

AUSTRALIAN GOVERNMENT

**AGRICULTURAL COMPETITIVENESS ISSUES PAPER –
SUBMISSION**

WEST WIMMERA SHIRE COUNCIL SUBMISSION

(17 APRIL 2014)

INTRODUCTION

The West Wimmera Shire Council (Council) seeks to respond to the Agricultural Competitiveness Issues Paper recently released by the Australian Government. Attached is the Council Submission to the Issues Paper.

The Agricultural Competitiveness Issues Paper, and its links to the Terms of Reference to the White Paper to be prepared on Australia's Agricultural Competitiveness, seeks to identify pathways and approaches for growing farm profitability and boosting agriculture's contribution to economic growth, trade, innovation and productivity.

The West Wimmera Shire is a municipality that covers approx 9100 sq km in rural Victoria and has a population of 4600. The Shire is a rural-based municipality and relies heavily on cropping and livestock grazing.

The Council submission will seek to focus on a number of areas detailed in the Issues Paper.

The primary focus will be on;

Issue 3 – Enhancing access to finance

Issue 5 – Enhancing agriculture's contribution to regional communities

Issue 7 – Reducing inefficient regulation

Issue 9 – Assessing the effectiveness of incentives for investment and job creation

Issue 3 – Enhancing access to finance

Council supports the need for farming and agricultural operations to have access to suitable forms of affordable finance in which to operate and grow agricultural production. Council recognises this finance will take various forms but must be flexible and geared appropriately to the agricultural sector.

One way of attracting capital finance to the sector will be to improve the overall profitability of the sector in comparison to alternative opportunities for investment. If the overall profitability of the sector can be enhanced and improved returns generated from the sector, there will be a swing in investment focus toward the agricultural sector. The agricultural sector competes with other sectors for capital and investment funds, and if a sector is seen as profitable and a viable sector for capital investment, increased funding will be attracted to agriculture.

Council recognises that institutional investment in Australian agriculture is lower than in other countries. This may be in part to better returns on investment being available in other sectors or there may be structural and perception barriers that are holding back agricultural investment by the capital markets. Modern and contemporary investment vehicles may be required to reduce these barriers and pave the way for increased capital investment in agriculture. If there are suitable investment models, demonstrated return on investment opportunities and structural factors that will facilitate further investment into the agricultural sector, Council sees no reason why the level of large institutional investment cannot be increased and targeted to the agricultural sector.

Council has experienced within the municipality large scale investment in agriculture including significant operators in the form of foreign ownership. Foreign capital being invested in Australia occurs for a number of reasons. If there are sufficient returns to be achieved compared to alternative investments, and the barriers to foreign landownership are low, foreign capital and investment will likely follow. There may be strategic other factors that drive foreign investment that have less to do with return on investment as securing supply chains and markets. Foreign agricultural investment can occur in Australia to support the supply of product to the country supplying the capital. It may not always have to do with return on investment.

One of the ironies in the foreign investment debate is that given the pace of change and the need for increased capital to develop Australian agriculture and drive innovation and increased production, there are few regulated impediments holding back local investment within the agricultural sector. Should barriers or foreign investment controls be established to regulate foreign investment if the capacity or interest by Australian capital markets does not recognise the opportunities? Are there risks in protecting our sovereign landownership around agricultural land ownership at the expense of freeing up the necessary levels of capital investment to drive Australian agriculture forward to satisfy our need to compete in world markets?

Council has mixed views around the issue of foreign agricultural investment in Australia. At the same time, there is strong support in the understanding and recognition of the need for sufficient capital investment in Agriculture in Australia if the country is to compete strongly in international markets. The issue centres on the form and origin of these capital investments.

One view expressed is the support for foreign capital investment that is not linked to foreign ownership in Australian agricultural land. Foreign capital investment would be welcomed in agriculture on the basis of agricultural land ownership remaining in Australian hands or there being sufficient land ownership controls established that would ensure limits were imposed on the levels of foreign agricultural land ownership in Australia.

