Naracoorte Lucindale Council Submission
FEDERAL GOVERNMENT ISSUES PAPER
AGRICULTURE AND COMPETITIVENESS

April 2014

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?
- How can farm businesses, food manufacturers and the retail sector be more responsive to domestic and global food demand and better integrate into domestic and global supply chains?
- Do farmers have access to timely, relevant and accurate information to fully inform production decisions to meet domestic and global food demands?
- What opportunities exist for exporting Australian agricultural technology, marketing skills and expertise to improve global food security outcomes?

Comments

Need to look at this in the context of climate change and what is likely to best opportunities given the impacts of the expected climate changes.

Australia needs to look at agriculture products in the context of valuing adding so advanced manufacturing is an important part of increasing return for farms and thus, where sustainable, expanding production. Australia is a high cost country and as such cannot compete in the arena of high volume low price. Adding value, in Australia is one of our best opportunities for increasing return and driving greater efficiencies in production and expansion of the sector.

Australian producers need to develop a better understand of their markets. At the moment much of that knowledge, if exists, is in the hands of exporters and government officials. Not enough market research, both for the consumption of the raw product, as well as opportunities for value adding is very sparse among producers. We keep being told there is enormous potential for increased demand from Asia, but there seems little information filtering back to the producer of exactly what kind of neither product the particular market desires nor the challenges that might be faced for fresh produce going into these developing economies. The dairy industry has done well to develop ways for products to be sold into countries which have limited refrigeration options. Are there opportunities for value adding to meat that will increase its shelf life without refrigeration?

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?
- What tools, skills and advice do farmers need to effectively adapt and respond to the risks they face?
- What alternative actions or measures by governments, farmers or others would result in improved financial performance at the farm gate?
- What approaches could be used to encourage improved drought preparedness?
- During drought, what measures are most effective in supporting long term resilience?

- How can new farmers be attracted to agriculture and how can they succeed?

Comments

Australian business culture is very individualistic spending much time seeing his/her neighbour only as a business competitor. Rarely are neighbour seen as potential partners who, if cooperated with, could improve the security and competitiveness of both. In addition the old co-operative approach seems to have developed a negative profile over the last 15-20 years.

More business awareness is needed among farmers. There has been a long tradition in farming that it is a vocation rather than a business. Generally there is a lack of strategic planning and risk management skills in the sector. More research needs to done to understand what are the best business models and options. For example, Holmes & Sackett (On Farm, 2013) research shows that size does not necessarily generate more profit.

Needs to be able to earn a decent living from farming and be able to take a break. Current the return in some farming areas would be insufficient to purchase farm land. Purchasing land can require significant up-front capital to make it a secure investment.

Soils for Life project which has documented the efforts made by farmers around the country to drought proof their farms and build their farm soil profiles. These case studies are critical examples that should be disseminated through the agi-business community so that the learning can transferred and farmers can learn from farmers.

3. Enhancing access to finance

- How do we better attract private capital into farm investment?
- What examples are there of innovative financing models that could be used across the industry?
- What would encourage uptake of new financing models?
- What alternative business structures could be developed for farming that also retains ownership with farm families?
- How can foreign investment best contribute to the financing and productivity growth of Australian agriculture?

Comments

More farmers need to start working cooperatively (e.g. Bulla Burra) within appropriate business structures.

Farms are often hampered from expanding because of the cost of purchasing additional land and the additional labour inputs required to make the additional land pay, particularly when there is a workforce that is 50 plus with no next generation interested in stepping into the breach.

Australia also needs to be open to investment from other countries. The drivers of international investment today are different from those in the past. The focus now is on investors trying to create food security for their countries of origin rather than for wealth generation purposes. So long as there is sufficient legislation in place to ensure that produce cannot be shipped off-shore without appropriate return to the nation. Obviously the cost of running these properties will be covered but it is the taxes and other income that the nation could miss out on that concerns people. With appropriate controls, there is no reason why international investment should not continue.

It is not clear Australian superannuation funds are not incentivised to invest in their country of origin, whether it is in farms or infrastructure. Funds do not seem to have any issue investing in infrastructure in the USA and other countries but are reluctant to do so in their country of origin. What needs to change to make this happen is the question the federal government needs to ask itself.

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

- How might existing laws and regulations be changed to address any market power imbalances in the agricultural supply chain, without limiting prospects for global-scale firms developing in Australia?
- How can the agriculture sector improve its competitiveness relative to other sectors in the economy?
- Which examples of overseas approaches to improving agricultural competitiveness have relevance for Australia?

