



**Submission to the Australian Government
Agricultural Competitiveness Issues White Paper**

By

The Australian Fodder Industry Association (AFIA)

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Australian Fodder Industry Association response to Australian Government Agricultural Competitiveness Issues White Paper

Thank you for the opportunity for the Australian Fodder Industry Association (AFIA) to provide a response to the Australian Government Agricultural Competitiveness Issues White Paper.

AFIA is the peak organisation representing the Australian fodder industry. AFIA is a not for profit member based organisation that covers the whole Australian fodder industry and has a strong focus on creating and delivering value to members and the wider industry. We represent the Australian Fodder Industry; farmers, contractors, transporters, fodder testing labs, researchers, domestic hay traders and exporters, and we are all committed to growing the Australian fodder industry together.

AFIA also has a strong focus on ensuring that the Research, Development and Extension needs of the fodder industry are met. To deliver this we work closely with the Rural Industries Research and Development Industry Corporation (RIRDC) which houses the fodder industry research and development program.

Based on very conservative figures the Australian fodder industry has an estimated value of over \$1.5 billion. This includes providing a large proportion of the diet of Australia's dairy herd, beef feedlots and an export industry that in the past 15 years has grown from around 100,000mt to 811,666 mt of fodder products exported in 2013. While the fodder industry may be small, it underpins many other Australian agricultural sectors, making it one of Australian agriculture's most important sectors. Accordingly AFIA has a strong focus on working in a collaborative manner given the synergies the fodder industry has with other sectors of Australian agriculture (i.e. dairy, beef and grains).

The ideas put forward by AFIA in this submission address a number of the highlighted issues as identified in the Agricultural Competitiveness Issues White Paper, in particular the following four issues;

- Issue 2 - Farmer decisions for improving farm gate returns**
- Issue 6 – Improving the competitiveness of inputs to the supply chain**
- Issue 7 – Reducing ineffective regulation**
- Issue 8 – Enhancing agricultural exports**

AFIA welcomes the opportunity for further direct consultation to expand on comments provided in this submission.

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Executive Summary

The fodder industry is a valuable yet often overlooked sector of Australian agriculture. Fodder production supports a number of key livestock sectors, a growing export industry, and delivers benefits to cropping enterprises. To ensure that it is able to maintain productivity gains and remain a competitive industry that farmers want to be involved in, government needs to ensure that all parties that benefit from the industry contribute towards its future success.

To continue to remain competitive and to add value to the Australian agricultural sector the fodder industry needs investment from government to ensure that;

- Farmers have access to new technologies and skills development
- We have good transport infrastructure
- Australia has access to worlds best practice agricultural chemicals
- Australian exporters have access to new and emerging markets

Government should also recognise the value of fodder production as a tool for safeguarding businesses against climate change and set appropriate incentives to encourage farmers to safeguard their businesses.

AFIA's response to the key issues raised in the Agricultural Competitiveness Issues White Paper

Issue 2 - Farmer decisions for improving farm gate returns

Fodder production is generally carried out as part of a whole farm system, supporting production of crops and livestock. The growth of intensive industries such as dairy, feedlots and other production systems has resulted in an increased reliance on feed being purchased off farm. This market shift has created an opportunity for hay growers and hay traders to grow or source hay that suits the demands of these industries. The emergence of vetch hay in Western Victoria as a break crop is a good example of this in practice. Demand for vetch hay from the dairy industry has made using vetch in cropping enterprises not only a profitable exercise, but also provided other agronomic benefits to the farming system such as disease and weed control.

The emergence of the export hay sector over the past 25 years, particularly in South Australia, Western Australia and Victoria, has created an opportunity for growers in these regions to become more specialised. These growers can now produce hay specifically to meet the demands of the export market. The result has been improved farm gate returns for growers, particularly growers in areas affected by frost or marginal rainfall where taking winter crops through to grain can be challenging. Adding hay to cropping rotations can also deliver substantial agronomic benefits in the management of resistant weeds.

Farmers are faced with the challenge of how best to set the mix in their farming system to maximise the farm gate return whilst ensuring longevity of their business. Constantly changing market conditions, increased competition and changing weather patterns further complicate the ability of a farmer to maximise production and ensure the sustainability of their business. Hay production for either domestic or export markets can offer farmers an opportunity to spread risk and increase returns. There are a number of ways government can assist farmers to recognise this opportunity;

Provision of tools and information

The Government should invest in delivering new innovations and technologies to farmers in a way that allows them to become part of the farming system.

There is a role for government in providing good independent information (either directly or by packaging it for private deliverers) to allow farmers to introduce fodder and related technology improvements in the fodder industry into their farming system in an informed and safe manner. Examples of this that relate to the fodder industry could include;

- Creating channels that assist farmers to become aware of the benefits of using hay and silage inoculants. This process is known to increase efficiency at baling, to decrease the risk of hay shed fires and in some cases to improve the quality of conserved fodder
- Creating pathways for professional contractors who specialise in hay and silage production to be recognised for their expertise in this area
- Creating extension opportunities to demonstrate the key role hay can play in managing resistant weeds in cropping systems
- Improving knowledge around the cost benefit of having a feed analysis done, prior to purchasing or feeding fodder.

There is a good case for government support for general information to farmers on fodder conservation as part of the greater message to improve on farm efficiency and productivity. While the trade of fodder is becoming more widespread there is still a need for making sure farmers have the skills and knowledge to take advantage of home grown feed when possible.

Drought and taxation policy

While drought is not a new challenge for Australian farming systems in recent years the frequency of droughts and resulting impact on farm businesses has increased. One of the best ways for farmer with livestock to safeguard themselves against drought is by investing in on farm fodder storage; haysheds' and silage pits. They also need to have reminders and incentives to conserve fodder when seasonal conditions are good.

