

**SUBMISSION ON WHITE PAPER ON RURAL COMPETITIVENESS 2014****ISSUES:****1. Ensuring food security in Australia and globally.**

To ensure Australia's Food security first and foremost, should be the main priority of Australia's future Agricultural Policy. This security is paramount in a strategic sense. Economics is a secondary consideration. A nation that cannot feed itself is at peril of its very existence and is under external threat from any nation(s) who may wish to withdraw food either directly or via a blockade from the nation.

To establish a secure food supply then all sources of food must be guaranteed, not just grain, protein (meat), milk etc but horticultural produce, of all types necessary for a healthy balanced diet must be secured.

Once Australia's food is secured, thought should be turned to exporting excess produce to assist in the rest of the world's food requirements. It is obvious that Australia has a major supply role in the areas of grain and meat, as well as dairy and sugar although Australia has potential to export some horticultural produce such as citrus, summer fruit and some vegetable lines.

International Trade in Australia's surplus food production is vital in an economic sense but as previously stated, this trade should only occur after Australia's need are satisfied.

Australia's varied geography, its natural resources, if used wisely and efficiently could provide Australia with a total and varied menu of food that most other countries cannot fulfil. We have a unique advantage in this respect. This means that all forms of Agriculture should be promoted in many suitable regions. Concentration of mono crops in single areas should be avoided, being vulnerable to natural disasters (eg. Bananas in Tully adversely affected by cyclones) - caused a severe shortage in Australia's supply.

Diversification of cropping in multiple areas should be encouraged. Variety in scale and enterprise types should be facilitated; from corporate large scale to small/medium family farms. The small/medium scale provides the diversity and security required. Especially, if they are encouraged to locate in the many suitable regions of the country.

Small and diverse farms are less prone to decimation by disease, pest incursion and natural disasters than large monocultures. They are protected by their diversity of crop, the 'hands on' nature of their management, their presence on the farm 24/7 and the dedication of their management and labour (family) team.

**2. Farmer decisions for improving farm gate returns.**

Managing risks and improving farm gate returns should be a top priority in this White Paper. A sustainable agriculture industry can only survive if it is profitable in the medium to long term. Short periods (1 -2 seasons) of negative returns are bearable if, over the medium term (7-10 years) adequate profits are realised, more often than not.

To this end Australia's government must face a few facts that impact directly on Australian agricultures competitive ability when gauged against other significant agricultural producing nations:

- Australia is a high input cost country
- Australia's wage rate for rural workers is the highest in the OECD
- Australia's artificially high value currency is a serious negative when compared to our competitors
- Australia is 'over regulated' when compared with overseas agriculture
- Australia is 'too timid' when negotiating with overseas nations
- Australia is too eager to accept WTO rules when determining its agricultural policies and has a misguided view as to what consequences would be if some of these rule were not followed
- Australia relies too promotes and relies too heavily on overseas capital without utilising the domestic capital available (i.e. Superannuation, Domestic savings deposits and other minority investment opportunities)

### **All Risks Subsidised Insurance Scheme**

The Australian Government, through the White Paper needs to investigate the implementation of an all risks subsidised insurance scheme similar to that which is in place in the U.S.A. This would allow certainty in maintaining farm gate returns in times of drought, natural disaster or even market failure due to factors outside the control of the farmer. It would ensure **productivity growth** and **manage the risks** of operating agricultural enterprises.

Farmers would choose to either opt in or out of the scheme. Premiums would be calculated based on the actuarial risks associated with the enterprise being insured. Agriculture in high risk or marginal areas would attract higher premiums than in safer areas. Farmers who had mitigated some risks through on farm infrastructure would have lower premiums than those who had not. **Top performing farms** would also attract lower premiums, thereby rewarding excellence in **scale and diversity, marketing, productivity growth and risk management**. The premiums would be subsidised by Government to the extent of 75%, with the farmer carrying the balance.

This type of scheme is in place in the USA and is allowable under the WTO rules. The USA has expanded coverage this year with the implementation of the 2014 US Farm Bill.

There would be no need for any other form of **Drought relief**, or **natural disaster** funding relieving the Federal Budget in these regards. Losses due to pest or disease incursions would be covered.

As in the USA, a floor price for each insured commodity would be established, ensuring that farmers would at least, cover their costs of production in the event of a fall in the market price for their commodity. Quality standards would need to be set, assessed, and once met, the crop would be eligible for cover.

