



AJ & PA MCBRIDE PTY LTD

PASTORALISTS & GRAZIERS

Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

15 April 2014

Dear Taskforce,

RE: McBride submission to taskforce

The board of AJ & PA McBride Pty Ltd submits the attached document to the Agricultural competitiveness taskforce as a broad (but not comprehensive) scope of the issues that the company believes should be covered by the white paper process.

If there are any questions in relation to this submission, please contact the Secretary.

Yours faithfully,

Nathan Wessling
Secretary
AJ & PA McBride Pty Ltd



Preamble

AJ & PA McBride Pty Ltd (the *Company*) is a family owned business of Pastoralists and Graziers formed in 1920. The company is one of the country's largest wool producers, running in excess of 170,000 merino sheep across eight properties in South Australia covering more than one million hectares. Whilst predominantly sheep and wool focused, the company produces beef cattle and has investments in viticulture and citrus, as well as a portion of off farm commercial property.

A number of the McBride family are also pastoralists, graziers and viticulturists in their own right, with shareholders also owning at least ten additional farming properties. The views expressed in this document are representative of management and board of the company, and not necessarily those of the shareholders or wider family.

The board of AJ & PA McBride presents this submission to the agricultural competitiveness taskforce as a broad (but not comprehensive) scope of the issues that the company believes should be covered by the white paper process.

The issues raised have been categorised using the issues paper format. The secretary may be contacted should the taskforce require any further information.

One underlying theme that will be repeated throughout this submission paper is the encouragement of government to adopt free market principles wherever possible and to resist any desires to use policy settings to create 'winners' and 'losers' for agricultural pursuits. This has shown to fail historically such as with the wool floor price scheme in the 1980s (Massey, 2011) and with the managed investment schemes in forestry in the 2000s.

If policy changes that favour one agricultural pursuit over another are enacted, they should be measured, methodical, preferably bipartisan, and have a long term policy period: This is particularly important in agriculture, as changes to agricultural pursuits generally are expensive and slow – for example, changing livestock genetics can take multiple generations.

Issue 1: Ensuring food security in Australia and globally

Agricultural returns vs social requirement

The predominant output of agriculture is food; although agriculture and agricultural land includes the production of fibre, blooms, forestry and biofuels. From the point of view of the consumer; from a hierarchy of needs basis; and as a matter of government policy, food is and should be regarded as a staple need and should be relatively low priced compared to the aforementioned non-food agricultural output and consumer discretionary output such as wine. However as discretionary products are higher priced, they generally give a higher return on investment to producers. This creates a policy disconnect and a conundrum for policy makers: how do you encourage food production whilst maintaining returns to farmers?

Food security

The company questions whether food security is as severe an issue as it is made out to be by certain members of the community. High global food wastage and the real concerns about over-nourishment and obesity suggest that there is currently more than enough food production. Additionally, the amount of under-utilised arable land in sub-Saharan Africa and Eastern Europe shows that the potential increase in global food production over the coming decades will more than

cope with the forecasts of increased global population. This is evidenced by the fact that agricultural commodity prices are not expected to rise over next forty years in real terms (ABARES, 2014).

The real issues with food security are:

- **Transportation and storage:** The evidence of malnutrition in parts of the world (and even in areas of Australia) are not caused by a lack of food. It is the inability to transport and store quality, high nutrition, fresh food to these places at a reasonable price. By investing and researching in methods to improve these issues, a potential win-win situation could occur: adequate nutrition for all; and a reduction in the oversupply of food which in turn could increase overall farm gate returns.
- **Oversupply and wastage:** Australia has global image of producing high quality produce. However this produce generally does not compete with other countries on price, particularly when competing with nations that subsidise producers. The result of this is an oversupply on the domestic market which in turn leads to the wastage of produce on occasion – for example in the citrus industry. The company believes that the government, in conjunction with the world food programme, work towards a strategy to utilising excess food production as foreign aid to pre-emptively combat potential dumping and wastage.
- **Disaster management:** There is a real concern with food security if a global disaster were to occur, for example another Krakatoa. It is not out of the realms of the imagination that a disaster of this type, which could potentially happen at any time, might cause more than one billion deaths due to food insufficiencies. It is in this case that there are measures that can be taken (such as state of emergency legislation) to ensure that the food requirements of the country are met before exports markets are supplied – regardless of the ownership status of the land (see below for a discussion about foreign ownership of land).

Mining on agricultural land

The competing interests of agriculture and mining have received much prominence recently with high profile examples from the Liverpool Plains in NSW and, more locally to the company, the Coonawarra wine region.

