURAL COMPETITIVENESS GREEN PAPER**

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behalf of Ag Institute Australia

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## 1. EXECUTIVE SUMMARY

While AIA agrees with a number of the policy options raised in the Green Paper, we have some additional suggestions and some ideas on the policies proposed.

Efficient and cost-effective infrastructure is vital to the competitiveness of the agriculture sector and farmers (and those closely associated with farmers such as consultants, RD&E providers and Agribusiness) must have reliable and fast communications technology.

The provision of **infrastructure** necessary to ensure agriculture remains competitive through innovation requires Government investment. This includes not just land based transport and communication but research facilities and facilities to enable rapid uptake of technology

Some issues require strong national leadership to avoid the situation where different **legislation or regulation** in different states becomes a major impediment to agricultural competitiveness. Three main areas of contention are as follows:

- The stewardship of our natural resources, particularly when adjoining states share the one resource;
- The utilization of GM technology, where we have different policies in each state (although we do have the one national regulator); and,
- Biosecurity to ensure exotic diseases, pests and weeds are either excluded, or detected early and swiftly eradicated once detected to preserve our competitive advantage for exports.

Another aspect of ensuring farmers have access to the latest technology is by ensuring those who provide advice to farmers and to agribusiness are appropriately skilled to provide that advice. This is important for agricultural productivity and for the management of natural, financial and human resources.

For this reason, AIA proposes a new and more universal approach **to professional accreditation**. This requires industry and Government support, but if Australian agriculture wants to adopt accreditation approaches to enhance market opportunities (such as Best Management Practice...BMP products) then these strategies must be underpinned by professionals who also meet best practice standards. AIA will be developing such a scheme.

Every effort must be made to enable farmers to compete effectively on world markets. This includes ensuring agriculture has access to modern technology currently available to international competitors such as new genetics and communication technologies. It also requires ensuring that our on-land, port and off-shore transport systems and the associated work practices and logistics, allow us to capitalize on the important advantage we have in geographical proximity to many of our markets, current and emerging.

AIA strongly supports encouraging greater investment by Australian firms not just in farming but in R D&E.

AIA also supports an increase in the provision of on farm business skills not just to farmers, but especially to those advising farmers. The Rural RDCs should be encouraged to place greater emphasis on farm business and whole farm approaches in their programs. This should include not just extension to farmers and their advisers, but in the evaluation in profit and risk management terms of research proposals and outcomes.

**AIA recommends that persons providing such advice on farm business be required to be accredited and that such accreditation be kept up to date.**

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Government leadership is required to enable farm businesses to better-manage risk. This not only requires greater skills but also the use of strategies such as multi-peril crop insurance and Farm Management Deposits (FMDs).

AIA supports improving transparency of foreign investment and the establishment of a register. But this single response is not enough and that there should be further checks and balances and requirements placed on such investments including a requirement that all farm businesses owned by foreign investors must strictly adhere to the biosecurity arrangements in place for each industry and all farm businesses owned by foreign investors be supportive of and fully engaged in the normal RD&E arrangements for each industry.

AIA strongly encourages greater support for agricultural education including support for the current programs which aim to improve the awareness of agriculture in schools. In particular AIA encourages further initiatives to increase the number of graduates in agriculture, the shortage of which is a major threat to our future growth.

Drought policy is a contentious issue. AIA sees the role of government in fostering change in industries and regions but the impact of assistance, including that provided during drought can hinder autonomous change. When adjustment is impeded, the most significant adverse impacts are often on the capacity of the most talented and able in a district or an industry to innovate. AIA welcomes social welfare assistance for primary producers, but contends that farm assistance should follow similar principles to that afforded other sectors of the community.

The national RD&E system is strongly supported, but requires urgent intervention with respect to extension. The system will increasingly rely on private-sector providers in the future. We would urge the Commonwealth to encourage the States to restore the resources previously allocated to agriculture (although we expect that they probably will not do so), so the focus must be on the further development of the ‘public research/private advisor’ model. This will require better access to R&D information, support for professional accreditation, incentives for universities to deliver outcomes for industry rather than simply publications and a process to enhance the skills of extension providers.

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## 2. INTRODUCTION

Ag Institute Australia (AIA) is pleased to have the opportunity to provide this submission regarding the Agricultural Competitiveness Green Paper.

Ag Institute Australia (AIA) is the peak body in Australia representing the professions of agricultural science and natural resources management. Its membership includes scientists, advisers, policy managers, consultants, agribusiness and farmers.

We provide **strong, independent, balanced and factually based representation and advocacy** on a wide range of issues affecting the profession and agriculture generally. In recent times these have included agricultural education, national food policy, Food for Asia Plan, rural communication, farmer response to greenhouse gas policy, rural research, development and extension (RD&E), and the Murray Darling Basin Plans.

## 3. AIA's DETAILED COMMENTS ON GREEN PAPER

### 3.1 INFRASTRUCTURE

#### *Policy Idea 1 - Building New Transport Infrastructure*

AIA agrees that efficient and cost-effective transport infrastructure is vital to the competitiveness of the agriculture sector, with the proviso that decisions to invest in transport infrastructure must be based on fully researched, independent benefit/cost analysis so that any political influences are removed. This analysis should include current and projected demographic, agricultural production and trade opportunities at home and overseas.

#### *Policy Idea 1d – Greenfields Developments*

AIA identifies **Policy Idea 1d** (Greenfields developments) as important for the future. Much has been said about the “development of the North”. There are obvious water infrastructure and agricultural technology and services challenges but AIA believes that the main constraint to development here and elsewhere in Australia will be identifying a suitable market opportunity and then developing the capacity to handle an increased volume of product and get it to market in a speedy manner. This applies in particular to perishable goods where the maintenance of a cold chain system, especially in these extreme environments is critical.

#### *Policy Idea 2 – Improving Existing Infrastructure*

AIA supports moves to improve transport infrastructure in country areas. In many areas of rural Australia the railway system is in disrepair, and continues to decline or be sold off. Surely for bulk commodities this must a retrograde step. If USA can run an efficient system of rail and road, why can't Australia? The move to road transport has impacted greatly on country roads, most of which were never meant to carry such traffic. This in turn impacts on local government costs and rates.

AIA urges an urgent nation-wide independent study of the current system with a view to highlighting priority investment needs and opportunities in rail, road and air transport. At the moment the investment strategy appears to be piecemeal.

#### *Policy Idea 3 – Enhancing Communications*

AIA agrees that farmers (and those closely associated with farmers such as consultants, RD&E providers and Agribusiness) must have reliable and fast communications technology to access markets and information essential to their business. These technologies will

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continue to develop rapidly, and like all businesses, farm businesses must find ways to take maximum benefit from them.

