



Submission to the Agricultural Competitiveness Issues Paper

April 2014

Regional Development Australia Sydney brings together people and information to advance sustainable economic development and social equity for the whole of Sydney region.

Regional Development Australia, Sydney (RDA Sydney) welcomes the opportunity to comment on the *Agricultural Competitiveness Issues Paper* issued by the Australian Government.

RDA Sydney is a COAG initiated partnership between the Australian and State governments created to strengthen communities. It is part of a national network of 55 RDA committees made up of local leaders representing government, business, community groups and other key regional stakeholders, to provide targeted advice to government on key issues affecting the economic development of the Sydney region.

For some time now RDA Sydney has been working with all levels of government, industry groups, business, research and development, education organizations and community representatives to identify needs and opportunities in targeted areas and facilitate the development of new ideas, projects and initiatives across all Sydney regions.

We progress agendas through the establishment of, or the participation in interest groups, round-table discussions and leadership networks.

The *White Paper's* objectives align closely with many of our goals. Agriculture is an important strategic focus of RDA Sydney, particularly the protection and maintenance of peri-urban agricultural land.

RDA Sydney has been an integral part of the Agricultural Reference Group, which represents agricultural industries in the Sydney basin and advises the NSW Government on matters related to agricultural production and planning.

In an effort to revive the sector and increase agricultural output, RDA Sydney, in conjunction with the Agricultural Reference Group, has conducted a scoping study to look at opportunities to build a consistent food brand (Sydney Harvest) for Sydney's growers, and provide whole-of-value-chain benefits to all players through this unified brand. The steering committee is in the process of implementing some of the recommendations of the report.

We are aware that the White Paper's focus is mostly on broadacre agriculture, the comments enclosed relate to both peri-urban agriculture and broadacre agriculture, as both forms of agriculture share similar challenges.

In this submission RDA Sydney has focused on specific issues on questions with particular relevance to the work of RDA Sydney and the Agricultural Reference Group for Greater Sydney.

Issue 1: Ensuring food security in Australia and globally

RDA Sydney agrees with the *Issues Paper* about the importance of achieving food security through the creation of a stronger and more competitive agriculture sector.

The world's population will grow to 9 billion by 2050. According to the UN Food and Agriculture Organisation (FAO), this growth will be exacerbated by a falling ratio of arable land to population. A 70 per cent increase in global agricultural production will be needed to feed the growing population with much of that increase demand coming from our region. Australia will be in a good position to supply food products to world markets.

Much of the population and incomes growth will take place in emerging economies in Asia. The growing middle class demand for quality food products could be supplied by Australian agribusinesses. According to FAO, Asia also accounts for more than 60 percent of the undernourished people in the world.

Great potential exists not only for food exports, but also for exports of agricultural technology, services and expertise in land management, marketing, business, financial and other consulting services.

While Australia is well placed to meet some of this higher demand, the ability of the sector to do so will depend on maintaining competitiveness and productivity growth relative to competitors for those export markets.

Australia should therefore **explore opportunities to expand agricultural production** develop new agribusiness opportunities and improve the agricultural sector by:

- Encouraging investment and foreign investment in agricultural enterprises and agrifood businesses which will contribute to sector growth, competitiveness and profitability.
- Improving access to Asian markets for agrifood exports through improved government support to agricultural firms, bilateral and multilateral trade negotiations and other cooperative activities that have the potential to yield benefits.
- Investing in the development and improvement of agricultural technology, processes and best practice.
- Converting previously undeveloped sites to agriculture for intensive production of green houses which can produce more with less water, particularly around big cities.
- Promoting the use of government-owned land for agriculture, where appropriate - leasehold options on crown land.
- Addressing environmental problems (irrigation, drylands salinity, soil erosion, soil acidity, water quality, etc) while encouraging a shift towards farming practices, which promote resilience in the farm sector in the face of climate change. Farmers are the custodians of 61 per cent of Australia's land mass.
- Understanding the potential for collaboration, the sharing of equipment and technology for efficiency improvements in harvesting or other tasks as well as marketing.
- Investing additional resources in R&D, to improve innovation, productivity, environmental sustainability and the use of existing and new technologies.

Protecting peri-urban agriculture to increase food security

In order to create sustainable cities it is essential that a substantial amount of agricultural production takes place in close proximity to major cities to ensure food security. Let's not forget that if a natural disaster strikes, Sydney's fresh food reserves have only two days worth of consumption (based on the through put of the Flemington market). Peri-urban agriculture also ensures freshness, reduces carbon foot print and does increase agricultural output.