The traditional concept that mining rights have precedence over agriculture needs to be explored further, particularly when the agricultural land in question is highly productive and arable. The reality is that mining involves the extraction of a finite resource from a tract of land, whereas agriculture re-uses the land resource over and over. Additionally, an un-extracted resource tends to remain in situ for the foreseeable future, whereas changing climatic conditions may render currently productive soils dormant within a generation.

The company supports a vibrant mining industry in Australia, particularly in the pastoral and low rainfall areas of the country, however this needs to be balanced with the concerns about food production. It is suggested that in an impact statement for mining developments that the opportunity costs on the land being mined are determined and taken into account. In the case of a mine with considerable overburden that is not proposed to be rehabilitated, the opportunity costs may need to be calculated in perpetuity.

Issue 2: Farmer decisions for improving farm gate returns

Drought and climate change

Arguably, agriculture is the industry that is most affected by increased climate variability (climate change). This is evidenced by the more common occurrences of catastrophic events such as fires, cyclones and floods; but also by increased dry periods and frosts and conditions that vary from historical norms such as timing changes for growing seasons; increased summer rainfall; and warmer temperatures during budburst to name a few. The recent IPCC fifth assessment report has warned about declining yields from cropping in the future due to the climate effects (Bullis, 2014).

It is interesting to note that another industry affected by climactic variation: insurance, has embraced the science and modelling and has factored in the potential effects of climate change into premiums. However, the agricultural issues paper does not even discuss this matter and it is suggested that this is an issue of magnitude enough to warrant inclusion and even its own section. Future agriculture policy needs to have its basis in science and be formed from the basis of changing production abilities. Importantly, there are opportunities that could arise from a change in climate which may make previously marginal country now arable; and the associated benefits of increased production due to warmer temperatures and increased atmospheric carbon: this could be a focus of the review.

Drought assistance

The exceptional circumstances assistance given to farmers is possibly the most recognisable aspect of Federal government agricultural assistance. Although this assistance is popular, the company does not support Agrarian Socialist policies because they do not contribute to the long term growth of agricultural productivity. The main problems with drought assistance are:

- The most common form of assistance is in the form of interest rate relief which necessarily requires farmers to have debt in the first place. A high performance farmer that has a long term strategy may not have debt, and therefore cannot access the assistance;
- There is usually an off-farm assets test in order to qualify for assistance. This dis-incentivises any efforts to diversify risk. Additionally, prudent succession strategy for farming families requires sufficient off-farm assets in order to provide an equitable distribution of assets to children without having to break up the farm.
- Properties with increased risk of drought or flooding have this risk priced into their land value. For example, land on the Yorke Peninsula in South Australia is some of the most productive and consistent land in the country and it is therefore priced at a premium to, for example, land on the hay plains. By providing drought assistance, the government is distorting land values of marginal country.

It is generally accepted that two years in a decade produce around half of the decade's income; and two years will be exceptionally poor. Farmers who do not use the two good years to put in place strategies and off farm investments for the two bad years, are not worthy of assistance. Rather, they should be assisted to exit the industry in order that their land can be farmed by more productive entities.

Issue 3: Enhancing access to finance

FMD needs improving

The Farm Management Deposit Scheme is a policy designed for non-corporate primary producers that recognises the vagaries of the agricultural income cycle. There is some merit to the retention or expansion of FMD scheme as it encourages family farmers to save during times of boom. There are however some issues with the implementation of the scheme, namely:

- The cap of the FMD is \$400,000, which in the scheme of even a mid-sized property, is not sufficient to cover the expenses for one year. It is suggested that the maximum FMD should be increased substantially.
- The FMD is only available to farmers with a non primary production income of less than \$65,000 (proposed to increase to \$100,000 in 2014). Again, this is a dis-incentive for farmers to diversify their risk by acquiring off-farm assets.
- The FMD rules state that the deposit needs to be maintained for at least a year to be eligible for the tax concession. However, this does not assist with farmers who have a poor year immediately after a good year.

The government could consider using the Reserve Bank as an Authorised Deposit Institution for the purposes of FMDs. The rationale here is that whilst the government foregoes the taxation revenue from monies deposited into an FMD, the government will still have the use of the money if it is deposited at the RBA.