It should be noted that while farmers were at the forefront in adopting computers, the array and complexity of some of the new information applications will put huge demands on farmers and also on the service industries, including government agencies. AIA believes that government supported programs to ensure that rural Australia takes full advantage of the opportunities provided by the new technical capacity (such as NBN and other initiatives) will be essential if full benefit is to be achieved from these investments.

### ***New Policy Idea - Innovation***

AIA believes that the other infrastructure that requires Government investment is the infrastructure necessary to ensure agriculture remains competitive through **innovation**. This includes research facilities and facilities to enable rapid uptake of technology.

Much of the current research infrastructure in Australia was built decades ago, and no longer meets modern scientific requirements. We acknowledge that much of this infrastructure is State based (and much of that has been sold in recent years, not because it wasn't relevant but as a means of making budget savings), but a nationally coordinated and funded program to modernize research infrastructure is essential to the ongoing progress of science and the application of science in agriculture.

AIA advocates a collaborative model where Universities, State Governments and organisations such as CSIRO can be co-located, or at least closely linked and can be supported to work together and with consultants and farmers to deliver maximum benefit to agriculture. In addition, public-private partnerships for research infrastructure and projects should be encouraged to maximize efficiencies and enable improved returns on investments. Is it not a target for superannuation funds for example?

## **3.2 WORKING WITH STATES AND TERRITORIES**

### ***Policy Idea 4 – State Government Regulation***

AIA agrees that farmers, like the broader community, want reduced and more flexible regulation, an end to duplication and for it to be easier to interact with all levels of governments.

However, some issues require strong national leadership to avoid the situation where different legislation or regulation in different states becomes a major impediment to agricultural competitiveness.

The three main areas of contention are:

- The stewardship of our natural resources, particularly when adjoining states share the one resource;
- The utilization of GM technology, where we have different regulations in each state (although we do have the one national regulator); and,
- Biosecurity to ensure exotic diseases, pests and weeds are either excluded, detected early and swiftly eradicated once detected to preserve our competitive advantage for exports. (this is covered further under the Section 3.9 Research Development and Extension-- Biosecurity)

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## Stewardship of Natural Resources

In terms of *Policy Idea 5 - Protecting the Natural Resource Base*, AIA supports a national approach to managing the soil and water resources of the Murray Darling Basin. A great deal can be done to better manage this resource without impinging on state sovereignty. AIA believes that following 3 areas are critical:

### **3.3 IRRIGATION WATER USE EFFICIENCY.**

#### **Continued improvement in irrigation water use efficiency through irrigation RD&E.**

This is covered further under Section 3.8 water and natural resource management.

- Australia's position as a world leader in such technologies risks being lost and requires urgent reinvestment if our farmers are to continue to strive for best practice;
- Ensuring that environmental water is allocated according to best environmental outcomes and managed efficiently. This will certainly require a national approach; and,
- Engaging irrigation communities in monitoring, managing and reviewing the adoption of the MDB Plan.

AIA also supports a national approach to fund incentives for farm businesses to better-manage the natural resources. At present it is a piecemeal amalgam of Commonwealth, State and Regional programs which we believe would be made more effective by better joint planning and execution.

In terms of *Policy Idea 5a – Limiting the adverse impacts of mining on the agriculture sector*. AIA also strongly supports limiting the adverse impacts of mining and Coal Seam Gas (CSG) on the agriculture sector. We must ensure that all mining/CSG activities are required to restore the landscape to full agricultural productivity after the conclusion of their activities and that no short or long-term damage is done to aquifers by any resource extraction activity.

The underground water resources are essential to supply water for livestock, local communities and for irrigation. Already some resource companies have strategies which can ensure no net negative impact on aquifers, such as aquifer recharge with appropriately treated water, and substitution of current water uses with treated water.

Agriculture and other resource uses can co-exist if proper analysis and planning is completed. It is important that these are completed in a transparent manner so that parochial sectoral interests are exposed and that approvals are based on scientifically substantiated facts after recognition of all impacts on environmental, economic and social sustainability.

These approaches can and must be universally adopted.

AIA strongly contends that prime agricultural land should be protected from all alternative uses, not just mining. This is covered in more detail in Section 3.9 Water and natural resource management.

## GM Technology

With respect to GM technology, both the cotton industry in Australia and the maize industry in the US have embraced GM technology. Both of these crops have been able to secure productivity gains in excess of 1.5 percent per year over extended periods of time (Figures 1&2). Research reports suggest that about one half of the productivity gains are due to

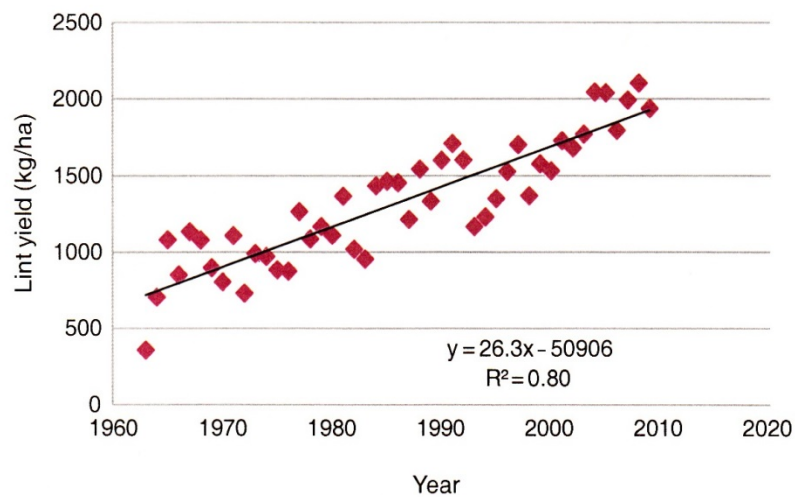
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genetic gains (of which GM technology is an important part), and the other half to improvements in management of the farming system.

In addition to productivity gains, GM technology also provides positive environmental outcomes. GM cotton has enabled a drastic reduction in pesticide use which leads to a reduced risk of harm to the environment.

