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RDA WHEATBELT SUBMISSION TO THE AGRICULTURAL COMPETITIVENESS ISSUES PAPER

Regional Development Australia (RDA) is a national initiative which seeks to grow and strengthen the regions of Australia.

Made up of 55 committees, the network of RDA committees covers metropolitan, rural and remote regions across the country. RDA committees are strong advocates for their region and drivers of change and, as such, have a pivotal role in ensuring the long-term sustainability of regional Australia. RDA committees focus on the economic and social issues of importance to communities in their region.

RDA Wheatbelt is an incorporated not-for-profit community-based organisation and is one of the 55 committees that make up the national network of Regional Development Australia. Representing the interests of the Wheatbelt region of Western Australia, RDA Wheatbelt engages with 43 Local Government Authorities and other stakeholders across a geographical area of 154,862 square kilometres, extending out to the north, east and south east of the Perth metropolitan area.

This submission is made on behalf of RDA Wheatbelt and provides responses to several of the questions raised throughout the issues paper.

Importance of the Agriculture Sector to the Wheatbelt

Australian Bureau of Statistics (ABS) census data from 2011 indicates that around 59,300 people were employed in the Wheatbelt region. The Wheatbelt accounts for 5 per cent of total employment in Western Australia and 46 per cent of all people employed in the Western Australia agriculture, forestry and fishing sector.

The agriculture, forestry and fishing sector (12,024 people) was the largest sector in terms of employment in the Wheatbelt which represented 20 per cent of the region's workforce. Of this 91 per cent worked in agriculture, 6 per cent worked in support services for the agriculture, forestry and fishing sector, 1 per cent were employed in aquaculture and 1 per cent worked in fishing, hunting and trapping. In addition, an estimated 1014 people were employed in food product manufacturing (included in manufacturing sector employment figures).



Consistent with national trends showing a reduction in the number of people who work in agriculture, the Wheatbelt has witnessed a significant decline in employment figures in this sector since the 2006 census, dropping from 33.3 per cent.

In 2010–11 the gross value of agricultural production (GVAP) in the Wheatbelt region was \$2.7 billion, which was 50 per cent of the total gross value of agricultural production in Western Australia (\$5.4 billion) for 2010–11.

The Wheatbelt region has a diverse and important agricultural sector. In 2010–11, this region accounted for the total value of Western Australian asparagus and passionfruit production, approximately 93 per cent of oat production, 89 per cent of olive production, and 74 per cent of vegetables grown for seed.

The most important commodity in the region, based on the value of agricultural output, was wheat. In 2010–11, wheat contributed 31 per cent (\$846 million) to the total GVAP in the Wheatbelt region. Wool, and sheep and lambs, each accounted for 16 per cent (\$444 million and \$423 million, respectively) of the total gross agricultural production. Canola (\$220 million) and barley (\$206 million) each contributed approximately 8 per cent to the gross agricultural production of the region.

ABS data indicates that in 2010–11 there were 6,474 farms in the Wheatbelt region with an estimated value of agricultural operations of more than \$5,000 (Trestrail, Martin, Corrie & Frakes, 2013¹). The region contains 52 per cent of all farm businesses in Western Australia. Mixed grains and livestock (2129 farms) were the most common, accounting for 33 per cent of all farms in the Wheatbelt region, and 85 per cent of all mixed grains and livestock farms in Western Australia.

ISSUE 1: Ensuring Food security in Australia and Globally

What opportunities exist to expand agricultural production in Australia and how can we take advantage of them?

The Wheatbelt is an already well-established agriculture region and has the potential to grow existing production and diversify in to new markets to meet the changing and rising demand for food, which is projected to increase by around 75 per cent in the first half of this century (ABARES, 2013²). The availability of land (including serviced industrial lots) coupled with the region's proximity to major ports at Kwinana and Albany and connectedness via major transport corridors to the east and north, also puts the Wheatbelt in an ideal position for the establishment of food processing and packaging, which are currently quite limited in the region.