Irregular flows of income

The seasonality of income is another aspect of agriculture that sets the industry apart from others. The majority of income from agriculture generally occurs in one quarter, corresponding to the harvest of the product. For this reason, it is virtually essential for primary producers to have an overdraft as the income from one quarter is required to cover outgoings for the remainder of the year. Although this phenomenon is not unique to agriculture, other industries, for example retail, generally get *some* income whereas there are some periods where no income is received for months at a time – even for businesses as large as McBride. It is suggested that family assistance payments for primary producers be calculated to take this into account. For example, there could be FAO payments for nine months of the year, and these payments could be repaid to the FAO in the other three months. The company recognises the primary production exemption from PAYG instalments in the first two quarters of the financial year and applauds the government for this step. Given that these quarters generally result in a BAS refund, it is suggested that an estimate of the refund, based on previous year's returns, might be paid in advance.

Insurance Scheme

There have been other submissions to this review that have suggested an insurance scheme as an alternative to ad-hoc exceptional circumstances payments. This concept should be explored further by the taskforce.

Foreign ownership of land.

The ANZ/Port Jackson Partners report (2012) outlines the significant capital gap in agriculture of more than half a trillion dollars until 2050. Needless to say, this quantum of funds can only come from either foreign investors or potentially domestic superannuation funds.

Foreign investment in Australian agriculture is required and should be encouraged. Apart from the need for foreign capital, the benefits of foreign investment flow through to improved work practices

and productivity gains. There has been much media attention focused on this matter, particularly with the Cubbie station and Graincorp/ADM issues. However, this community concern may be misguided because, as mentioned in the issues paper, foreign ownership of agricultural land is at historic lows of around 3% - and there is never any risk of the land being exported! Naturally, safeguards should be put in place such as the existing FIRB requirements; the state of emergency food security legislation as mentioned above; and possibly restrictions on ownership by sovereign wealth; rather than foreign corporations. Additionally, a suggested requirement for foreign investment in agricultural land and water holdings should be that the asset is active. That is, the productive capacity of agriculture should not be reduced by foreign investment in agricultural land for capital growth speculation alone.

Investment by superannuation funds

As the pool of superannuation funds grows increasingly larger, there is an ever increasing argument that these funds should invest in agricultural land. Historically, agricultural land has had a steady and consistent capital growth profile with relatively low risks (the risks generally being on the operations, rather than the capital growth). With the aging of the population and the requirement for more balanced superannuation options, Super funds, including the federal future fund, should be encouraged to invest in agriculture, potentially with some government incentive to do so.

Imputation incentive for agricultural investment

The returns from agriculture generally have a higher capital growth component than other industries. Additionally, there are significant capital requirements (e.g. property improvements such as fencing and water infrastructure; and plant) which mean that the cash return from agriculture is well below the accounting returns. This is evidenced by the discount to net tangible assets value for publically listed agricultural companies. One consequence of this is an ever expanding franking account as dividends paid are well below taxable profit. The imputation credits scheme was introduced as a measure to avoid double taxation to shareholders. Therefore, the balance of a company's franking account represents the timing difference between the taxation of the company, and the ultimate taxpayer – the shareholder. Or, in other words the franking account represents prepaid taxation and is an interest free loan given to the ATO by shareholders. One way to incentivise investment in agriculture by the community would be to allow for these franking credits to be streamed to investors at a higher rate than the company tax rate, for example to allow the franking rate to be increased to the top marginal tax rate or above. The benefit of this would be to allow higher wealth individuals to invest in agriculture and close the capital gap.

Concessional duties for succession planning

A major source of the capital gap described in the ANZ Port Jackson Partners report was the funds required to purchase property from parents and/or compensate siblings for property acquired from parents. Family farming is the backbone of Australian agriculture and any succession planning regarding agricultural land and assets should be encouraged and incentivised, rather than penalised by government. Therefore, the transfer of land from parent to child should not be considered a CGT event, nor should it attract stamp duty, even if the parent is still alive and relatively young.

Issue 4: Increasing the competitiveness of the agriculture sector and its value chains

Food processors

Primary producers mostly produce raw commodities and are therefore price takers. The value adding is where the profitability in agriculture is achieved. So, to achieve improvements in agricultural returns there needs to be a successful and vibrant food and fibre processing industry. However, the success of the processing industry generally also needs to result in a flow through effect to primary producers. For example, the meat processing industry is currently successful in that processors have acquired or merged with other processors to make major buying conglomerates. This is a major impediment to farm gate returns as the concentration of buyers/abattoirs has resulted in a lack of competition at the sale yards. Whilst support should be given to processors to ensure their financial viability, increased competition in the processing market should also be explored. One suggestion is that red tape regulation required to start up and operate processing plants is a barrier to entry and this should be eliminated as much as possible to allow for increased competition.