### 3. Enhancing access to finance.

No submission on finance. Excessive debt should be discouraged.

#### **4. Increasing the competitiveness of the agricultural sector and its value chains.**

The White Paper should explore ways to limit the abuse of market power exhibited by the Supermarket duopoly and thus foster competition. This unhealthy economic imbalance limits the ability of the market to determine the optimum price that farmers receive for their produce. As a result the share of the final retail dollar is tilted towards the duopoly simply because it is the duopoly that determines both the wholesale price and the retail price. They receive the majority without taking on much, if any, of the risk.

The laws relating to competition and trade practices need immediate and complete overhaul. Laws relating to the abuse of market power, misleading and deceptive conduct and geographic price discrimination, to name a few, must be enacted. But, more importantly, they must be fearlessly enforced.

The ACCC needs to have the power to prevent abuses in the market, or it needs to be replaced by a structure with the will to implement the law fearlessly and without bias. Currently the ACCC and ASIC are seen to be unwilling to prosecute infractions, either because, as they say, the laws are ineffectual, or the perception is that, the 'big end of town' exerts too much influence over their activity and has the political influence to limit their activities.

#### **5. Enhancing agriculture's contribution to regional communities**

This section is self evident. Without agriculture there would be no regional communities.

#### **6. Improving the competitiveness of inputs to the supply chain**

At present the price of inputs, as stated above, compared to the rest of the world, is limiting Australian agricultures ability to be competitive. The excessive rises in the cost of energy, fuel and electricity must be curbed, unless these rises can be factored into annual rises in the returns being received by farmers.

Collective bargaining in order that industries may hope to have some say in, not only the price they receive, but also have some power in negotiating the cost of inputs into their businesses, must not only be introduced. It should be fostered, promoted and facilitated.

At present, agriculture is a 'price taker' and cannot influence the sale price of its produce. It is only with the concurrence of the duopoly domestically, or shortage internationally, that prices are lifted.

Placing a 'floor' in the market, as described under the Insurance section of this submission, would be a way of ensuring farmers were able to at least recoup increases in cost.

Labour cost, quality and supply are further limiting factors. As previously stated Australia pays the highest wage of any OECD country for its farm workers. The desire of Australian workers generally to work in agriculture and their willingness to excel at their work is another limiting factor.

Short of lowering wages to the levels paid in the USA; or allowing visiting farm workers from overseas to work for comparable wages to their home country, or the USA. The only way I can see out of this dilemma, is again, to allow farmers to obtain a price for their produce that covers **all input costs by legislating a floor price** for each commodity based on the cost structure.

#### 7. Reducing ineffective regulations

Self explanatory. Ineffective regulations such as the farcical Country of Origin Labelling laws that allow for misleading and deceptive duping of consumers, should be repealed and replaced with proper truth in labelling laws.

Environmental laws that push the cost of 'public goods' onto private landowners, without adequate and just compensation, are anathema in a 'free' society. 'Public good' that limits the ability of a farmer to earn an income from his land, must be funded by the government on behalf of the 'public'.

#### 8. Enhancing agricultural exports

As stated earlier, where Australia produces products, then those products sought to be imported from another country that has an 'unfair' advantage, not efficiencies, should be either excluded or, at least, 'levelled' by import tariff, to remove the bias provided by the unfair advantage. Most other countries in the world do this – whether it is allowed by the WTO or not, to protect their sector. An example of just this was announced today when the "Free" Trade Agreement with Japan was announced: see the tariff on rice into Japan and the 'reduction' of the tariff on beef.

Australia must realise that the world will still buy our minerals and food; items which they must have, even if we protect our strategically important industries such as agriculture. Our negotiators must be supported by our weak politicians and they will see that this will occur. In fact, I think they will respect us more than they do now.

Biosecurity, used fairly and with scientific rigour must be maintained, at all costs. Used as a trade weapon; it must be challenged with the full might at our disposal.

Costs associated with export of agricultural produce should be lowered, not raised. The practice of 'user pays' or full cost recovery that AQIS, and other government agencies have recently implemented are counterproductive in encouraging exports. It belies the fact that such agencies are funded by taxes, paid by all taxpayers. The agencies need to look inward and then trim inefficient practices and staff, curb demands for excessively generous conditions and become facilitators for exports- not impediments to it.

#### 9. Assessing the effectiveness of incentives for investment and job creation

No comment at this time as all efforts by recent governments have been totally ineffective.