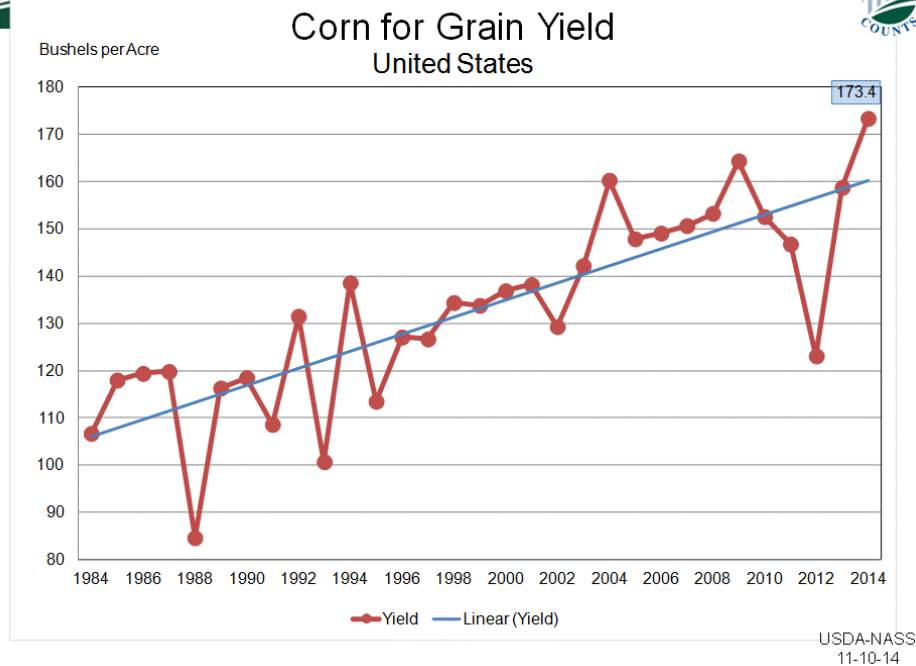
Crops other than cotton and canola have not utilized this technology in Australia, partly because some State and Territory Governments have actively discouraged it (with moratoria) and partly because of the expense involved in registering these new crop genetics. The Australian Government has a clear national leadership opportunity to embrace the technology, facilitate its adoption and encourage all of the states to have uniform approaches to the technology.

This is a key area where the Australian Government can demonstrate its commitment to working with the State and Territory governments — along with individuals, companies and organisations — to drive innovation and improve agricultural competitiveness. The current uncertainty in this area does little to encourage the sort of investments required.



**Figure 1:** Progress with lint yields of the Australian cotton industry since 1963. (Constable, Greg, Danny Llewellyn, Lewis Wilson and Warwick Stiller (2011) Farm Policy Journal | Vol. 8 No. 1 | Autumn Quarter).





**Figure 2:** Corn for grain yield. Sourced from USDA: [www.nass.usda.gov](http://www.nass.usda.gov) > Charts and Maps.

### 3.4 COMPETITION AND REGULATION

Farmers obviously need fair returns for their produce if they are to stay in business. With commodity prices largely governed by international prices (especially for bulk commodities), farmers have limited influence over the price they receive. They are also often at a negotiating disadvantage when compared to processors, wholesalers and retailers.

Every effort must be made to enable farmers to compete effectively on world markets. This includes ensuring agriculture has access to modern technology currently available to international competitors such as new genetics and communication technologies.

It also requires ensuring that our on-land, port and off-shore transport systems and the associated work practices and logistics, allow us to capitalize on the important advantage we have in geographic closeness to many of our markets, current and emerging.

Another way of ensuring farmers have access to the latest technology is by ensuring those who provide advice to farmers and to agribusiness are appropriately skilled to provide that advice.

This is important for both agricultural productivity and for the management of natural resources.

For this reason, AIA proposes a new and more universal approach to **professional accreditation**. This requires industry and Government support, but if Australian agriculture wants to adopt accreditation approaches to enhance market opportunities (such as Best Management Practice...BMP products) then these strategies must be underpinned by professionals who also meet best practice standards. AIA is currently developing such a scheme.

Allied to the above is the need for farmers to be better informed concerning markets, so that they can adapt according to changes in demand. This may include farmers better

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understanding the value chains their products enter, and perhaps reducing the risks associated with commodity production through investment in their products further down the chain.

AIA supports the Government in its commitment to ensuring competition laws in Australia enable a competitive marketplace and also the Government's commitment to reducing red tape faced by farmers and through the supply chain.

AIA agrees that there needs to be a better balance of negotiating power, especially in domestic arrangements. However, AIA notes with some concern the recent attention being paid to major supermarkets. This public debate has tended to create a "them and us" mentality which is neither mature nor healthy. It takes on face value that producers have somehow lost the balance of power (this relates in particular to Policy Ideas 5a, 5b, 6d etc). We have a new order where more and more farmers will deal directly with major buyers. Farmers aren't forced to do so, and most of those who do are happy with the arrangement. We do not wish to return to the archaic systems of the past.

We concede that the current arrangements have some issues and support those policy ideas in the Green Paper which lead to better price reporting and greater transparency of market information. However, we maintain that this should be done in the interests of improving the efficiency of the market to benefit all, not just on the basis of balance of power.

#### ***Policy Area 9a – AgVet Chemicals***

AIA urges the Government, in conjunction with the States, to provide for quicker and easier registration of chemicals for minor use, including cheaper labelling provisions. The fact is that in many areas Australia represents a small market and is not large enough for large chemicals manufacturers to give sufficient attention. Horticultural crops are an excellent case in point. Pests which occur infrequently on any crop are another. In these cases, local company representatives, consultants and farmers trial existing products at different rates to find a solution. However, if that use does not accord with that on the label, that use is illegal and to recommend or use it leaves one liable to prosecution. However, the costs and time lag to get approval for a temporary or minor use permit are high which often means that damage is done or resellers, advisers and farmers simply break the law.

The Commonwealth has an important opportunity to develop with the States and the private sector (say through a body such a CropCare) an early resolution to this problem. This can and should be done and does not need to threaten the current environmental protection or work safety provisions.

#### ***Policy Area 9b – Country of Origin Labelling***

AIA strongly supports the need for greater transparency in labelling. The current confused position with regard to terms such as "Made in Australia" (using local and imported ingredients) can represent unfair competition. This results in a loss of confidence in the system, and makes it very difficult to confidently mount "Buy Australian" programs. However, before steps are taken, AIA recommends an independent review of the current system with a view to greater transparency and to create opportunities to encourage people to buy Australian.

### **3.5 FINANCE, BUSINESS STRUCTURES AND TAXATION**

#### ***Policy Idea 10a – Permanent Concessional Lending***

The AIA is very cautious about ***Policy Idea 10a*** in the belief that achieving viability should be on the same commercial basis as other businesses, that concessions may well encourage

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farmers to increase debt, and may result in retaining non-viable farmers at the cost of more viable farmers who would welcome the opportunity to increase their holdings.