Supermarket duopoly

The purchasing power and tactics of the supermarket duopoly carry the same concerns as expressed above. The taskforce are well aware of the issues surrounding this as they are discussed at length in the media. It is our perception that the public are willing to support Australian branded producers above imported goods and generic 'own brand' labels (when the price is right), however it is increasingly difficult to differentiate between producers' goods and own brands, particularly in the wine industry. It is suggested that labelling rules stipulate that wines owned by retailers (including subsidiaries) are clearly labelled so that consumers can differentiate buyers own brands from family and specialised corporate producers.

It is also concerning that the wine producers rebate is available to the subsidiaries of retailers; and more concerning that multiples of the cap are available due to the business structure of the retailers. It is recommended that the WPR legislation be reviewed so that (a) the ultimate parent company can only receive one wine producers rebate cap for the entire group's controlled entities; (b) a possible scale back of the wine producers cap be introduced when sales hit an upper threshold – for example \$10m of domestic sales.

The need for scale

Although the company supports a free market approach; and there is broad recognition for the continued need for family farming enterprises, the reality is that the best way to achieving good returns from agriculture is through scale. The Australian agricultural industry is much fractured – there are more than 60,000 wool producers – and this leads to a 'divide and conquer' approach further up the supply chain. There must be a middle ground between scale/single desks, and the encouragement of free market competition.

Productivity

The most recent ABARES reports have shown a distinct lack of productivity growth in agriculture. This is particularly the case in the wool industry, where productivity has stalled for almost two decades. The most important support that the government can give to the agricultural industry is with funding for research and development; particularly into productivity gains, but also into alternative uses for marginal land (which will become more urgent as weather patterns change).

ABARES has produced cost/benefit analyses which show the ultimate return from research far exceeds the cost.

No direct subsidies or price restraints

It is well known that Australia competes with other nations that provide subsidies to their producers. This has also occurred in Australia in the past, with price restraints – for example in the wool industry. Although these ideas seem attractive in the short term, it is the company's point of view that direct subsidies are never the answer to poor returns in agriculture. Although this appears to be a hardnosed approach, the rise and fall of the reserve price scheme in wool is a case study into why subsidies should be avoided at all costs. It is recommended that the taskforce read Charles Massey's "Breaking the Sheep's Back" (2011) in relation to this matter. In addition to the vast cost/losses to the government (not to mention producers), the reserve price scheme stalled productivity growth and the production of a premium product. The years following the collapse of the scheme resulted in 'adapt or die' productivity growth which has resulted in higher quality fibre; and a more productive industry overall.

Again it is stressed that government picking winners and losers generally results in market distortions and is ultimately detrimental to the industry. The focus of government funding should be indirect, for example in research as stated above.

There is still a place for indirect industry assistance particularly in the areas of research and development; and in the relief of [mainly] state government charges such as land tax and motor vehicle registration.

Issue 5: Enhancing agriculture's contribution to regional communities

Employment in regional areas

The most effective way that agriculture can contribute to regional communities is to employ staff. A critical mass of people in the district then attracts increased services to towns, which in turn will attract associated business, supporting agriculture and potentially processing agricultural output. Governments too can assist with the viability of regional centres through the decentralisation of the public service. This would not only help with producing a crucial mass, but will also assist with other social issues such as housing prices, urban sprawl and travel times/road congestion.

Employment in remote areas

The single biggest issue facing the company on its remote properties is the attraction and retention of competent workers. Conditions are tough in remote areas not only because of climatic reasons, but the isolation – the distance from the nearest town; the ability to receive utilities that are taken for granted in the city, such as electricity and internet; and even the isolation caused by unsealed roads acts as a barrier to the attraction and retention of staff. This is made increasingly difficult by the mining boom, which can afford to remunerate staff better and provide better working conditions in general. The company suggests the taskforce consider:

- extending the zone offset programme (both in area and in magnitude) to give more incentive for employees to work in rural areas;
- Increasing the FBT exemptions for remote/regional employees to fuel/travel for private use; or make personal travel from remote areas partially tax deductible as an incentive to attract people to these areas.

- Relaxing the visa requirements for backpackers employed in rural agriculture. Currently there is a three month limit that a backpacker can stay at one place. Unfortunately, this is about the time it takes to fully train these employees and it would be desirable to be able to apply for an extension for good workers.
- The formulation of a strategy to incentivise rural agricultural jobs as opposed to rural mining jobs.

