

Agricultural Competitiveness White Paper – Submission IP59

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It is difficult for full time participants in agriculture to compete against part-time participants in agriculture who are interested in the lifestyle benefits associated with the sector whilst capturing the capital growth of farm values. Focus on long term capital value returns come at the detriment of the short-term cash returns necessary for full-time participants to survive and provide an appropriate return for efforts and invested capital which part-time participants generally do not "require" as they have the ability to "off-set" off-farm income against farm income. Whilst a legitimate negative gearing / taxation minimisation strategy, the practice skews the playing field against full-time participants and actively encourages investment in property further driving up land values and diminishing cash returns in an ever increasing cycle. An appropriate capital structure, with suitable "on-farm" debt/equity levels, matched with appropriate "on-farm" income tax legislation is necessary to ensure a long-term, sustainable, agricultural sector with business enterprises regardless of size and type able to compete fairly. The experience of the past 15-years where farm values have doubled, trebled, and even more evidences the diminishing cash returns "on-farm" as commodity prices have failed to match the level of these gains.

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