Consideration should be given to the re-establishment of a “Commonwealth Development Bank” type of body which could assist viable farms buy out non-viable neighbours. It will need some inbuilt risk mitigation buffer.

***Policy Idea 10b – Creating Incentives to encourage greater institutional investment in agriculture.***

AIA generally supports ***Policy Idea 10b***. We encourage greater investment by Australian firms not just in farming but also in R D&E. There would seem to be evidence of “market failure” in this area. To our knowledge, there has been no study into such investment by Australian firms. Such a study is urgently required if a well considered approach, which covers all the factors, opportunities, risks and opportunity for government incentives is to be considered.

***Policy Idea 11 – Improving tax system efficiency and equity.***

The AIA supports the proposals in relation the Farm Management Deposits (FMDs) Scheme but with two provisos:

- An urgent study is undertaken into the uptake of FMDs and the constraints including understanding by famers and their accountants/consultants; and,
- Consideration is given to accounting for a farmer’s history in taking up FMDs when considering other assistance or lending. In other words, farmers who take up FMDs to improve their business health should receive more favourable consideration, especially for any special assistance.

***Policy Idea 12a – establishing a programme offering independent business advice.***

The AIA generally supports ***Policy Idea 12a*** moves to improve business advice to farmers but **recommends several steps** to ensure its effectiveness:

- Encouragement by Universities to provide agricultural economics and farm business **training** at undergraduate and post graduate levels. We have seen a serious reduction in University offerings in this area recently. This flows through not only to the farm sector but to consultants and agribusiness generally, and to the provision of well researched policy advice to governments.
- Universities need to include greater farm business and farm systems content at the undergraduate level. This is a need which has been clearly identified by agribusiness, consultants and farmers for many years but the Universities seem unwilling or unable to adequately respond.
- Increased provision of farm business skills be provided to those advising farmers as a matter of urgency. Consultants recognise the need for such skills but often are not able to access courses which meet their needs. What is needed is not just training in basic farm financial management skills but particularly in understanding profit generation and managing risk.
- Rural RDCs should be encouraged to place greater emphasis on farm business and whole farm approaches in their programs. This should include not just extension to farmers and their advisers but in the evaluation in profit and risk management terms of research proposals and outcomes. GRDC for example has greatly increased this area of activity in recent years with some impressive results.

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- In particular, AIA recommends that persons providing such advice be required to be **accredited** and that such accreditation be kept up to date. It is concerning that most professions (e.g. engineering, accounting) providing such advice require practitioners to be accredited but agriculture does not. AIA is concerned that there is evidence that training is being provided, often with government support, by persons whose skills have not been subject to independent scrutiny.

**TO THIS END AIA IS EMBARKING ON A COMPREHENSIVE ACCREDITATION PROGRAM FOR THE AGRICULTURE PROFESSION. WE WOULD PREFER SUCH A PROGRAM TO BE INDUSTRY MANAGED, BUT IT WILL NEED SUPPORT.**

- Farmers and their advisers who participate in farm business training be required to pay for it as part of the normal running of their business. They are required to pay commercial rates for other services, why not these. In fact we believe that the provision of free or substantially subsidised services does not encourage adoption – “the biggest issue with a free service is that it costs the client nothing to ignore the advice”! We are concerned that providers often use the free or subsidy tag to encourage attendance and one wonders who the main beneficiary is.

***Policy Idea 12b – Expanding the role of Rural Financial Counselling Service.***

AIA takes a similar approach to **Policy Idea 12b** as **Policy Idea 12a**. In particular, we support the review of the RFCS program and would encourage that the outcomes of that review be assessed in the context of the broader issues of farm finance and accreditation of providers.

AIA in particular supports the development of a more integrated approach involving the many professionals in the area. This suits itself to better regional approaches to service provision including broad local input and commitment.

**General Comments – Finance, Business Structures and Taxation**

Farm finance issues become regular high-profile media issues when yet another farm family has a bank foreclosure. One might argue that business success and failure is just a part of business, and agriculture is just like any other business.

But this trivialises a very complex farm finance and farm business issue. Modern Australian farm businesses are characterized by high capital costs (of land, livestock and machinery), and high risk.....drought, flood, fire, hail, pests and diseases, international market variations, and unforeseen hazards such as changes in Government policy.

The Australian Tax system currently has allowances to compensate for some of these vagaries, including for example, five-year tax averaging for primary producers, and the opportunity to depreciate new plant at accelerated rates.

The main challenge for most primary producers is that their input costs are high in relation to the returns they receive for their products. This equation has been exacerbated in recent years. Despite all of this, the proportion of farmers in an unrecoverable debt situation is low.

AIA notes the proposal that “The Government is considering whether farmers have access to the advice and information they need through private advisers or if there is a further role for government.”

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AIA has the view that an overall business skills program should be available to farmers and that before Government loans are offered, (such as the recently announced drought recovery loans) that farmers must have access to high-level financial advice from an accredited professional farm business adviser.

In relation to farm business structures, AIA sees that one or a number from the full range of possible business structures may be appropriate for farm businesses. The appropriate structure depends on the particular circumstances. However, if a farm business decides on a particular structure (Company, Partnership, Family Trust) then this arrangement should not impede access to farm financial arrangements whether they be tax arrangements such as Farm Management Deposits, or Government arrangements such as drought recovery loans.

A further issue which requires Government leadership is enabling farm businesses to better-manage risk. This not only involves training but also the use of multi-peril crop insurance, FMDs, or other strategies. Mechanisms to encourage farmers to manage risk for themselves by using these various approaches (or others, like off-farm income and off-farm investments) should be actively encouraged to promote farm resilience, and not discouraged as has been the case in previous drought policy.

The suggestion, for example, of Government support to enable farmers to enter multi-peril crop insurance would give the desired outcome of providing a risk-management option for farm businesses to manage the seasonal (and other) variations. Clearly, farm businesses are discouraged from actively undertaking risk management if they see Governments supporting only those farmers who fail to undertake such risk management strategies.

### **3.6 FOREIGN INVESTMENTS**

The AIA recognises that Australian agriculture (and most other sectors) has been built on overseas investment, and it is no different today.

#### ***Policy Idea 13 – Improving the transparency of foreign investment.***

AIA supports **Policy Idea 13** – Improving transparency of foreign investment and the establishment of a register.

However, we believe that this single response is not enough and that there should be further checks and balances and requirements placed in such investments including:

- A requirement that all farm businesses owned by foreign investors must strictly adhere to the biosecurity arrangements in place for each industry; and,
- A requirement that all farm businesses owned by foreign investors be supportive of and fully engaged in the normal RD&E arrangements for each industry.

