



*Far North Coast Dairy Industry Group Inc.*

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Agricultural Competitiveness Taskforce  
Department of Prime Minister and Cabinet  
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This submission is written on behalf of DIG Far North Coast Dairy Industry Group Inc and represents 140 dairy farmers. We commend your government for recognising the importance of agriculture for future prosperity and initiating this review to ascertain how Agriculture can compete for future growth in an increasingly competitive marketplace. Agriculture is challenged by global competition and the focus of government to underpin agribusiness to benefit from the emerging markets and increasing demand for Australian healthy food. Our reputation for clean green agricultural produce has to be protected and enhanced. It is essential that this review mandates and invigorates agricultural competition with a vision for their future prosperity.

### **FOOD SECURITY**

We concede that to stimulate Australian Agriculture we need investment, for too long now our agriculture sector has been deprived of competition for our produce, which has not allowed our farmers to prosper and return investment back to the agriculture sector.

Because Australian farmers have typically been afforded little public assistance compared to farmers in other countries of the world they have had to maximise operating efficiencies to remain competitive.

Farmers **do not** want handouts they just want a fair price for their labour and capital investment in their businesses. Input costs have skyrocketed in the past few years diminishing already slim margins to only cost recovery in a lot of instances.

- Cost of Production

The majority of farmers in Northern NSW and Queensland are struggling to cover the increasing costs of production. We totally refute that we need to be more efficient and that is the reason we are not profitable. The Australian farming sector is renowned for efficiency, it is the burden of operating costs that are out of farmers control that is ruining our industry. From labour costs that are the highest in the world to energy costs that are increasing monthly and any services to our industry constantly rising well beyond the normal.

Climatic conditions have seen grain prices skyrocket and with slim margins over the past five years these extra costs cannot be absorbed.

**What is needed:**

1. Incentive programs for renewable energy to reduce energy costs for the agribusiness and processing sectors.
2. Look at innovative ways to counteract labour costs to bring them in line with the rest of the world.
3. Water is critical for future growth, regions need flexibility and every region is unique not one rule suits all. Allow farmers the tools without the impost of impossible regulations to say store water at times of high flow events to retain when conditions deteriorate at rates that are affordable.
4. Increase the Harvestable water rights of farmers to allow for climate change events.
5. Re-assess the community contribution to water costs, irrigators are slammed for all costs associated with government services and costs for water systems.
6. Change Planning Laws to allow farmers to aggregate farms- current regulations do not allow a landowner to purchase the neighbouring farm and sell the house and 5 acres to make the investment affordable. What has occurred to date is city dwellers have purchased farms currently 100 acres minimum without the knowledge or desire to retain the farm as a viable entity. Frequently these farms become a haven for pests and vermin and commonly allow weeds to become a re-occurring problem for all neighbours.

**IMPROVING FARM GATE RETURNS**

▪ Supply and Demand

Government must balance regulation and return profitability to the farming sector, consumers and government are benefiting from the few large retailers driving down the cost of food but this is ultimately driving farmers out of the industry. If government does not act immediately we will be at the mercy of imported food and gone are the strict quality control that Australian farmers must adhere to.

For too long now the farming community has been subsidising cheap food at their detriment and the long- term prosperity of the domestic Dairy industry in our country.

Government must look to the future and recognise if we are to invigorate the farming sector there must be competition. We must have a **Mandatory Code of Conduct for Supermarkets and Supermarket Ombudsman**, the voluntary code is clearly not working.

Consumers will be the losers in the very near future, the farming sector is shrinking, there is conclusive evidence now that many dairy farmers with million of dollars of capital investment are not profitable under the current climate.

The dairy industry in Northern New South Wales and South-East Queensland currently relies on the domestic price of milk. Under normal circumstances supply and demand works to provide a fair return and keep an even keel on pricing. This is clearly NOT working, millions of litres at huge costs to manufacturers is being trucked to Queensland to meet the shortfall in milk

production in that state and still the farmers are going out in Queensland because they are not covering costs. Retailers with their \$1 a litre milk have placed a ceiling on milk prices in this country that is distorting the true cost of this product and the proof of this is farmers exiting the industry.