Assistance for Isolated Children

The Assistance for Isolated Children (AIC) allowance was introduced by the federal government in 1973 to assist people living in remote areas with the costs of sending children away to boarding school. Originally, the assistance covered 55% of school boarding costs, regardless of the school chosen. The company understands that the AIC grant has increased by CPI since its introduction, but the increase in boarding costs has far exceeded inflation, so that the effect of the grant is decreased. It is important that in order to encourage people living and working in remote areas, that adequate and appropriate education of their children is available. The company supports the Isolated Children's Parents' Association in their request for a Tertiary Access Allowance for Isolated young adults.

Issue 6: Improving the competitiveness of inputs to the supply chain

Australia's competitive advantage

Australia's competitive advantages over the rest of the world are water, land, and energy resources (both fossil fuels and potential renewables). The main disadvantages are labour costs (when compared with the rest of the world), availability of capital and the tyranny of distance. It is important that government policy is focused on exploiting the inherent advantages, whilst minimalising the disadvantages. Additionally, readily available commodities provide a benefit to processors to produce value added goods. Although processors do not have a competitive advantage, they are an effective employment strategy for the government and there is a good case that industry assistance (in the form of capital investment or low interest loans/underwriting) could be provided.

Utilities

The regional and remote locations for agriculture mean that generally utilities are either non-existent (e.g. plumbed water and sewerage); more expensive (rubbish collection; gas; remote electricity); or substandard (telecommunications). There should be some consideration into how this disadvantage to urban businesses can be rectified. In particular, internet services are essential in remote areas due to distance (for example – school of the air). Unfortunately, ADSL coverage is non-existent; Satellite communication is not effective (due to latency); and Mobile coverage is not widespread and is expensive. McBride have been working with telemetry for a number of decades and this is a potential productivity game-changer. But due to the lack of next G coverage over our remote properties, the only cost effective method of telemetry is by using the UHF spectrum.

Government profiting from distance

As noted above, the remote nature of Australia, both in domestic terms as well as our isolation from the rest of the world, is a significant disadvantage in the industry. The emerging economies in East, and South East Asia are a positive turn for Australia as these markets are closer Australia than some of our competitors.

Of concern though, is the issue of the remote nature of agriculture domestically. Because regional and remote communities are more reliant on transportation than urban areas, any taxation or fee levied in the transport industry is felt more significantly in the bush. Of particular note are on road fuel excise and the excessive registration charges for heavy vehicles.

Labour – education

The most important input in an agricultural pursuit is labour. As mentioned above, attracting and retaining labour is a primary concern of the company. It is recommended that agricultural education is included in curricula to increase appreciation and knowledge of the industry, with a view to awareness of a career in agriculture.

Labour – Succession planning

The value of succession should not be ignored when discussing improved agricultural productivity. By nature, younger people are more risk seeking and this results in more aggressive effort in increasing productivity. For this reason, succession and generational transition should be encouraged through policy, particularly by removing barriers to property transfers as discussed above.

Carbon

Whilst there is widespread support for the removal of the carbon tax, agriculture has the potential to be leaders in a low carbon economy which could result in both productivity gains and environmental benefits. This has already been seen in the pork industry with biogas, but there are vast potential projects. For example, the improvement of feed conversion ratios in livestock will not only reduce carbon emissions, but will also increase productivity (MLA, 2014); and it has been suggested that biochar and soil carbon strategies could be so successful that they could potentially result in a global cooling cycle (Bates, 2010)! The main hurdle to achieving these benefits is the initial funding for either research or their implementation. Therefore, assistance should be considered, either through a market based energy trading scheme; or through an alternative to the clean energy finance corporation or a direct action model.

Issue 7: Reducing ineffective regulations

The company applauds the government's commitment to red tape reduction and encourages that this process continue. The following examples have been identified by the company, but are in no way an exhaustive list.

Surveys

The company is required to complete surveys from multiple government departments such as ABS, AWBC and ABARES. The company has completed at least 20 ABS surveys over the past three years on six distinct topics. Whilst the information is generally easy to gather (albeit time consuming), there is an element of duplication between the various surveys gathered. It is recommended that

the government expand the role of the ABS to manage the survey gathering requirements of all departments. The reason for this is to eliminate duplication from a stake holder point of view, and to put the red tape burden back to the public service.

