

Agricultural Competitiveness White Paper Submission - IP625
Strathmore Station
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Strathmore Station
Georgetown Qld 4871

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Committee Secretary
Agricultural Competitiveness Taskforce
Department of Prime Minister and Cabinet
PO Box 6500
Canberra ACT 2600

Online submission via <https://agriculturalcompetitiveness.dpmc.gov.au/online-submissions>

Submission to the Australian Governments White Paper on Agricultural Competitiveness

Dear Sir/Madam,

Harris Operations is a family owned and family run business of beef and grain primarily in Queensland's Cape York, Gulf and South West agricultural regions. The family have successfully expanded agribusiness and greenfield agricultural developments for many decades.

We would like to acknowledge that the Agricultural Competitiveness Issues Paper is a well written and comprehensive summary of the current state of agriculture and the national agricultural issues.

However, the focus is on what the agriculture sector can do to improve agricultural production and efficiencies over nine broad themes. Whilst enterprise within the agricultural sector does, and should continue to, innovate and improve in these areas we contest that it is actually the government and banking sectors that need to undergo the most radical review and change to bring about the efficiency and growth in national profitability outcomes sought.

For many decades agriculturalists have improved practice to reduce inputs, environmental impacts, and increase productivity. However the margins of gain for further innovation are slim. Over this same period the bureaucracy of government has grown with many new layers of regulation and process that is often mal-aligned, duplicated and in many cases mal-administered. For instance many government departments purchase the same satellite data from foreign agencies under separate agreements rather than one national data agreement at bulk rates saving money and process time. Much environmental regulation does not allow for principals of natural justice and the landholder is guilty unless proven innocent at their own cost. Also, Australia has joined as a member of the United Nations and yet does not full-fill the obligations of engagement and community participation in decision making that affects those community's livelihoods.

It is often said that policy and regulation should not be judged on its intent but rather the in-field outcomes. For example in Queensland Referrable Dams are assessed in outer Brisbane and in very remote regions in exactly the same way. The risk in the high majority of remote areas is recognised

as nil, and yet the assessment costs are many times higher than in outer Brisbane regions where the risk is high. This regulation is not fit for purpose and the input costs for regional communities are extreme and unnecessary, and the 'process costs' to government are also unnecessary.

Additionally government departments have significant resources and expertise that could be shifted to a service rather than regulatory culture that would assist industry to make change, reduce inputs, reduce impacts and increase production. For example the Australian government has expertise within departments to undertake disaster risk assessment (especially for flooding) using state of the art imagery combined with local specific records. A third party risk assessment would provide a better benchmark for insurance premiums than the current 'postcode' assessments, saving significant input costs.

Whilst our response may be indicative of some of the agricultural issues from an enterprise point of view, we strongly suggest that government needs to undergo a review of all regulation and service delivery to identify internal efficiencies and service culture that can save the agricultural sector significant input costs but also contribute to innovation that improves production and profitability of the Australian food chain and export opportunities.

Likewise the banking sector in Australia can make significant improvements in the agricultural lending policies and packages that better reflect the climate and market fluctuations and loan serviceability. Again government can act as a catalyst to these changes by investing in the required R&D for finance improvements, loan restructure to proper debt/equity ratios, a more 'sustainable' than 'sales' practice, and innovative tools.

Thank you for your consideration of the attached submission. We would be pleased to provide further clarification, data or evidence on any matters in our submission should the committee seek detail.

Yours Sincerely,



Peter J Anderson
Business & Finance Manager
Strathmore Station

Agricultural Competitiveness Issues Paper: Questions for Consideration

Below we take the opportunity to respond to some of the questions posed by the Agricultural Competitiveness Issues paper to the agricultural sector.