It is crucial the *White Paper* also considers peri-urban agriculture.

Peri-urban agriculture in Sydney constitutes an important economic asset worth \$1.5 billion to the NSW economy and provides 22,000 jobs in primary production and food processing.

RDA Sydney is concerned that agricultural land is being lost to urban sprawl, and that if no action is taken, peri-urban agriculture will gradually disappear or will be constrained to sites for urban development.

On the other hand, Australia's major cities are growing fast. While Sydney's population, at current growth rates, is expected to reach 6.2 million by 2051, the number of vegetable farms in the Sydney region could fall by more than 50 per cent, and the area devoted to greenhouse vegetables could decline by as much as 60 per cent, according to the latest research conducted by P. Malcolm and R Fahr. According to the report, agricultural areas are shrinking rapidly, even in those furthest away from Sydney. The loss may have profound impacts on food security, levels of food production, transport, food prices, and the quality of perishable products.

Protecting peri-agricultural land can be enhanced by:

- Mapping of land use data to inform planning authorities on current and potential agriculture production land.
- An integrated approach to long-term planning, using stronger regulatory land-use planning tools and practices, capable of exerting a significant influence on the integrated planning, including protection of landscapes and biodiversity and the retention of agriculture.
- Using public-owned land for agricultural purposes, when appropriate.
- Allocating government resources, incentives and programs to assist growers.
- Drafting legislation to protect agriculture from conflicting and competing land use, using buffer zones of natural bush land around agricultural areas in order to lower conflicts with neighbouring non-farming residents.
- Encouraging consolidation and greenfield development in cities accommodating much more production using intensive agriculture.
- Creating agricultural parks to allow farmers with land to grow a diverse range of products and eliminate conflicts related to noise, smells, dust, etc with other lifestyle farmers. These will also prevent developers from purchasing large parcels of viable land, with a view of spot rezoning for

residential or industrial purposes, which currently tend to neutralize productive lands and create uncertainty for the surrounding areas.

- Facilitating digital capacity building and energy efficiencies for the sector.
- Research the initiatives taken by other countries to protect peri-agricultural lands.

Farm businesses, food manufacturers and the retail sector can become **more responsive to domestic and global food demand by:**

- Develop through Austrade offices overseas market intelligence about cultural and economic food in agribusiness marketing opportunities.
- Enhancing farming business strategies and knowledge of supply chains using improved international and domestic customer-driven intelligence (particularly for farmers with limited resources which constitute about 55 per cent of Australian farms) for them to gain a better understanding of consumer markets, develop links to markets, understand how supply chains operate and the risks associated with business models. Access to timely, accurate, relevant information is crucial.
- Improving farmers' mastering of technology, in general and including digital technology. This would enable faster reactions to consumer demand. We recommend digital capability building that is customized for farmers, particularly small farmers, through training and mentoring.
- Investigating potential business structures that may enable small farmers to collaborate to meet the challenges associated with becoming successful suppliers in consumer-driven markets.
- Supporting small-scale farmers growing a diversity of produce, so they remain resilient in a changing environment and less vulnerable to climate change risks, price shifts and market fluctuations.

Issue 2: Farmer decisions for improving farm gate returns

Farmers require a clear understanding of the forces shaping agriculture and the direction the farm is going. While variability exists in terms of performance, farmers engaged in small-scale operations with limited resources need government assistance to improve farm gate returns due to the restriction of market access imposed by the major retailers.

The main constraints to farmers adopting alternative business structures, innovations or practices may lie on a lack of strategic planning, in some cases, geographical isolation and a lack of access to market intelligence also exacerbates the constraints.

Australian agriculture is dominated by small-scale farmers, (according to the *2011 Agricultural Census*, 55 per cent are small farms that had an estimated value of agricultural operations of less than \$100,000) who are time poor.

These farms are usually managed by owners who also work on the land, and lack the time to manage the business in the face of daily pressures. This is the case with peri-urban farmers as well, as the pilot project implemented by RDA Sydney and the Sydney Agricultural Reference Group showed, most

farmers were focused on the operation (production) but not so much on the marketing, sales and management, which in many cases these tasks are not understood well enough for them to adopt alternate direct marketing initiatives.

For businesses to survive farmers need to acquire sound financial and risk management skills, marketing knowledge and sound land and water management practices. Success may require farmers to change their financial strategies, structures or make changes to the business or other adjustments before it is not too late.

Strategic planning and its application to the farming business will improve farm gate returns.