For the potential of regions such as the Wheatbelt to be realised, analysis is required to match land type, availability, logistical advantages, etc. with suitable food production and manufacturing activities. Having an accessible electronic database with this information would be hugely valuable for new investors and for existing agricultural producers looking to diversify or value add to their current production. This information would also help to ensure that new developments or expansions are consistent with a regions assets and therefore that they are more likely to be both profitable and sustainable.

¹ Trestrail C, Martin P, New R, Corrie K, Frakes I, 2013, *Agriculture, Fisheries and Forestry in the Wheat Belt region of Western Australia 2013*, ABARES About my region 13.42, Canberra, March.

² ABARES 2013b, *What Asia wants: long term food consumption trends in Asia*, ABARES research report 13.12, Canberra, October.

Do farmers have access to timely, relevant and accurate information to fully inform production decisions to meet domestic and global food demands?

RDA Wheatbelt agrees with the sentiments expressed in the issues paper with regard to the need for accurate weather forecasting and intelligence about new market opportunities. The lack of appropriate and timely information hinders decision making and can result in suboptimal crop and other input choices being made. It is also not an environment conducive to diversification in to new agricultural production as farmers will continue to grow their staple crops with a guaranteed return on investment rather than risk branching out in to new products that they have no experience with and no certainty of their returns.

What opportunities exist for exporting Australian agricultural technology, marketing skills and expertise to improve global food security outcomes?

Australian farmers, including those in the Wheatbelt region of WA, are some of the best dry land farmers in the world and this is not only a huge asset to our agricultural industry but also potentially a saleable asset as other parts of the world look to replicate the achievements of our farmers. To export this expertise there are a number of possibilities. The Australian Government could facilitate (and potentially part fund) joint research and development projects with international counterparts. Financial support for academics, researchers and potentially even high performing agricultural producers could be provided to enable presentations at international conferences, seminars and events. A field study tour of Australia's agriculture industry is another option to demonstrate Australian farming practices first hand. Something similar to this has been facilitated by the WA State Government and Chinese Consul General's office, through a China Agribusiness Conference, however the focus of this event was on investment opportunities as opposed to demonstrating skills and expertise.

ISSUE 2: Farmer decisions for improving farm gate returns

What are the drivers and constraints to farmers adopting alternative business structures, innovations or practices that will assist them in improving farm-gate returns?

Possibly the biggest constraint to farmers adopting innovations or practices that will assist them in improving farm-gate returns is a lack of capital and/or expertise to invest in new or alternative practices. There are many farmers in our region that have investigated opportunities for diversification in to new agricultural production and complimentary activities such as bio-fuel production, however they simply do not have the finances to invest in new infrastructure or to employ the expertise needed to enable their ventures to take-off. It is also important to remember that if farmers are not making money off what they are already doing they are likely to be risk adverse and not want to invest in anything new that they are not guaranteed of a return on.

What tools, skills and advice do farmers need to effectively adapt and respond to the risks they face?

RDA Wheatbelt agrees with the National Farmer's Federation (NFF), that it is important for farmers to have risk management tools to help them manage the variability in commodity prices, the Australian dollar and the terms of trade (NFF, 2013³). We also concur with findings of previous drought programs that we need to equip farmers with the tools and skills needed to tackle the challenges of farming.

³ National Farmers Federation 2013, *Blueprint for Australian Agriculture 2013-2020*, National Farmers Federation, Canberra, February.

RDA Wheatbelt believes that the recommendations in the “review of the pilot of drought reform measures in Western Australia” report (2011⁴) around the Strategic Farm Business Planning program, should be taken in to account when determining approaches to equipping farmers with the skills to manage risk and be more resilient to drought and market factors. Specifically:

- Recommendation 2.2: Strategic farm business planning programs supported by government should integrate all critical elements of operating a farm business, including financial planning, natural resource management, managing the impact of a changing climate, work-life balance, farm family wellbeing and succession planning.
- Recommendation 2.4: Government-supported training in strategic farm business planning should be continuously available to enable farm businesses to undertake such training when it best suits their circumstances.
- Recommendation 2.5: Any future government platform for the delivery of training in strategic farm business planning should encourage participation by women, recognising their role in facilitating important farm business changes.
- Recommendation 2.6: Any future strategic farm business planning program should include follow up incentives to encourage participants to update and implement their strategic plan over the longer-term and to foster a culture of continuous learning.
- Recommendation 2.8: Training in strategic farm business planning should be offered in a way that takes account of the variation in participant skills and knowledge, with different streams for participants with entry level and more advanced skills.