1. Ensuring food security in Australia and globally

Questions for consideration:

- *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?*

- Northern and Northwest regions of Queensland have good capacity to increase production or physically sustain new developments, especially tropical crops targeting the culinary preferences of the Asia Pacific. The recent CSIRO Agricultural Resource Assessment of the Gilbert River 2014 highlights that there are some two million hectares of soils that are suitable for dry land and irrigated agriculture and much of this is within Strathmore Station. Other known areas with potential for Agricultural Development are:-
 1. Gilbert River and Flinders Precincts;
 2. Upper Herbert River alluviums (i.e. Tirrabella, Euramo station etc.);
 3. Currently unused land within and possible further expansion of Mareeba-Dimbulah Irrigation Area (MDIA); and
 4. Areas within Cape York (i.e. Endeavour Valley, Lakeland, Springvale, Kings Plains, Olive Vale, Weipa, the Hopevale-Mclvor-Starcke areas, areas of Red soils (Red Kandosols and Alluvial frontage to Palmer River etc.). From the CYPLUS Soil Survey and Agricultural Suitability of Cape York Peninsula (A.J.W. Biggs and S.R. Philip, QDPI, 1995) - the agricultural land suitability assessment indicated the following areas were suitable for:
 - a. peanuts and sorghum, maize (243 300 ha)
 - b. sorghum & maize (1 8 12 000 ha)
 - c. high input pastures (3 445 300 ha)

5. The current and potential agricultural production in Cape York Under DAFF Queensland Agriculture and Land Audit (does not include Forestry and/or Grazing):

Queensland Land Use Mapping Program (1999)	Current land use		Potential land use*	
	Area (ha)	Percentage of region	Area (ha)	Percentage of region
Broadacre cropping	5 224	0.04	188 285	1.49
Sugarcane	0	0.00	1 545 583	12.27
Perennial horticulture	45	0.00	1 963 592	15.58
Annual horticulture	8	0.00	1 893 887	15.03
Intensive livestock	0	0.00	1 086 908	8.63
Aquaculture	249	0.00	3 617	0.03

- Agriculture in these northern Australian landscapes would benefit from practical science and extension support to develop new technologies in water storage, evaporation management, irrigation, tillage, crop varieties, etc. There is an enormous total science spend by federal government (NERP, CRC's, TERN, R&D etc) and there needs to be strong direction from government to move away from desktop science and towards applied science where the end user is the landholder, local citizen, fishermen, traditional owner, miner etc. Australian science investments need to be more practical and better integrate the 'end user' in the identification of demand for research, program/project design, program/project review and the implementation of results.
- Land tenure will need review given that much of the north and north west Queensland is State owned. Large capital works for emerging agricultural projects may need more security of tenure in order to leverage finance for suitable developments.
- There are recent Native Title Determinations across northern and northwest Queensland where Indigenous Land Use Agreements must be facilitated. We welcome the Federal Government's decision to reinstate the Native Title Respondent Funding Scheme to assist with legal services to negotiate these agreements.
- All water resource management plans need to make available water for future agricultural development.
- Invest in tropical agricultural extension services including greater emphasis on soil conservation services. The NRM groups (Natural Heritage Trust/Caring for Our Country) have a successful model in operation and have a proven capability of delivery and performance.
- Catalytic infrastructure such as communication infrastructure, road and rail infrastructures to reduce freight imposts is needed. The 'end user' needs to be engaged to help scope future developments and future infrastructure. Better access to communication infrastructure is vital for e-commerce, industrial internet systems for large mining and agricultural developments, science support, and liveability in terms of maintaining contact with families whilst working in remote areas.
- Future agricultural development in the north west is likely to be centred around the mid-sections of the gulf and Cape York and thus an 'Agricultural Development Road' that joins the Croydon-Richmond Beef road and navigates through Strathmore to join with the Peninsula Development Road will facilitate freight efficiencies into the future – early planning and road reserves need to be established now for such a future road network.
- A comprehensive program to identify current and future land use potential for northern Australia incorporating the social and economic elements would enable more efficient

decision making and development directions as well as reduce conflicts (this should be a priority in future science/planning investments made by government).