An alternative view is that there should be few if any controls placed on the ownership of agricultural land to enable the capital markets to determine freely the level and form of capital investment in agriculture. On the basis of there being few regulated barriers to capital investment in agriculture in Australia and the critical need for the sector to attract increased levels of capital investment to enable the sector to remain sustainable and internationally competitive, that there should not be limits placed on agricultural land ownership.

Another view being expressed is that there should not be the level of focus there is currently on capital and that there is sufficient capacity within the country without having to resort to external or foreign capital inflows. This argument is premised on the need for improved terms of trade by Australian agricultural operators. If there is sufficient return on capital from a terms of trade perspective, the capital needs of Australian agricultural operations can be funded within the country with less reliance on overseas capital in various forms.

If there is to be ongoing foreign capital investment in the form of agricultural land ownership in foreign hands, there is strong support that this ownership be registered, transparent and subject to limits by regulation.

In relation to debt finance, appropriate levels and structures of debt finance is critical for the development of agriculture in Australia. Given the cyclical nature of the agriculture sector and the ever increasing need to develop and innovate, sustainable levels of debt and effective debt structures will be important for the future growth of the agricultural sector. Council has a strong preference to see agricultural land ownership remaining with family enterprises and that debt management and succession planning challenges be addressed to maximise this potential.

Issue 5 – Enhancing agricultures contribution to regional communities

Council is of the view that strong rural communities are essential for the long term viability of the agricultural sector.

The agricultural sector cannot operate in isolation and must be supported or underpinned by healthy and sustainable rural communities. Many rural communities are under immense stress given falling population and business rationalisation. Council argues the regional centres alone will not provide the foundations for longer term agricultural prosperity and sustainability. Council appreciates and recognises the move toward 'regionalisation' in many areas, but argues increased understanding and focus will be required to ensure sustainable smaller communities are maintained to support the regional centres.

Improved communications must be a priority to ensure a further decline does not occur in smaller rural areas. The retention of core / base services, including infrastructure, education and transport, coupled with improved communications capabilities, will see small sustainable communities supporting regional centres, with regional centres relieving the pressure on the larger populated capital cities. Unless a 'floor' is placed under the trend of population decline in small rural areas, irreparable damage will be done to the very fabric of rural living and agriculture itself.

The next generation of 'family based' farmers will need the support of viable rural communities.

Issue 7 – Reducing inefficient regulation

Excessive regulation has the impact of retarding all forms of business development, including the agricultural sector.

Council recognises that in any form of developed society, appropriate levels of regulation that is effective and efficient is integral to overcome the extremes of how we live, socialise and do business.

Excessive regulation can be as harmful as systemic failures as a direct result of failure to adequately regulate and structure our activities and ways we do business.

Council is not in a position to pass commentary on the areas of specific regulation and red tape that impact the agricultural sector.

At the same time, Council supports a thorough review and culling of all excessive regulations impacting business. Council also recognises that the removal of regulation comes with increased risks in other aspects of how we operate, a risk that communities must be prepared to bear as part of an innovative, growing and vibrant agricultural sector.

Issue 9 – Assessing the effectiveness of incentives for investment and job creation

The focus of Council in this area is on job creation and skills availability.

Concerns have been raised that existing working holiday – maker visas (417), temporary business visas (457) processes are too cumbersome and over regulated. Further, agricultural enterprise operators have to work through excessive red tape to engage the skills they are not in a position to source locally. Prospective agricultural sector employers are being asked to demonstrate labour market testing before they can recruit overseas skills, which is a resource burden on the sector.

Council supports skills attraction mechanisms that are efficient and effective to fill existing skills gaps and availability deficiencies in the local or regional workforce.

Council supports the use and benefits that flow from the use of the Overseas Skills Registry for Victorian employers. The registry has both benefits from an employers and employee perspective. The registry is effective in matching skills and background of employees with those in the agricultural sector seeking to recruit skills that are not available locally.

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