AIA recalls the outbreak of Citrus Canker in Central Queensland some years ago. Although no convictions were secured in court, the import of citrus rootstock (by a farm business that was owned by a foreign investor) that avoided normal quarantine protocols was clearly the cause of the introduction of this serious plant disease. Citrus Canker was very costly to Government and the Central Queensland citrus industry, because all citrus trees had to be removed and production ceased for some years.

Some of the corporate farms currently owned by foreign investors are model citizens. They engage in the R&D, support local communities and are regarded as leaders in the Australian industry. Other foreign investors should be encouraged to follow this example.

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Other expectations are as follows:

- A strengthening of the current approval processes to include potential local and regional impacts of such investment, rather than just a central approach based on what one assumes are economic and security considerations.
- A requirement that the overseas investors engage Australian expertise and work force as part of their approval, including greater emphasis on joint venture arrangements.
- Careful monitoring of taxation outcomes on profits of such ventures to ensure that they accrue in fair share to Australia.

### **3.7 EDUCATION, SKILLS AND TRAINING, LABOUR**

AIA has been active in drawing to the attention of the community and governments the importance of this area. AIA strongly encourages greater support for agricultural education including:

- Support for the current programs which aim to improve the awareness of agriculture in schools.
- Inclusion of agricultural examples in most subjects at all school levels.
- Support for a comprehensive awareness program of the place of agriculture in the community and economy and the opportunities in agriculture as a career. AIA is concerned that agriculture has slipped under the radar as a sector and career opportunity. Until we change the current perception, agriculture will struggle to make its mark, despite enormous past and current successes. AIA wishes to develop a program with the National Farmers Federation (NFF) and the Universities to address this perception. It is a large task but one in which government investment would pay large dividends.
- The need to provide greater opportunities for specialised learning in agriculture (**Policy Idea 14a**)
- Increasing financial support for regional education (**Policy Idea 14e**), especially support for students who must board away from home.
- AIA supports the concept of national tertiary centres of excellence (**Policy Idea 14d**). It would go further and support greater resource sharing by Universities and the development of joint degrees. Universities can no longer individually afford to offer the wide suite of courses demanded by students, nor is it sensible to do so. With the communication capacity of today (e.g. video conferencing) it is sensible to offer a course at one university using the resources of another, with practical components being done in block. Universities are addressing this but there is a long way to go. It is an expensive exercise for which encouragement through government support would be a valuable exercise in efficiency.

#### **Shortage of Agricultural Graduates**

Various studies have estimated that the profession requires about 2000 graduates per year. Currently we turn out about 800. A small increase in current enrolments will flow on to an increase in the number of graduates, but ensuring that there are adequate numbers of graduates and that they have meaningful jobs probably remains the greatest issue facing the industry. This needs to be addressed urgently and will require the following:

- Consideration of the special situation facing agriculture and reflect this in amending the Higher Education Contribution Scheme (HECS) requirements.

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- With the States and industries, establish cadetship or intern programs to attract more entrants to agriculture courses.
  - Conduct an independent review of the suitability of current agriculture courses in meeting the needs of industry, the respective roles of industry, Universities and professional bodies in meeting these requirements, and make the necessary changes as part of current and new funding agreements.
  - Include particular emphasis on Ag economics/farm business management training.
  - Provide support to the AIA in its initiatives to encourage more people to enter the profession, to ensure mentoring of early graduates and ensure the maintenance of professional standards.
  - Review University funding in relation to agriculture and only fund those universities which can demonstrate that they can provide a critical mass of staff and students in their agriculture faculty to ensure that they can provide world class research along side world class teaching.

AIA believes that the proposal to mentor young farmers (Policy Idea 14b) needs to be extended to mentoring undergraduates in agriculture and new graduates entering the work force.

This is an essential part of increasing industry understanding and improving productivity in early career years. This was something State Departments of Agriculture did in the past but this capacity has been substantially lost. AIA is looking to establish such mentoring initiatives at State level with Universities using its consultant and other professional members.

### **Accreditation**

See section.4, Policy Idea 12 and Section 10, RD&E.

### **3.8 DROUGHT**

One of the very contentious issues is the role of government in fostering change in industries and regions. Unfortunately, one of the impacts of farm financial assistance, including that provided during drought, is that it impedes autonomous change. Regrettably decisions in these areas are often based on short-term political expediency rather than long term planning.

The big issue is what opportunities exist for governments to facilitate and expedite autonomous change.

When adjustment is impeded, the most significant adverse impacts are often on the capacity of the most talented and able in a district or an industry to innovate. The less efficient farmers remain in farming rather than move out of it and take the opportunities provided to re-train for a new career. Having the more talented farmers expand their businesses leads not only to greater productive efficiency but also the associated benefit of better management of natural resources.

Adverse impacts on people and on the environment are most effectively managed using separate policy processes and instruments. History suggests that attempts to help farmers impede autonomous adjustment. This then backfires on people, regions, resource productivity, industries and the national economy. There is a clear difference between social welfare and adjustment. Social welfare issues should be handled separately outside the rural adjustment policy.

The AIA strongly recommends that Governments adopt the following principles when deciding on assistance and adjustment intervention:

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- Farm assistance should follow similar principles to that afforded other sectors of the community.
  - The asset tests provisions be reconsidered for low-income support for a limited period.
  - It should take account of the isolation, availability of services, and the costs of accessing those services by people in the country.
  - It should take account of the impact of the natural disaster on families and the need for special services such as depression counselling etc. The response should use local qualified community resources such as consultants and churches, and not just rely solely on government departments. Those who are “on the ground” in the local community, will respond more quickly, and most likely do it more cheaply.
  - Any program must be closely monitored and researched so that we can assess its effectiveness and learn for next time.
  - It should take account of rural businesses and the other sectors that rely on the farm sector.
  - It should not impede adjustment whereby farm businesses without a future are encouraged to stay rather than sell to those who can make a better and more profitable go of it.
  - It should take account of the management of natural resources.
  - It needs a long-term vision and strategy which monitors the progression of emerging crisis and has the measures in place so that people can make informed choices whilst they have the options, and while they are in the right mind. It is hard to make the tough decisions when one is under financial stress.
  - Regional communities and professions need to be engaged in developing such strategy, with local accountability, rather than leave it to farmer organisations who are under pressure from their farmer members. We need objectivity and engagement.
  - Somehow, we need to "politician proof" the system and accept that there is a major drought or other adverse event somewhere in Australia one year in three, so there is never a “disaster free” period in which politicians can act.