- Freehold land available for rural township and rural residential developments is needed to ensure a variety of lifestyle options are offered to attract workers to commit and ‘live-in’ regional centres and secure stable populations in human resource poor areas. FIFO is an alternative option, however studies show that companies have had most success with staff retention when employees have a variety of options available to suit their personal and family circumstances.
- Tropical crop experts should be engaged by Government to establish farm scale Asian crop suitability exercises. An extension team should be deployed to Asia to investigate Asian crop demands, economics and market potentials with respect to North Australian cropping implementation. Establish a whole of market research and development team funded by government on capitalising on the food product market in Asia.
- The technologies associated with Geographical Information Systems and Industrial Internet Systems are conducive to enabling effective and sustainable development especially large scale developments. Innovations specific to the northern Australian landscapes should be encouraged through grants or other finance/economic incentives.
- Man-made water storages act as refuges for wildlife especially in dry years. These structures could therefore offset deepening concerns of climate change effects on refugia and additionally act as water nodes that prolong the viability of corridors for animal movement across larger landscape scale distances. Large storages in effect stretch both temporal and spatial reliability to native animal corridors in the Gulf and Cape York. The design stage of dams, especially regarding impoundment wall engineering, establishing recharge reliability and field surveys is very expensive. Such tasks were once provided by the Queensland Government as part of the farm Advisory Service which no longer exists. The initial costs of project scoping and viability assessment can be substantially offset, especially if design is to cater for multiple environmental and social benefits, by the assistance of farm Advisory Officers trained in aspects of Farm Dam construction. Such skills availability would substantially encourage sound water infrastructure development that has environmental and social value added benefits where set up costs may otherwise tip into being uneconomical.
- The main asset of primary production, being the herd or the crop, is largely uninsurable. Natural disasters are a fact in the northern Australian landscape just as they are in southern Australia. The NDRRA does not have adequate steps in place for full and proper agricultural and environmental recovery. Thus under current arrangements the risk exposure of agricultural developments and the insurance costs of all other developments are unreasonably excessive. The NDRRA or Natural Disaster Recovery for agriculture and environment needs review and ‘fit for purpose’ recovery programs designed and actioned.
- Regulatory and tax tools can better reflect primary industries needs following a disaster event. The Farm Management Deposit Scheme could be adjusted to lift the cap from \$400,000 to \$2million and allow tax free withdrawal during a declared NDRRA event. This would be an incentive for agribusiness to self-build cash assets that are available for immediate recovery from natural disaster events – given that no reasonable insurance exists for the herd and crop assets of primary industries.
- A weather radar in Croydon is needed urgently to provide credible and accurate rainfall data for improved water allocation decisions and to provide early warning and advice of impending floods and cyclones. This assists in disaster response but also agricultural

planning and management. The longer these stations are in place the more valuable the data becomes as it builds weather trends and calibrates other water information systems.

- As agriculture grows in Northern Queensland the development of distribution hubs, including port export facilities, may need early planning and prioritisation.
- An adjustment of the zone tax rebate to better account for the living disadvantages in remote areas in comparison to provincial and city living could re-establish the original balance intended by this rebate and encourage employment and general growth in northern and north west Queensland. This will encourage private investment and help reduce the current limitations that exist in northern Australia in sourcing and maintaining skilled and unskilled labour.
- New industry development program specific for the emerging tropical product opportunities assisting with demand recognition, product feasibility and trade connections.
- Removing tick clearing restrictions with respect to cattle transport across the top end could have saved the beef industry almost \$80 million over five years especially when cattle are going from ‘ticky’ country to other ‘ticky’ country such as transport from North Queensland, through Barkly Tableland, to Darwin.

2. Farmer decisions for improving farm gate returns

Questions for consideration:

- *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?*

- Lack of profitability in many operations now restricts farm enterprises from engaging in new technology or practice. Farm profitability requires many changes across many input, regulation and service nodes – there is no single ‘silver bullet’ but rather a shot gun approach needed.
- Communications infrastructure desperately needed for technology growth in telemetry and industrial internet systems. Recent quote for Strathmore (north west Qld) for 10Mb access via satellite last mile was \$70,000 per month verses a typical NBN business contract which is approximately \$100 per month or 7,000 times cheaper in urban areas!
- Through levies agricultural enterprises contribute a significant amount of revenue towards R&D however in the beef industry the landholder has little opportunity to engage in the priorities for investment and in many cases the R&D is not implemented within industry. Implementation is limited due to financial constraints but also the reduction in extension service support through the gradual withdrawal of these services by State Government and recently the changes from the Natural Heritage Trust to the Caring for Country Program

where NRM groups could not support industry and local priorities. Better participation of local scale industry and community will improve the usefulness and uptake of R&D – therefore bodies such as MLA and the C4OC program need to establish better community and local industry participatory approaches to decision making.