Above all, the Government needs to ensure that whatever assistance it provides is not overburdened by paperwork and red tape. Based on RDA Wheatbelt’s own survey of perceptions of the pilot of drought reform measures from within the Wheatbelt, we are aware that the biggest deterrent for people accessing services and support is the workload it creates for them.

During drought what measures are most effective in supporting long term resilience?

RDA Wheatbelt asked this question of a Wheatbelt farmer and his simple response was “not having debt”. Those farmers that have minimal debt are able to endure tough times far better as they are not burdened by huge interest bills that engulf what little profits are made. Whilst lending is not as easy as it once was, many farm businesses have borrowed beyond their means and are now in a position where they have little farm equity and persistent drought continues to eat away at what little equity they have left.

ISSUE 3: Enhancing access to finance

How do we better attract private capital into farm investment?

Greater private sector investment in agriculture is likely to be driven by market demand for food, which will see prices rise and returns on investment improved. Investment will likely come from those who are demanding the food, primarily global consumers in Asia. The form that this investment takes needs to balance profitability with social responsibility. Corporate owned farms tend to absorb multiple smaller family farms in to a single operation, which often results in families leaving the area in search of a new life. This can be detrimental to small communities who struggle to keep schools and town amenities viable and the loss of even one family can have a substantial

⁴ Keogh, M., Granger, R. and Middleton, S. 2011, *Drought Pilot Review Panel: a review of the pilot of drought reform measures in Western Australia*, Canberra, September.

impact. Whilst private investment should not be discouraged, in the case of corporate ownership, conditions should be imposed requiring a certain level of local employment and investment back in to local communities.

What alternative business structures could be developed for farming that also retain ownership with farm families?

The idea of a “take-off” agreement, in which private entities invest in farm processing or logistical infrastructure in return for outputs, has real merit and will likely allay community concerns about the sale of agricultural land to big corporate and foreign investors. If these agreements had a buy-out clause which allowed the business owner to eventually pay out the investor and wholly own the infrastructure once it is fully functional and profitable, this could be quite an appealing option for agricultural producers.

What examples are there of innovative financing models that could be used across the industry?

Farmer cooperatives have been effectively run for many years but have largely focussed on agricultural services or marketing rather than production. Production cooperatives involve the holdings of several farmers being run as a joint entity. A model like this has potential benefits of improved access to credit, insurance, technology and labour. Agricultural production cooperatives are also more likely to capitalize on new marketplace opportunities, including value-added processing as the lending capacity is generally greater and the risks are dispersed.

ISSUE 4: Increasing the competitiveness of the agriculture sector and its value chain

Which examples of overseas approaches to improving agricultural competitiveness have relevance for Australia?

In Switzerland the role of agriculture is enshrined in the country’s constitution. The Swiss Government pays around \$2.5billion in direct payments or subsidies every year to maintain its agricultural industry. These payments allow the Government to selectively promote sectors of farming that work in line with their agricultural policy. The attribution of farm subsidies is also linked with the strict observance of good environmental practice.

As outlined in the issues paper, the Organisation for Economic Cooperation and Development rates Australia as one of the lowest subsidizers of agriculture with an estimated producer support of 3 per cent in 2012. This compares to 57 per cent in Switzerland, which is admittedly much higher than the average level of subsidization when compared to most other developed countries. Whilst RDA Wheatbelt is not suggesting that the Australian Government increase its producer support to such levels, there may be some lessons that can be learnt from this country with regard to the subsidies having direct linkages to environmental regulations and the Government having greater control over production to meet domestic supply needs and international opportunity.

ISSUE 5: Enhancing Agriculture’s Contribution to Regional Communities

How can the agriculture sector best contribute to growth in jobs and boost investment in regional communities, including indigenous communities?