In general terms the AIA supports the Policy Ideas in the Green Paper, and limits its comment to the following:

- An essential part of preparedness for drought in particular is to improve the farm business and risk management skills of farmers and their advisers. This is covered under section 3.5 Finance, business structures and taxation.
- AIA supports the need for individuals to satisfy a number of prerequisites before they access support. This includes a prudent risk management strategy and preparedness measures.
- Prolonged or severe drought needs to be treated differently to the occasional drought which is a reasonable expectation in most areas and should be planned for. Assessment should be made not just on a lack of rainfall but by monitoring farmer cash flow and debt levels through their consultants, banks and accountants, and the farmers’ preparedness and capacity to cope with the circumstance. This having been done, the application of assistance needs to follow the principles outlined above with separate consideration of family support and farm lending.



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- AIA supports the need for greater mental health support for farmers and rural communities, not just during drought. Isolation, the lack of expert services, and the numbers of people suffering depression, exacerbates the problem. Reluctance to seek help because of the stigma of depression, especially in the country is also unhelpful.
  - Government needs to take the initiative in supporting training for farm families, their advisers, and the community in detecting the signs of depression and in accessing the assistance services. Not only would this help the farm family and the community but it would greatly increase productivity. The malaise brought on by depression impacts the quality of decision making and the willingness and capacity to work.
  - Providing that the necessary training skills are available, assistance to get them where they are needed in a proactive way (rather just reacting to drought or other disaster) would be a very welcome initiative. In some areas this could be part of extended rural counselling services. They do some of this work already.

The Green Paper avoids any discussion of climate change and impacts on farming, including adaptation as a risk management approach. AIA supports a science and evidence-based policy on climate change and mitigation strategies that are value-neutral. This will assist in developing drought policies that are outcomes focussed and will avoid short-term populist approaches that do not stand the test of time.

### **3.9 WATER AND NATURAL RESOURCE MANAGEMENT**

AIA makes the following points in relation to water and natural resource management:

- Support for greater tax concessions for water infrastructure, provided it includes on farm improvements to irrigation infrastructure which will improve production, increase water use efficiency and protect the water resource from adverse impacts like salinity.
- AIA is concerned that the Murray Basin Plan seems to have assumed less importance and urges its accelerated adoption. Attention must be given to the efficient use of environmental water. It is unacceptable that having transferred water from so called inefficient farming to now see water wasted and not used to best effect for the environment.
- *Irrigation Research.* Australia was once a world leader in on farm irrigation research, development and extension. That capacity has now diminished and some of our irrigators are still relying on technologies developed over 30 years ago. This is an area where continuous improvement is essential and requires urgent government intervention.
- *Horticultural Research.* Horticulture represents a huge opportunity to improve production, increase water and land use efficiency, and provide major trading opportunities, especially with northern hemisphere countries and our near Asian neighbours. However in recent years we have seen a substantial retraction in horticultural research in Australia with the closure of many research facilities and a lack of expert University training. AIA encourages the Commonwealth to work with the States, Universities and industry to ensure an urgent rebuilding of our horticultural RD&E capacity.
- *Retention of Prime Agricultural Land.* AIA has long been concerned about the loss of prime agricultural land especially land that was used for intensive production of

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horticulture and which is often close to our major population centres. A similar situation exists with the interface between mining and agriculture in extensive agriculture where coal, coal seam gas and other mining activities want to establish on prime agricultural land.

This is an area which does require Commonwealth intervention, in the national interest. The decisions regarding zoning cannot be left to State and local governments who are often driven largely by income from the mining sector, housing demand and rate revenue. This includes:

- The Federal Government working with State Governments to develop a register of prime agricultural land and national standards of protection of such land from mining and urban encroachment.
- Specifically, mining (or any resource extraction activity) should not proceed unless the proponent can demonstrate their capacity to fully restore the landscape to pre-existing agricultural productivity following the completion of the mining activity.

### 3.10 RESEARCH, DEVELOPMENT AND EXTENSION

The importance of agriculture to Australia's current and continued prosperity is grossly underrated. The lack of clear agricultural policies during the election campaigns is evidence of this. The continued agricultural efficiency and growth is central to its contribution to Australia's wealth, in meeting its world food obligations and opportunities, as well as maintaining our physical, economic and human resources in agriculture.

Yet growth in agricultural productivity has slowed, due in large part to a wind down in investment in R, D & E. This has occurred at Commonwealth and particularly State levels. The undertaking by the States that they would maintain their investment under the Primary Industry Standing Committee initiative to rationalise R,D& E delivery has not been met. In fact all States have substantially wound back their investment to the point where development and extension activity in the field is almost non-existent in many areas. This has resulted in greater reliance on R&D Corporations (RDCs) and farmer groups and private consultants.

AIA broadly supports the updating of rural R,D&E priorities (**Policy Idea 20a**) to better align with community needs, BUT with the following provisos:

- The mechanism used to determine such priorities must be, independent, clear, transparent and involve all the stakeholders, including of course the government itself. **It must not be used as a means for a current government to manipulate funding allocation to meet its own policy agenda or geographic preferences. It requires inputs from farmers (to identify needs) and scientists (to identify possible solutions).**
- The process should identify and quantify in what ways the community is expected to benefit from the work, including what related investments are required to progress the work at project end, and ensure its adoption.
- The process should provide for a balance of short, medium and long term projects and should include due emphasis on areas where there is market failure.
- Long term "blue sky" research projects should be supported. These projects can provide important understanding of issues but might not have immediate benefit. Such projects are usually not attractive to Rural RDCs or private agribusiness.

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- Projects on cross-sectoral multidisciplinary issues are crucial. These are somewhat generic in that they cover a number of industries, none of which fund them adequately. Several important examples include irrigation development, soils and land capability, agricultural engineering, farming systems and enterprise integration, farm business, risk management, rural sociology, and technology adoption as well as the broader areas such as the relationship between agricultural productivity and human nutrition and health. All are under grossly under resourced and would benefit from specific government targeted initiatives.
  - Work in more geographically isolated areas must be supported. In these areas, costs are high and it is difficult to attract professional scientists and support staff.

The program needs to be developed in conjunction with existing funding bodies and providers so that unnecessary duplication is avoided, leveraging can occur, and every opportunity is taken to capture the benefits of integrated approaches.

We currently see Commonwealth (and State) programs which have been developed without consultation. Had these projects used a more integrated approach they would have returned far greater community value. States need to be encouraged to take a similar integrated approach.

The greater emphasis on “public” programs (**Policy area 20b**) raises a number of issues, none the least of which is who will manage them. The costs of management are frequently underestimated and the Commonwealth must be prepared to meet that and not expect the existing providers or funders to pick it up as an extra. On the other hand, AIA strongly supports the need for better management of programs to improve cross sectoral effectiveness, coordination, and accountability.