- The Bureau of Meteorology collects an enormous amount of weather data including rainfall distribution and intensity. BOM could be supported and directed to better customise weather reports for agriculture and better integrate automatic weather stations from rural and remote properties - especially for large scale developments. Much data can be provided at a finer scale and greatly assist agricultural management. For a property like Strathmore affordable wet season rainfall distribution maps (based on radar records) could be a valuable tool as could a partnership with BOM to install automatic or semi-automatic weather stations.
- Low interest loans for drought and NDRRA events are not helping the northern and north west grazing industry given that debt is the underlying root cause of financial stress. Debt cannot fix debt, especially during a period of low commercial interest rates.
- Freight subsidies for drought or NDRRA event need to be available to owners of agistment stock not just to the 'title owner' of the property. Animal welfare of agistment stock is not catered for under current drought and NDRRA arrangements even though many businesses in the 2013 drought had previously moved stock for agistment due to fires in 2012 – then had stock 'locked' on drought blocks with no assistance to manage animal welfare in a drought declared area.
- Use of State and Commonwealth reserves including national parks in drought in tropical areas between native seed setting and first rains (roughly April to December) depending on stocking rates consistent with landtypes.
- In drought or disaster events some assistance to destroy stock when necessary for animal welfare could be a big help – this is not only costly but often very emotionally trying for the landholder who has attachment to the stock being destroyed and often leads to or amplifies clinical depression issues.
- Remove fuel excise on biofuels produced on farm for farm business machinery. This allows opportunity to reduce a significant input cost for many farms and also harmonises with peak oil and 'clean energy' targets.
- *See points above (ensuring food security in Australia and Globally) regarding supporting construction of water storages, weather radar in Croydon, farm management deposit scheme for this section also.*

3. Enhancing access to finance

Questions for consideration:

- *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 retain ownership with farm families?*
- *How can foreign investment best contribute to the financing and productivity growth of Australian agriculture?*

- Improve on the Western Australian drought trials and invest in a seven year program of extension support for the grazing industry focussed on property benchmarking, record keeping, business analysis, succession planning, climate risk management, and financial and land management skills enhancement to improve overall profitability levels and improve the sustainability and resilience of the grazing industry in the gulf. Feedback from the Drought Reform Package rolled out in WA indicated the program had some success, but hinged on the quality of the expertise provided. Thus such a program would need customisation and clear deliverables to be most effective. It is suggested that the banks work with government to customise a package that hits the mark and provides genuine help by addressing the core problems and not the symptoms. The trade-off is that banks in partnership with such a program should be able to reduce risk margins of properties participating in such a financial program and thus drop a percentage on interest rates.
- Government can broker, through R&D support, a collaborative review of relevant banking policies to promote better packages and tailored services that better fit the agriculture sectors. This includes better tools to calculate serviceability based on farm production and resource capability.
- The Australian Government can act as a catalyst to improve agricultural lending policies and packages that better reflect the climate and market fluctuations and loan serviceability by investing in the required R&D for finance improvements, loan restructure tools to proper debt/equity ratios of existing debts, a more 'sustainable' than 'sales' practice, and innovative agricultural finance tools.
- Work with banks so that all future lending takes a longer term view with respect to the cycle of review, to take into account the volatility of property values viz a ve its nexus to the prevailing market environments. Property values can vary greatly over a 5-10 year period depending on climate factors, markets etc, thus when banks review equity/debt ratios during a drought or post live export ban this can be perverse.
- Low interest new entry loans for young people to enter the agricultural industry. Agriculture enterprises are growing larger and larger in order to have economy of scale for viability. This excludes access to the industry by young Australians and shifts agriculture towards large (often foreign owned) corporate structures.