It is acknowledged in the issues paper that the agriculture sector is an important source of jobs in rural and regional communities. The Wheatbelt is a prime example of this with 20% of the workforce employed in this sector. Food processing/packaging is not common in the region and so is not a big employer at present, however given the availability of land and logistical advantages of the region it would be an ideal location to establish food processing businesses. This would substantially contribute to growth in jobs in the region and provide more

diverse employment opportunities. The mapping tool mentioned previously (refer to comments under Issue 1) would help to identify development opportunities for businesses in the food packaging/processing sector to establish in the region and in doing so boost employment and investment in the region.

Growing native plants for food is an opportunity for Indigenous communities. We have an example of a work for the dole initiative that is being led by RDA Wheatbelt in the community of Northam, which involves growing native foods. Once the garden is established the aim is to have a local Indigenous group in this community take ownership and use this as a business venture selling native food and possibly even having a tourism component where visitors can come to learn about the foods and why they are important to local Indigenous people.

What impact does the growth of populations in regional centres and the decline in more rural or remote townships have on farming businesses and the agriculture sector?

Population growth in regional centres and a resultant decline in more rural/remote communities leads to a deterioration of services and amenities for the communities being vacated. This has flow on effects as when community's loose essential services like schools for example, families are faced with the challenge of providing a quality education for their children and have to weigh this up against the benefits of staying in farming and in the community they have lived. What we often see in the Wheatbelt, is the wife and children will move to Perth or a larger regional town to live and commute back to the farm on weekends and/or holidays. Understandably this is not a sustainable arrangement and the result is often a breakdown of the family. Not only is it difficult to retain our population in the face of declining services in smaller rural communities, attracting people is also increasingly difficult as people want access to a basic level of amenity and many smaller communities cannot provide this.

How do we attract the next generation of farmers?

Traditionally farming has been a generational business where the son or daughter takes over from their parents who had taken over from their parents and so on. Anecdotally we know this is not the case anymore as many farmers are discouraging their children from returning to the farm because of the difficulties facing the industry and the unviability of small farm businesses. Now more than ever it is important that we look at ways of attracting new people to the industry.

There are numerous programs/initiatives that have been trialled internationally that could be replicated in Australia. A good example is the Farm Start Initiative (<http://www.farmstart.ca/about-us/>) out of Guelph Ontario, which started due to the recognition that farming communities were ageing and structural, economic and practical challenges were preventing new and young farmers from getting in to the sector. Farm Start aims to provide practical support, sector leadership and a voice for a new generation of farmers and works primarily with young people from non-farm backgrounds and second career farmers.

Another example that could be adapted to attract the next generation of farmers is the Food Works program (<http://www.jyp.org/programs/VillageGardens>). Food Works is a dynamic youth development and employment program engaging youth between the ages of 14 and 21 living in North Portland low-income neighbourhoods to operate a 3 acre, certified organic, entrepreneurial farm on Sauvie Island. Through this program youth develop skills in sustainable agriculture and land management by being engaged in all aspects of planning, planting, harvesting and caring for an organic vegetable farm. They also build skills in marketing, retail and customer service by selling their produce at local farmers markets. This program has not only introduced agriculture to these young

people but has also had a profound impact on their lives through improved educational and social outcomes and opportunities.

RDA Wheatbelt would be particularly interested in trialling an initiative such as the food works program. RDA Wheatbelt is the provider of the Youth Connections program for the Wheatbelt region and through this program, works one on one with between 145 and 185 young people who are disengaged from education and not in paid employment. If the program was successful it would work towards resolving issues around youth unemployment as well as attracting the next generation of farm workers.

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

RDA Wheatbelt agrees with the comments made in this section of the issues paper that the increasing use of agricultural products for biofuels presents an opportunity for farmers to contribute to global fuel supplies. At present a significant barrier to enabling this is the cost of establishing the infrastructure to enable biofuel production. The Government needs to provide greater incentives for innovation and diversification of farm production to make opportunities like this viable for more farmers.

The comment around modern communication technologies having the potential to overcome many of the locational disadvantages faced by farm businesses is only valid if the infrastructure exists. Whilst this is outside the scope of the Issues Paper, it is important to remember that many rural areas are disadvantaged in terms of their connectedness to mobile communications and broadband services. In the Wheatbelt there are still a large number of black spots, where mobile reception is not available at all. Slow internet speeds are also a common complaint across the region with a large percentage of the rural/remote communities relying solely on satellite services. Other Australian Government programmes addressing these issues (e.g. NBN roll out and Mobile Communications Programme) need to ensure that rural/regional areas do not miss out on the much needed infrastructure investment.