While the technology is not new government can assist here by offering tax incentives such as rapid depreciation (or other appropriate incentives) to encourage farmers to make this investment. Consideration should also be made to extending this offer to feeding and handling equipment as well as infrastructure.

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

Promote the pathway

All sectors of agriculture need more young people. While there is no doubting that investing in training and skills development is a sound way of building future agricultural professionals there is also a need to invest in people and their networks. AFIA runs a small program called Generation Ag in this area. This program focuses on helping young people make connections in the fodder industry, share ideas and signpost to other leaning opportunities, via an online network coupled with some extension activities.

How to identify and fund R&D needs

Funding of Research and Development (R&D) for the fodder industry is a continuing challenge. We have the processes in place utilizing industry networks and the forums to identify the current needs however we do not have the funds to address them. The fodder industry does not have a statutory funding arrangement or a dedicated Research and Development Corporation (RDC). The fodder industry currently relies on voluntary contributions from industry along with funds from RIRDC, where the fodder R&D program is housed.

The fodder industry is continuing to make steps towards finding a funding mechanism that works for the whole industry. However until this is achieved government should ensure that RIRDC has adequate funding to allow the industries without the benefit of a dedicated RDC or statutory funding mechanism to be supported. This includes an allocation to communication and industry consultation.

One of the challenges for funding R&D in the fodder industry is that it falls in-between a number of other well established RDC's. This sees many farmers who produce fodder as part of their business making contributions for a range of other commodities (i.e. milk, meat, wool, grain) yet those funds are not being invested in fodder R&D. It is worth noting that these sectors of agriculture rely on a strong fodder industry, and have direct interest in fodder related issues, yet they do not invest in the industry on behalf of their levy payers. The government should consider legislating that relevant RDC's be required to make an investment in fodder R&D on behalf of their levy payers. This should be managed in a coordinated way to ensure that the funds are appropriately used. The current RIRDC program could be an appropriate home for this funding.

Transport infrastructure

As the trade of fodder in Australia grows, in both the export and domestic markets we need to ensure that there is continued investment in roads. In particular, focus on access for larger and more efficient vehicles (b doubles and road trains) and over dimensional loads. This should also include consideration of access to ports which is critical to continuing growth in the export hay sector.

Issue 7 – Reducing ineffective regulations

Access to Agricultural Chemicals

Access to agricultural chemicals is important to the participants in the Australian fodder industry. This access extends beyond products that are specifically for use in fodder production, as fodder is typically part of a farming system that may also include other plant and livestock products.

Plant and animal industries are facing significant emerging biosecurity threats and impact of pesticide and veterinary medicines resistance. Australia is no longer on the global priority list for pesticide and veterinary medicine commercialization as it was 20 years ago. Many agricultural industries in Australia are currently missing out on up to 50% of the potential new technologies which key competitors in Europe and the USA have access to. Many agricultural industries will experience significant productivity losses in 8-10 years through the combined impacts of pesticide resistance evolution and the limited access to new technologies. With a lead-time of 7 to 10 years to deliver a commercial technology that has already demonstrated proof of concept, Australia cannot afford to wait even another 2-3 years to address this issue.

To address investment market failure in the longer term, there is need for transformational change to Agvet regulation supporting investment in Australia. An initiative should deliver;

- Consumer and government confidence in broader international standards
- Cost savings to Australia
- Fastest possible technology access for agricultural industries
- Ensuring Australia is on the first priority commercialisation list

Without significant improvement to Agvet access, Australian agricultural productivity will decline further, and emerging industries will struggle to establish and meet multi-cultural consumer demand for an increasing diverse range of foods. Further reform is urgently needed to address the need for improved Agvet technology to address the many significant productivity challenges Agriculture will face into the next decade.

To address the key strategic issue of productivity impacts from declining technology access, AFIA has been in discussion with other plant industry industries in developing this response. This has led to the recommendation that the government urgently address the following;

1. Establish a cross industry task force for improved technology access for agricultural production (ITAAP).
2. Provide government leadership in the establishment of a cross industry minor use and specialty production initiative (MUSPI) which should be jointly managed by cross industry research and development corporations.
3. Consider increased international partnership in co-regulation and look for efficiencies and incentives for Agvet investment in Australia
4. Consider future regulatory reforms to underwrite these opportunities and initiatives.

Issue 8 – Enhancing agricultural exports

Australia has a reputation as an exporter of quality fodder products, having had a market presence in Japan for over 25 years. Currently there is increasing demand and interest in Australian fodder in a number of other countries, predominantly in Asia (Japan, Korea and China). Australia has market access agreements in place for many of our export products. However where we do not have a market access for Australian products the government should ensure that we have processes in place to quickly develop them. This access needs to be gained quickly so industry can quickly take advantage of market opportunities before our competitors do.

AFIA is a member of the Grains Industry Market Access Forum (GIMAF) and sees this as being an effective way for industry and government to work together on market access matters. One of the primary objectives in

establishing GIMAF was to prioritise market access issues for the grains, seeds and fodder industries and to provide a direct point of engagement with government to set the agenda for action to improve trade outcomes for the sector. This focused effort has delivered some extremely positive outcomes to date and is built on regular dialogue and engagement with government personnel involved in the negotiation of market access and managing phytosanitary issues.

Prioritisation of government resources to manage market access issues has and continues to be a challenging matter for government. It is important that the prioritisation process considers the impact of relevant effort in regard to potential achievable outcomes and allocates resources accordingly. It is vital that the national interest and the impact on total trade outcomes figure prominently in consideration of resource allocation.