**What is needed:**

1. Immediately implement a Mandatory Code of Conduct for Supermarkets and appoint a Supermarket Ombudsman.
2. An efficient Manufacturing sector that recognises increased returns to primary producers a must for a sustainable industry.
3. Recognition that supplying fresh milk 365 days of the year has a higher cost of production.
4. Farmers cannot continue to subsidise consumers with high quality product at a price below cost of production.
5. All levels of Government cannot continue to increase costs to the farming community that cannot be absorbed or passed on to consumers. Like rates, water costs, regulatory costs, energy tariffs, fuel etc

**ACCESS TO FINANCE**

Efficient investment capital is required if future efficiencies to revitalise industry supply chains and allow farmers to benefit the opportunities from the Asian demand. Ready access to capital to enable agriculture to adopt new technologies and support competitiveness across the agribusiness sector is required.

Dairying is a vibrant industry with a promising future but unless investors/farmers can make a reasonable return on investment that will allow them to grow their business and remain innovative and efficient it will not be attractive.

Our farming community is ageing and investing in dairying is well beyond the reach of the younger generation. We must attract the next generation into agriculture for future food security but this will only happen if agribusiness has a fair return on investment and is attainable. A sustainable dairy industry will only be possible if the next generation has access to finance at attractive rates and repayment conditions to enable investment.

Sadly agriculture in our country does not have the domestic investment to keep ahead of competition and foreign investment is necessary now to stimulate the agriculture sector. Close monitoring of foreign investment needs to be adhered to with a dramatic reduction in the amount that must be declared. We propose a limit of \$5M and a strict register must be retained so that we can assess the level of foreign investment to date. Some industries of high importance to the future food security of our nation should only be allowed long-term leases and not ownership by foreign governments and companies.

### **What is needed:**

1. Attractive Finance packages for the next generation to start up new enterprises at low interest and repayments.
2. Reduce the limit on foreign investment notification and ascertain what level of foreign debt is currently observed.
3. Finance packages to engage private sector investment in supply chains.
4. Incentives for investment in Manufacturing and processing from Superannuation funds.
5. Taxation incentives to stimulate investment in on-farm productivity growth.

### **COMPETIVENESS THROUGH THE VALUE CHAIN**

There is a complete lack of competition presently and all farmers are price takers with the mechanism of supply and demand a fallacy.

Australian farmers cannot compete with imported food, which does not have to adhere to the strict quality controls that our farmers must abide by. Consumers are not made aware of the differences of nutritional value and absence of quality controls with the influx of cheap imports.

Lack of clear labelling is disadvantaging Australian farmers, as consumers are often unaware of country of origin.

Our farmers do not have a level playing field, they have all the regulatory obligations of strict environmental controls that are increasing exponentially.

Our community as a whole, demands Australian farmer's implement continued best practice without the recognition that the burden of cost is left with the agricultural sector to absorb.

We need a commitment to long-term unified industry strategy to infrastructure investment in food processing and manufacturing facilities. Which involves support from government, industry participants and private investment. Manufacturing needs the mechanism to attract investment and allow them to compete on the world market. Agribusiness must be allowed to compete and only efficient manufacturing will value add Australian products to gain a worthwhile return.

Domestic markets are continuingly controlled by a few large retailers that is stifling competition with smaller retailers being driven out of business. Government's inaction is allowing a lack of regulation on this sector at the detriment of agriculture and small business.

### **What is needed:**

1. **Mandatory Code of Conduct for Supermarkets and Supermarket Ombudsman.**
2. Clear labelling of all products with quick and easily recognised symbols.
3. Tax advantages for investment in agribusiness
4. Depreciation changes to stimulation investment
5. Attractive packages to gain investment in Agribusiness.

## **REGIONAL COMMUNITIES**

A thriving agricultural industry will revive regional Australia, for every dollar that a farmer earns it adds five times the value along the supply chain. Regional Infrastructure has been neglected for many years and lack of an efficient rail and road network is preventing many industries from being competitive.

Productivity gains are only possible if storage and transport issues are approached with an industry-wide focus, this should not be the sole responsibility of industry with government, domestic consumers and traders also benefiting.

Agriculture is a sustainable industry and will bring long-term gains for regional communities. But whilst government is focused on the short-term gains of the mining industry it neglects to recognise the detrimental effect on regional communities into the future.