Whilst we favour smaller bureaucracy, we support the formation of independent RD&E institutes, which embrace the major stakeholders. Such bodies would ensure that the requirements for collaboration were met, would arrange contracting (on its own or in collaboration with others), would provide independent assessment of outcomes and would be responsible for reporting to government(s).

#### ***Policy Idea 20d – Enhancing access to the R&D tax incentive***

Before changing, AIA urges a study of the private sector, especially local and overseas agribusiness, to determine why there is not greater investment in Australia and to identify the steps needed to increase it. Taxation is only one issue. Such issues as accessibility to service providers in Australia, the ease of doing business, IP capture etc. might be just as important.

#### ***Policy Idea 12c – Promoting the development of extension services***

Currently, “market failure” arises from the withdrawal of State funded extension services and greater reliance on farm groups and consultants for D&E especially, given that there are not the human resources or skills available to bridge the gap.

Whilst it is true to say that there is a large component of “private good” in extension, there are also substantial public benefits. These go well beyond creation of wealth for the community and nation. Improving farm practices which improve productivity AND preserve the land and water resources is just one case in point.

Furthermore there are many public programs which require extension, such as in natural resource management, invasive pests and animals and biosecurity. State funded extension staff have covered these in the past. The private sector feels no need to engage in these issues

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if they get no reward, yet it is important that extension in these areas be part of the total suite of farm-based programs.

One of the early steps should be for the Commonwealth to revisit the PISC agenda and question the actions by the States in winding back their agriculture budgets, insisting on a greater matched funding approach with Commonwealth investment.

There already exists an extension market as is evidenced by the growth of consultancy services in recent years.

The weaknesses in the current system include:

- Some RDCs concentrate largely on research with insufficient provision for the D & E which applies research results in the field and then extends it to farmers. Notable exceptions are GRDC and MLA.
- Many research providers concentrate on research outcomes and report these through the scientific literature which few extension staff and even fewer farmers are able or willing to access. The concentration on science publication is hardly surprising since it forms a large part of promotion in the University and CSIRO systems.
- Often research people do not understand D or E, let alone how farmers use technical information in decision making.
- RDCs need to put more emphasis on extending the outcomes of research and build this into the contract. This will often require separate contracts with extension providers.
- Farm systems groups are one way in which a systems R-D-E approach can be taken although these are often poorly funded and can have difficulty attracting staff with the required skill set.
- Many consultants concentrate largely on technical advice. Farmers need to know how to fit the information into the system in a farm business sense. This points to the need for additional training in these areas.
- Farmers and those funding extension programs need to have confidence in the skills of the consultant. At present there is a major weakness in the system in that there is no requirement for ag professionals, including consultants to be accredited. AIA is embarking on an accreditation program and sees this as a critical component of quality assurance for advice in the industry

So the issue is not so much one of developing extension markets but in providing better training for extension practitioners, accrediting them, and filling the gaps in supply where there is market failure. Government still needs to be part of the action, especially for public good programs, and for this the States must return to the fields they recently left.

AIA notes the recent report: “Optimising Future Extension Systems in the Australian Grains Industry; Part 3: International Grains Extension Models and Future Directions for the Australian Grains Industry Extension System. (2014) Australian Farm Institute. This report makes repeated reference to the grain industry (because they commissioned it) but the recommendations apply to all industries. In summary their recommendations are outlined below:

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## **Recommendations -**

*The analysis of the grains R,D&E systems operating internationally has led to several conclusions in relation to the future of the grains R,D&E system in Australia.*

*The first is that the system will increasingly rely on private-sector providers in the future, something which is a common feature of all the grains R,D&E systems examined internationally. While it might be nice to envisage Australian state governments restoring many of the resources and much of the capacity previously allocated to the grains industry in each state, this is simply unrealistic. There is a need to focus on the further development of the 'public research/private advisor' model that has evolved in Australia, rather than wasting time and energy seeking that past policies be restored.*

*The second is that of all the grains R,D&E systems examined in this research, the Australian system appears to have the least level of interaction between public-sector research providers on the one hand, and farmers and private-sector researchers and advisors on the other. This is likely to be a major weakness in future in Australia, unless addressed.*

*There are various recommendations that arise from this research, and that if implemented have the potential to ensure that the future grains R,D&E system in Australia, and in particular the grains extension system, operates optimally. These recommendations are listed below, and discussed in more detail in later section of this report.*

### **RECOMMENDATION 1:**

*The Grains Research and Development Corporation should develop a centralised registration system for private-sector crop advisors which can be utilised to enhance the access crop advisors have to research outcomes and technical information (including a national grains industry innovation portal), and to provide them with targeted information specific to their interests and needs.*

### **RECOMMENDATION 2:**

*Grains industry representative organisations and relevant advisor industry associations should be encouraged to enter into discussions with the aim of fostering the staged development of a national accreditation system for crop advisors, and should also undertake to develop incentives to encourage crop advisors to become accredited, including encouraging grain growers to employ accredited advisors, once the system is developed.*

### **RECOMMENDATION 3:**

*The Grains Research and Development Corporation in conjunction with universities and state government research agencies should encourage the development of an internet-based national grains innovation portal, which can act as a repository of information about research findings, as well as providing an opportunity for information exchange and interaction between crop advisors and others including farmers and researchers. A key target audience for the portal should be private-sector crop advisors.*

### **RECOMMENDATION 4:**

*The Grains Research and Development Corporation should implement a series of annual awards for crop advisors who are recognised by their peers as fostering innovation amongst their grain grower clients. The awards could include the opportunity to travel internationally to further investigate potential new areas of innovation.*

### **RECOMMENDATION 5:**

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*The Grains Research and Development Corporation should take a leadership role, under the auspices of the national grains industry R,D&E strategy, in seeking to ensure that available public-sector grains extension resources are utilised in a coordinated way with the private-sector crop advisory sector to optimise their effectiveness.*

**RECOMMENDATION 6:**

*Australian rural research and development corporations should enter into negotiations with Australian universities and state government agricultural research agencies with the aim of developing a standard and simple contract research agreement, applicable to public-sector research organisations wishing to contract universities or state agricultural agencies to conduct research projects.*

**RECOMMENDATION 7:**

*For relatively straightforward research trials, Australian rural research and development corporations should facilitate the development of standard national trial protocols, with the objective being that the results of any research conducted by public or private sector, or farmer groups that complies with those protocols would be able to be reported via national industry information portals or information systems that may be developed in the future.*