Comments

Need more players/competition for farm produce. Currently there are limited supermarkets, meat processors, and other value adds manufacturers so there is extremely limited number of players competing for produce. Grain maybe the same. The continual globalisation of processing/selling end of the value chain has meant that all the pressure ends up on the producer. Something needs to be done in law to stop duopolies being able to have a structural advantage of producers. Some producers have opted out of the structure and managing the sale of their produce but this option is not available to all producers for a range of reason – proximity to markets; lack of processors (e.g. service kill abattoirs), lack of skills to market;

Some processing/manufacturing operators are the only available option because of location, and often the original plants were established by grower coops. Many of these have since been sold to international companies who have did not continue to re-invest in plant or R&D such these plants now have become so out of date that they have not been able to survive in the post GFC environment of Australia. It is not that these businesses could not have survived. Often the issue is not that they couldn't survive but rather the business culture in these organisations that have prevented this from happening. (Reference to research of Goran about businesses that survive. R&R, Long term employees, innovation, customer service, value add through service.

Need to find a ways to address the imbalance in cost of production in farming and the farm gate price. If there were more buyers competing for produce would help. It is also important that Australian farmers recognise they are in a high cost country and thus need to produce high quality product as often as possible to secure the highest possible return. There are also numerous options for looking at farm produce in terms of a more than a food resource. Just as part of the future of the timber industry will be in using timber as more than just a wood resource. There are numerous options for the industry when molecular and Nano technology research is applied to it.

5. Enhancing agriculture's contribution to regional communities

- 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?
- How can the agriculture sector best contribute to growth in jobs and boost investment in regional communities, including indigenous communities?
- What community and policy responses are needed in rural and regional communities to adapt and change to new pressures and opportunities in the agriculture sector?
- How do we attract the next generation of farmers?

Comments

The rapidly changing demographics of regional areas is challenging to local government and the drive to find more cost effective ways to deliver services, amalgamate is challenging/. . . but the most glaring impact is the loss of community as individual farms become more isolated. Farms are amalgamated, homesteads are abandoned and the distance to neighbours grows. This is the reality for many families. However expanding regional centres does

bring benefits. This might be further enhanced if the benefits of high tech communication could be directed to regional areas on the basis of need rather than being determined by political considerations.
Services that once were only available in the state's capital can often are found in large regional centres. If the data is correct, many metro families find living in regional centres more attractive than dealing with the expense and challenges of city life.

Agriculture sector can contribute to growth in regional centre by location advanced education centres that focus on the needs of producers in surrounding areas; advanced manufacturing (related to agriculture – engineering services, etc.) are ideally located in regional centres closer to their customers or suppliers. Even to the point of clusters such as Aragon region and other regions in Spain:

Aragón offers	**Key Data**
- Land surface area (50,000 sq. km), with scarce rain but with large areas of irrigation (500,000 ha) - Top Food Technology research team in Spain, one of the leaders in Europe (I-UGR Spain research) - In-depth know-how of irrigation technologies. - World class food distribution capabilities. - Centre of Reference for Food Safety in the University of Zaragoza. - Excellent climatic and soil conditions for growing organic products and qualify foodstuffs.	- Top fresh fish processing and distribution (via air freight) centre in Spain. - 3rd largest regional swine livestock in Europe. - No. 1 regional alfalfa crop in the world. - Binefar auction system (Huesca) establishes Spanish Beef price. - Other key products include wine (top Spanish exporter to the US and Canada), fruit, lamb, olives, etc. - One of the main industrial sources of agricultural and animal farming equipment in Spain.

Farming will become more attractive once the income improves and those with the appropriate business acumen are successful. Appropriate risk /return profile across the industry. Currently farming is relatively high risk with limited returns. This, along with appropriate and available advanced education and continuing education is available to farmers where they live or online – i.e. it becomes a profession not a vocation.

6. Improving the competitiveness of inputs to the supply chain

- How can land, water and other farm inputs be more effectively deployed to better drive agriculture sector productivity, while maintaining or enhancing the natural resource base?
- What skills including specialised skills and training, will be required in the future and how can these be delivered and uptake encouraged?
- How can we attract workers to agriculture – particularly in remote areas?
- How can we promote career pathways for the agriculture sector, including models to enable younger farm workers to gain broader industry experience?
- How can rural industries and governments better identify, prioritise and fund research, development and extension?
- What irrigation, transport, storage and distribution infrastructure are required to support the food and fibre production systems of the future and how should this be funded?

Comments

Climate change needs to be centre of thinking with the future of farming. Focus needs to be on drought proofing farm land which means increasing the carbon content of soils. Research need to occur to help farmers know how to do this in the most economical ways. Research as well as the promulgation of knowledge across the farming community of other drought proofing processes that are effective and should be used, need to occur. Continued research into crop and pasture varieties that can cope with the changing climate, which may well include genetic engineering. The challenge for government is not to undermine the premium some producers are currently getting for their GM free products.

Next generation of farmers need to be tertiary educated with business knowledge or at least good support in these areas. It is critical that the next generation have educations (research capabilities); knowledge & experience that help them deal with large amounts of information and can make appropriate decisions to manage the risks they face on their properties. The whole industry needs to be professionalized, not just the researches and advisers part of the industry. Professionalization requires appropriate rewards. Current ABS stats suggest the average farm income is little better than the basic waged. If it were not for off farm incomes, many would be living below the poverty line.