### **What is needed:**

1. Co-investment in infrastructure for regional Australia
2. Protection for Prime Agriculture land
3. Place agriculture benefits and highlights above minority groups

## **INPUTS ALONG THE SUPPLY CHAIN**

With the high cost of labour, energy and inefficient infrastructure we must invest in sustained innovative marketing to continue to meet the needs of customers. The closing of petroleum refineries in Australia, how reliable will this resource be into the future?

### **What is needed**

1. Government needs to ensure a reliable supply of fuel is available to agriculture
2. Research into renewable energy the most efficient method
3. Ways to reduce labour costs
4. Efficient rail/road transport system

## **REDUCING INEFFICIENT REGULATION**

Government must stop the duplication of regulation from each tier of bureaucracy, farmers are mindful of environmental sustainability. Many farms have been in families

for generations and they have unique knowledge of how to manage their land and soil for the next generation to prosper.

Government needs to engage with key stakeholders to monitor and mitigate technologies to allay community concerns with environmental and ethical conduct of local businesses but to enable industry to get on with business.

**What is needed.**

1. Cut government duplication at Federal, State and Local levels.

**ENHANCING AGRICULTURAL EXPORTS**

The long-term objective of the Australian Food and Agriculture sector is to maximise the value that producers can extract from the goods we produce to the global market. Australian producers have a reputation for innovation and we must continue to research and develop new innovative ways to reignite farming systems to enhance productivity growth.

We must have an efficient manufacturing sector to compete with emerging competitors and to underpin the disparity of domestic cost disadvantages.

Agriculture has had a very effective research and extension funding model which involved funds from levies on production at the farm gate being matched \$ for \$ by the federal government. These funds were used to support research and innovations that were identified by the various industries as priorities. In this model, the infrastructure (research institutes) and support (staff) were provided by DPI in each state. Such a system recognised the importance of agriculture as an export earner and also the need to have an overall coordinating body to coordinate and fund research in relation to industry priorities. In other words the system accepted that individual farmers were too small to conduct their own research. Although the federal funding and farmer levies remain to support research, the infrastructure and staff previously provided by the states have been gradually whittled away to where, for dairying, there is little production research remaining.

Cutting research funding at the state level is attractive in the short term as it has little immediate impact but as input into research declines, and our competitors invest more into research (which is the case) we are using our 'intellectual' reserves with dire consequences for the future. Without research into innovative ways to increase competitiveness farming will continue to decline in profitability and as a result investment in agriculture will also decline, as has happened over the past decade or so.

Government needs to have close engagement with key stakeholder groups to monitor and mitigate new technologies so that Australian agriculture remains competitive.

### **What is needed:**

1. Negotiating FTA's and "most favoured nation" status for food and agricultural industries to ensure local suppliers are not disadvantaged over competitors.
2. Continue to support research and development so that agribusiness is competitive with the growing global competition.
3. Government needs to support local industries and foster trade relationships with foreign counterparts.
4. Support industries to understand market requirements and strategies to compete for export markets.
5. Remove barriers erected so those agricultural commodities can take advantage of trade advantages.

### **EFFECTIVENESS OF INCENTIVES FOR INVESTMENT AND JOB CREATION**

The future growth possibilities of Australian agriculture partly depend on support and recognition from government to set the tone for future growth potential. The degree of pace and the determination of success will be highlighted in the effectiveness of incentives to empower Agribusiness in Australia.

Only when domestic markets understand that sustainable product quality and the strict environmental controls that local markets provide and place a value in the minds of customers will true value be extracted.

We must have a competitive domestic manufacturing sector to provide continued growth opportunities for farmers in the future and to capture potential opportunities.

Future generations will be attracted to agriculture if they see a prosperous future with growing potential. Only then will agriculture be sustainable with food security for future domestic growth and the burgeoning population growth of the world.

### **What is needed**

1. Government support and acknowledgment that Agribusiness is extremely important for monetary security and Australia's future.
2. Investment in agriculture benefits regional areas and flows through to city partners.
3. We must stay competitive domestically to provide investment for future innovation.
4. Consumers must recognise quality cannot be compromised but must be acknowledged with a fair price.
5. Agricultural industry must have a fair return on investment to attract future generation into the industry.

We thank you for the opportunity to have input into this review. We are greatly encouraged with your acknowledgment of the importance of Agriculture to the Australian economy. We look forward to a brighter future with more co-operation and support from government.

If you would like any clarification on any of the issues raised in this paper we would be happy to discuss at any time.

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