How can we promote career pathways for the agriculture sector, including models to enable younger farm workers to gain broader industry experience?

Better promotion of agricultural employment pathways is needed in schools alongside a general education and awareness program about what agriculture is really like and what opportunities it presents to young people looking for a diverse and rewarding career. An example of an initiative along these lines is the Farm to School program (<http://www.wafarmtoschool.org/Page/3/wsda-farm-to-school>) of the Washington State Department of Agriculture, which aims to support expanding economic opportunities for farmers and educating students about the connections between foods, farming, health and the environment. Amongst the programs they have delivered are a “taste Washington day”, which involved schools serving a locally-sourced meal and providing education and activities to celebrate the farms that feed them, and mobile workshops introducing farms and schools to allow them to see each other in action and learn about the realities of operations on farms. This particular program had an emphasis on healthy eating but this concept could be adapted to focus on awareness and education around farming and the sectors career prospects for young people. This would be particularly relevant to urban schools, who may have had little to no exposure to the agriculture industry.

Agrifood Skills Australia have trialled an innovative cross-sector training model that has proven successful in enabling farmers to gain experience in a range of industries and in the process gain qualifications that can be beneficial both on-farm and off-farm. The program was called “Make it Work” and it was trialled in Narrabri NSW in 2009 (<http://www.agrifoodregional.net.au/loddon-mallee/about/agrifood-nri>). A review of this initiative

identified two quantifiable impacts, an improvement in the productivity of the Narrabri labour force of as much as 3.2 per cent per year, and a 33 per cent reduction in net migration of workers in the target labour market. Expansion of this program in to other agricultural regions would be hugely beneficial and here in the Wheatbelt we have actively been pursuing this possibility but without adequate funding it will not be possible.

ISSUE 7: Reducing ineffective regulations

RDA Wheatbelt agrees with the Government's aim to reduce the burden of ineffective and inefficient regulation. In speaking with a local Wheatbelt farmer, RDA Wheatbelt has identified that two areas of particular concern in this area are transport and chemical regulations. The particular issue around chemical storage regulations was raised and the concern was not so much around the requirements but the cost of setting up safe storage facilities. The farmer agreed that safe storage of chemicals is vitally important but many farmers do not meet the requirements because they cannot afford to spend the money on the infrastructure that they would need to meet the regulations.

ISSUE 8: Enhancing Agricultural Exports

How can industries and government respond to the key challenges and opportunities to increase or enhance exports?

RDA Wheatbelt began discussions with the Chinese Consul General in Western Australia around the concept of a "sister-region" for the Wheatbelt. The idea came about after a visit to the region from the Consul General, where several opportunities for mutually beneficial investment were discussed. Amongst these opportunities was a discussion around allowing Chinese workers to take up seasonal employment in the Agricultural industry within the Wheatbelt to assist with our labour shortages and to provide a learning opportunity for the Chinese workers. Fostering a strong friendship with a sister region would allow for such opportunities to be explored further, but more importantly it would enable a clear line of communication between our region and global customers about new market and production opportunities.

ISSUE 9: Assessing the effectiveness of incentives for investment and job creation

How well is the current set of government programmes and incentives meeting their objectives?

In 2010 RDA Wheatbelt conducted a regional survey to find out how much people in the Wheatbelt knew about the Pilot of Drought Reform Measures and to ask their opinions on how effective the program was. What we found was that the majority of people surveyed (71%) had never heard about the program prior to it being mentioned in the context of this survey. Of those who had heard about the program and accessed some of the services, the main comments we heard were around the uncertainty in eligibility and the paperwork overburden that put people off accessing any of the services.

A lesson from this is that no matter what program or incentives the Government has in place, it is essential that information is disseminated through the right channels, to the right people otherwise those that most need help will not access it. The other aspect of this feedback that is important to note is that the paperwork and red tape need to be reduced to facilitate rather than inhibit people accessing these programs/initiatives.