Farm organizations exist, perhaps too many of them to have any substantive impact on government policy. The industry needs to be less splinter and they need to get more entrepreneurial. With State governments having vacated the agricultural research arena or if they do it their charge out rates are not very competitive, farmers have created their own research organisations. For example, the McKillop Farm Group in south eastern South Australia. These organisations are very professional and focused on applied research that addresses the needs of farmers. Support for these organisations need to continue and increase.

Continued support for research that is unencumbered by the private sector which often ends up being driven by market outcome (CSIRO, SARDI etc.)

Infrastructure in the regional areas that supports farming activity is by and large aging and inefficient. It suffers from years of poor asset management from all levels of government and now requires massive investment to ensure it is cost effective for farmers to actually grow produce. The challenge is how to justify the massive investment required in areas which are sparsely populated.

7. Reducing ineffective regulations

- How well do regulations affecting the industry meet their policy objectives?
- What opportunities are there to reduce ineffective or inefficient regulation?
- Which regulations are disproportionate to the risks they are supposed to address?
- How do we coordinate across governments to reduce regulations whose costs exceed their benefits?

Comments

Employment burdens and work place practices can be problematic for some but the fact that we have highly developed levels of regulation in Australia means we have food that is renowned for being clean and safe to consume. There are some areas of regulation that do seem to hampering business development in region areas, whether or not they are out of proportion to the risk might be debatable. The restrictions placed on new business around B-Double access to public roads (i.e. construction of slip-lanes) is now so expensive for business to address that many cannot afford to establish themselves. Perceived risks around food processes and the controls required, but more importantly the cost involved in meeting the requirements is preventing the establishment of service-kill abattoirs in the Limestone Coast. The distance to the closest processor has meant several businesses that depended on these kinds of processes have closed down. These costs for processors mean that only the multi-nationals can operate. Everyone else gets forced out of business because of the overly risk adverseness of our regulatory bodies. It seems our public sector who is easily driven by the hysteria that gets generated around animal welfare through image manipulation, end up setting the bar so high that sometimes it is difficult to see how animals will get from the farm paddock to consumers plate. Certainly it will not be via a small to medium sized business operator.

A serious look at the user pay model that is employed by government in a context of no competition is required if there is to be an opportunity for establishment of small scale processors. The USA has mobile butcher/abattoirs that service small farms. Australia's obsession with eliminating all risk means the large international businesses can afford to participate in processing and value adding.

8. Enhancing agricultural exports

- How can industries and government respond to the key challenges and opportunities to increase or enhance exports?
- How can the government take best advantage of multilateral and bilateral trade negotiations (including through the World Trade Organization and through free trade agreements (FTAs)) to advance the interests of the sector?
- How can engagement between industry and government on market access priorities for Australian agricultural products be improved, including to inform negotiations on FTAs?
- What changes could be made to biosecurity arrangements, both in Australia and in other countries, that would enhance global trade in agricultural products?
- How do we provide the appropriate biosecurity controls at minimum cost?

Comments

Challenges to increase exports:

- Infrastructure for transport and handling;
- Climate change and the challenges to increasing productivity as well as reliability of production;
- Lack of knowledge about markets and options for value adding;
- Lack of research into value adding to produce;
- Lowering biosecurity standards undermining product/production reliability;
- Contaminated imported agri-inputs;
- Lack of marketing support by government at the international level;

Cost should not drive biosecurity if Australia is to preserve its reputation for clean, safe produce. It is our competitive edge and therefore it cannot be compromised. The government needs to consider the cost of not having appropriate levels of control.

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

- How well is the current set of government programmes and incentives directed at the agriculture sector meeting their objectives, in terms of both effectiveness and efficiency?
- Are government visa arrangements and programmes like relocation assistance, the Seasonal Worker Programme and Harvest Labour Services effective at channelling workers into the agriculture sector and what other approaches should be considered?
- What have other countries done to inspire agricultural investment?
- What has Australia done in the past that has had best effect?

Foreign investment in farms in Australia does need to be looked at as much of the investment is not to improve farming here but designed to provide food security to other countries. Australia needs to make the decision about this issue and if this is the role it thinks it should fill and if so, what is the cost to the Australian nation. As put by one of Council's elected members "Selling the back paddock to continue funding our way/standard of life is very short sighted."

If Professor Julian Cribb is correct, one of the biggest issues facing food production world wide other than water is fertilizer. Natural fertilizer supplies are a finite resource and are becoming increasingly scarce, driving up the price and reducing availability. When you look at the food chain fertilizer: it is dug up, used on farms, converted into food going to predominately cities converted by consumption into sewerage, treated and pumped into the ocean. We need to look at all the options to capture and reuse all our waste streams and return them to food production. We also need to ensure that we build our soils and not lose them in the food production process.

Many of the problems for agriculture may alleviated with a lower Australian dollar. Losing fuel refinery capacity in this country also needs to be addressed as part of future food security. We can never be secure if we rely on fuel supplies from overseas.

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