Heavy vehicle driver fatigue laws

Whilst the company recognises the need to combat heavy vehicle driver fatigue, the current laws which put responsibility onto the consigner are not an effective measure and an alternative strategy should be considered.

Personal Properties Securities Register

The company recommends that the PPSA be repealed as a matter of priority. Although the intent of the legislation had some merit, the practice is unworkable for the following reasons:

- The PPSA requires that in order for Romalpa clauses to have any effect, they need to be registered on the PPSR. In effect this means that no retention of ownership is enforceable unless registered. The result of this is that the majority of agricultural sales are unprotected, because who is going to enter every single transaction on a register?
- Goods need to be registered on the PPSR even when title never passes, for example wool in store. The title remains with the producer right up until it is sold; it never passes to the store. Is every delivery to a wool store; a stock yard; or a contract wine storage facility going to be registered?
- Even if a producer wishes to comply and register every single sale transaction on the register, it has been noted (Lawson, 2014) that an entry on the registration will be ineffective unless the correct information is presented and that legal advice should be sought.
- Finally, there is anecdotal examples of purchasers who have threatened to not purchase goods if the vendor wants to put an entry onto the PPSR.

The evidence is that the legislation now offers less protection than under common law protections and it should be repealed as soon as practicable.

WHS laws

The company recognises the need for an effective and robust workplace health and safety programme. The concern that the company has is that because of the culture of blame and litigation surrounding WHS, there is no willingness for collaboration amongst manufacturers, industries and producers to formulate WHS policies and procedures, lest the burden of blame falls to them. This has resulted in thousands of end users 'reinventing the wheel' and developing policies and procedures individually. In order to maintain the improvements in safety culture, but decrease the red tape burden it is suggested:

- That the government produce an OHS style guide and model policies and procedures so that (a) businesses can use this as a base resource to adapt where necessary; and (b) to define a default style that employees can know, read and understand, even when they transfer employment;
- Those manufacturers of equipment be required to produce clear, concise and easy to read model risk assessments and safe operating procedures as a base document that can be adapted by businesses depending on their circumstances.
- That funding be provided to industry groups to produce model policies, procedures, risk assessments and safe operating procedures for the general tasks required for that industry.

It is also recommended that as part of this process a 'Job dictionary' be produced for each industry in order to assist with workers compensation requirements.

It is particularly important that policies and procedures achieve maximum 'bang for buck' in that the more legalistic that they are, the longer they will become and the less understood they will be.

Anti-dumping

Anti-dumping legislation has been raised by the company as an effective piece of legislation, but one that could be refined to ensure that dumping decisions and enforceable undertakings are more expedient.

Issue 8: Enhancing agricultural exports

Free trade agreements

As Australia is primarily an exporter of food and fibre, the company applauds successive federal governments' attention to the develop free trade agreements and we encourage the continued negotiations for future FTAs with the following qualifications:

- Biosecurity considerations are paramount and are more important to the industry than free trade. Refer below.
- It is good governance to ensure that FTA negotiations are as open and transparent as possible and that all stakeholders are aware of the effect of an FTA on their industry. It is concerning that the current negotiations on the Trans Pacific Partnership appear to be secretive.
- Some agricultural industries are more trade exposed than others, for example sugar. Given that tariffs are de-facto industry assistance, the relevant industries should be consulted to determine the way forward for the industry prior to tariff protection being removed.

Biosecurity

Australia has a clean and green image for producing good quality food and fibre produce. This is no accident – Australia's biosecurity and quarantine programmes are some of the most effective and rigid in the world. This is an example of good government regulation. Biosecurity has to be a government responsibility and a government priority – it cannot be a producer's responsibility, because lax biosecurity affects communities, not individuals, for example: fruit fly outbreaks and inadequate dog fence protection.

Opportunities need to be explored to expand processing of feral populations as an alternative source of income and as a biosecurity measure e.g. camels, deer, goats; and research needs to be continued to eradicate invasive species such as rabbits, foxes, toads and weeds.

Exchange rate

It is generally accepted that a falling Australian currency will assist Australian agriculture to compete in the world more effectively. Whilst this is certainly the case with value added products such as wine and canned goods; and even with certain horticultural products such as citrus; evidence shows that for soft commodities in general there is little or no correlation between price received and the exchange rate (Woods, 2010). The prices received are more a function of global supplies as a result of seasonal conditions; and global purchasing power for discretionary products. This has been mentioned to warn that the exchange rate is not an industry wide 'silver bullet' and a falling exchange rate will put pressure on farm inputs without necessarily having any effect on output prices.

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