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

Questions for consideration:

- *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?*

- Under the current Trade Practices Act there are restrictions to prevent seller monopolies controlling price. The purpose is 'to control restrictive trade practices and monopolies and to protect consumers from unfair commercial practices.' Provisions to control the monopolisation of 'purchasers' especially in agricultural product need to be developed and adopted - So that fair competition exists for the purchase of agriculture product.
- The laws associated with prosecution for anti-competitive behaviour should not be based on proving 'Intent' but rather 'consequence'. In other words if the actions of a company result in anti-competitive consequences than by law they can be challenged and charged. Proving that a business 'intended' to reduce price to send another out of business is a weak instrument of law for the intention of fair practice.
- Putting GST on all food will provide more transparency on transactions for agricultural products.
- Country of origin labelling should be introduced for food products or at minimum a recognisable 'branding' indicating that all food product in the item has originated from Australian Agriculture.
- Australian food standards implemented by government or companies such as Coles and Woolworths (such as 'SafeFood' and Freshcare) should be applied to and audited with the same procedures for all imported agricultural products to establish a 'level playing field'. SafeFood standards should have sliding scales of fees based on business structure and risk rather than a one size fits all approach.
- Australian product is recognised worldwide for quality and safety and on-going or increased services by government for disease monitoring and management would assist industry to maintain this marketing advantage. This should not be at cost to agriculture but rather in recognition of the trade handicaps (environmental and employment standards) that Australian Government have implemented over the years that reduce agricultural competitiveness in world markets.

5. Enhancing agriculture’s contribution to regional communities

Questions for consideration:

- *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?*

- Agriculture needs to be promoted as a career and celebrated more prominently as an important and integral part of the Australian economy. Currently it is perceived as low skill and low wages and yet it is actually scientifically and economically complex.
- Agriculture needs to be better supported as a higher education degree or trade and applied skills need to be an important component of all learnings.
- In many agricultural systems young people need to be attracted to the industry in order to sustain skills and corporate knowledge. Entry level incentives could be provided to employers to assist ‘agricultural apprenticeships’.
- *See points above (ensuring food security in Australia and Globally) regarding remote area tax rebates for staff, requirement for release of freehold land near regional towns for growth (not just town blocks but also small rural parcels), and improved communication infrastructure.*

6. Improving the competitiveness of inputs to the supply chain

Questions for consideration:

- *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?*

- *See points above in all sections address the questions.*

7. Reducing ineffective regulations

Questions for consideration:

- *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?*

- It is our strong believe that we are over-regulated and that most regulation does not meet policy objectives nor is regulation performance measured or in many cases policed. We believe it would be sensible to have less regulation that is better monitored for performance against policy objectives, and better policed. As it stands today much regulation causes unnecessary monetary and time losses in enterprises that are more likely to ‘do the right thing’ anyway and enterprises that are unethical are not complying with regulation anyway.
- We strongly suggest that government undergo a whole of government review of all regulation effectiveness, practice efficiency, and service delivery to identify internal efficiencies and service culture that can save the agricultural sector significant input costs but also contribute to innovation that improves production and profitability of the Australian food chain and export opportunities. It is important that the review be conducted by external providers as asking bureaucracy to review bureaucracy has not worked well to date.
- Agriculture and particularly Northern Australia is under-represented in current mainstream decision making arrangements, thus any decisions made need to strongly integrate with the huge wealth of applied knowledge in local communities and landowners to reduce risks and maximise practical achievable opportunities. Governance practice, public investment, policy and innovation that embrace local communities in decisions with government are essential for practical and sustainable development investment. Integrating life experience within government will help develop a ‘fit for purpose’ approach rather than blanket nation or state wide approaches that are often perverse and have unintended outcomes.

8. Enhancing agricultural exports

Questions for consideration:

- *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?*

- *See points above in all sections address the questions.*

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

Questions for consideration:

- *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?*

- The current agricultural sector needs to maintain 457 and 119 visas until skill and human resource supply in rural and remote regions improves.