**RECOMMENDATION 8:**

*The rural research and development corporations and the Australian Council of Deans of Agriculture should make representations to the Australian Government, seeking that university research excellence criteria be expanded to include industry engagement and impact as one of the important assessment criteria.*

**RECOMMENDATION 9:**

*The Grains Research and Development Corporation should develop a requirement that, as part of the obligations on researchers who are the recipients of major grains research funding, the researchers be required to allocate a minimum period of time annually working on the ground with grower groups, providing them with advice and support.*

**RECOMMENDATION 10:**

*Rural research and development corporations in conjunction with the Australian Government Department of Agriculture should enter into negotiations with state governments and other relevant organisations to develop rolling four-year funding agreements for each national rural R,D&E strategy.*

**RECOMMENDATION 11:**

*The Grains Research and Development Corporation, in conjunction with the Australian and state governments, should develop a rolling four-year funding plan for the national grains R,D&E strategy that includes firm funding commitments from all parties involved in the strategy.*

**RECOMMENDATION 12:**

*The rural research and development corporations and the Australian Government should initiate discussions with private-sector farm input providers with the aim of developing closer engagement by the private sector in the future development of the national rural industry R,D&E strategies*

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**AIA strongly supports these recommendations and adds two additional ideas:**

- RDCs should invest in the training of new university graduates to become fully accredited professionals. These “interns” require nurturing to assist them transition from the skills they have at graduation to full competency as extension professionals. The State Departments have always done this “training role” but no longer do.
- Universities must be encouraged to offer advanced extension methodology training. This would be best arranged if two selected Australian Universities were supported (financially) to offer this training.

***Policy Idea 20e – Decentralise Government Ag research functions to regional areas.***

**AIA strongly opposes this proposal.** It notes that it has had media coverage in recent times and further notes that there seems little enthusiasm for it from leading farmers.

Our objection is based on the following:

- It does little to “provide opportunities for stakeholder engagement, improved service delivery and promotion of regionally focussed RD&E” as the Green Paper claims. This view is based on the experience of many who have been involved in or managed such shifts. In short it simply doesn’t work.
- Even if it did work it would be OK for the few communities near the decentralised services but what about all the others.
- Access to and from regional centres is in fact more difficult and more costly than to the cities. This will substantially increase the costs of doing business (which will mean less funding available for “on ground” activities)
- The costs of the transfer are high due to the disruption to business. The loss of productivity and staff morale are even higher.
- There is no need to move services in order to establish hubs with Universities and other providers. This is happening now and will grow even further given increased electronic communication.
- Already it is being widely seen as a ploy to suit the goals of a particular political party.

So on balance the proposal has little to recommend it and we urge Government to put its energies to more urgent matters.

***Policy Idea 20f - Regular review of the RD&E System***

The AIA believes this proposal has merit but only if:

- It is conducted by an independent body. Such a body would have close links but be separate from the body under Policy Ideas 20a and 20b
- Progress is measured against clear milestones established at the start.
- It has strong quantitative as well as qualitative components.
- It is backed by persons qualified to measure the outcomes of research programs at the farmer adoption, farmer impact levels, as well as on communities and the national well-being.

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- Such a thorough review is fully costed (including the costs to the participants) and that the benefits will clearly outweigh those costs.

### ***Policy Idea 21a – Improving the rural RDCs***

AIA suspects that this section is largely driven by a vocal minority of farmers, many of who have little understanding of RDC processes. That said we accept that RDCs should strive for continued improvement and transparency. In our experience most do.

One component of this proposal is “including giving a targeted set of outcomes” Who decides this set? Does it emerge from government policy? Does it relate to the process discussed earlier in this response to determine public good projects. We should not forget that grower levies fund more than 50% of the activity in most cases. Farmers should be key players in determining the “targeted set of objectives” especially if the government public good component is managed by another means as discussed.

Our experience is that most RDCs work hard to come up with programs which benefit the levy payers, and then manage and report the outcomes. We use an example the GRDC which has regionally based groups comprising farmers, consultants and scientists to determine the key issues facing farmers, developed through a thorough process of consultation at all levels.

These issues become the basis of the long term strategic plan and the annual investment plan on which the call for new projects is based. The major prerequisite is that the projects improve farmer profit and/or their capacity to manage risk. There are regular events to outline progress results, a bimonthly magazine that goes to all farmers, consultants and scientists, as well as a comprehensive website.

This entire process is supported by the three regionally based panels, program leaders and the Board who then monitor progress and make themselves available for farmer input. If any farmer is dissatisfied they have ample opportunity to express their view.

AIA suggests that if the current RDC model has a weakness, it is the need to direct more resources to the D which adapts research outcomes to the field, and in E (extension). As previously outlined this is made difficult in recent times with the cutbacks to State services (who did a lot of D and some E) and a reliance on private consultants and farmer groups who usually don't have the resources to meet the demand. Provision of such resources is currently under discussion with some RDCs.

### ***Policy Idea 21b – Flexibility of levy arrangements***

AIA has already made a strong submission to the Senate Inquiry into R&D levies. We are not convinced that the sorts of changes raised in the Green Paper would improve efficiency or allow R&D objectives to be better met. No well-researched case has been put for such changes. For example what evidence is there that there is administrative inefficiency, especially when one takes into account the complexity of the programs being offered, across a vast geography by a wide range of service providers. It is easy to make such claims but real evidence is often lacking. AIA suggests that it is unwise for government to change the existing arrangements unless there are very good, factual reasons to do. There are more important things to do.



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### **3.11 BIOSECURITY**

#### ***Policy Idea 23—Improving the biosecurity system.***

AIA comments that the current biosecurity arrangements in Australia are necessary and effective. A scientifically-based risk assessment approach is strongly supported. AIA supports the concept of increased information and intelligence gathering tools, supported by increased investment on high-risk areas and priority pests and diseases. We agree that this requires strategic surveillance, data gathering, and analysis to generate the intelligence to predict, identify and manage biosecurity threats and risks.

A strengthened intelligence and research capability will also assist in the provision of evidence of our pest-free status to support export market access for farmers. AIA supports enhanced onshore monitoring, including by developing reporting tools and establishing a public Biosecurity Information System to share information.

Biosecurity in the animal industries includes responsibilities on local vets to report anything suspicious. Crop and horticultural industries do not have the provision. In the past the State Departments played this role in part but no longer have the presence or capacity to do so. AIA recommends the training of advisers and input resellers in major biosecurity risks and the provision of reporting and feedback mechanisms. This should be led by the Commonwealth but with State engagement.

### **3.12 ACCESSING INTERNATIONAL MARKETS.**

AIA agrees with the policy position of the green paper.