Government could provide tailored assistance programs for small and medium scale farmers by:

- Delivering training and mentoring in strategic planning skills and techniques, analysis and reviews, marketing, supply chain, financial organization and structure and management and collaboration in production, transport and marketing.
- Improving industry coordination and having in place consistent business land planning and development regulations.
- Having planning frameworks in place that ensure certainty of land tenure.
- Assistance in the adoption of new technologies.
- Building ICT capability.
- Improving the use of available technologies and management practices.
- Intensifying production to improve productivity and encouraging close integration in the agri-food chains. Integrate production and marketing systems.
- Developing a strategy to capture, evaluate and disseminate the range of farmer driven innovation that has the potential to increase the resilience and productivity of farm enterprises.
- Reducing impediments to growth for exporters in agricultural trade arising from the agricultural support policies of many competitor countries.

RDA Sydney's pilot project showed that farming for fruit and vegetables is becoming increasingly difficult for small-scale farmers, as costs and competition increase, and the opportunities for farmers to recover those costs are reducing because of increasing changes in the markets they operate.

There is currently a virtual retail duopoly (Coles and Woolworths) whose proposition to consumers is about low price. Given the large scale of their operations, their market power tends to dominate the price drivers in the supply chain, and the value perceptions of consumers.

Small growers cannot supply to these supermarkets, so they need government assistance to allow farmers greater control and choice in the management and marketing of their input.

In terms of drought preparedness, having a drought management plan in place will help, as well as a risk management strategy, but most importantly, avoiding drought-prone areas is also important. For instance the Eastern seaboard of NSW is less prone to drought due to coastal influences and should be priority for agriculture so as to ensure food security. Best practice should be that drought-prone areas are not relied on as key production areas.

While funding for farmers that are experiencing financial hardship is appropriate, incentives need to be made available for farmers to either adjust to changes, or exit farming, household support while important, encouraging self resilience and preparedness in managing productions and climate risks is crucial.

Issue 3: Enhancing access to finance

How do we better attract private capital into farm investment?

Encourage the development of schemes such as:

- Agricultural land can be a key for **Bio banking** and Diversity Off-sets schemes –these schemes could be expanded to enable agriculture banking or agriculture off-sets.
- Trading of **farming (rights) land** use consent is an example which has been used to maintain the remnant productive agricultural land while allowing for development on the less useful land on a property or at target areas within the local government area.
- **Small-Scale Agriculture Enterprise Credit (AEC) Schemes** for peri-urban agriculture. The scheme rewards owners of heritage buildings who undertake building restoration with floor space credits that are banked and subsequently purchased by developers to intensify already approved developments. Developers take up the credits and a market for them develops. The AEC rewards existing food production in metropolitan rural areas, by providing the farmer with bankable square-meter credits, based on the amount of food produced in any year. These square-meter credits will then be purchased by developers and used to intensify already approved developments by a set rate and in targeted areas only.

The AEC scheme provides extra income for existing farmers, encouraging them to remain in farming. It promotes agriculture in the metropolitan rural areas to owners of non-productive land, to bring that land into production and thereby gain credits to promote more agricultural investment in the metropolitan rural areas.

Developers have an incentive to participate, as the use of AECs allows an intensification of any project up to a set maximum (set by government) thereby increasing developer profit (as all fixed project costs have already been met).

Once the scheme is up, ongoing cost will be met by the scheme through administration charges to purchasers of the credits, thereby providing assistance to food producers in the rural area at no cost to government.

Possible target areas for the AEC scheme could be urban renewal areas, commercial, industrial and even Greenfield residential development sites. Intensification percentages could be set for each areas; thus limiting the amounts of square-meter credits to each site.

Issue 4: Increasing the competitiveness of the agriculture 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?

We recommend increasing competitiveness across agricultural food supply chains by addressing the major distortion in the market due to the influence of major retailers such as Coles and Woolworths. Use the ACC to investigate potential breaches and abuse of market power along the supply chains preventing alternative offerings.

In addition to changing legislation, we also recommend to:

- Actively promote local produce and influencing buyer behavior through marketing *locally grown* labeling specifying where produce is grown at regional scale.
- Provide incentives for farmers to introduce best practice in agricultural production and supply chain, learning from successful, bigger farming operations.
- Diversify marketing options: collaborative industry indicatives, local food labeling.
- Improve industry coordination and engagement with industry operators across regions.
- Invest in targeted R&D to identify alternate supply chain solutions to address market power imbalances.
- Policies to address the fragmentation of the sector which does not have a unified voice with which to defend their interests. Better integration of regional and local organizations into the overall response to the issues affecting agriculture.
- Comparable incentives/tax rates for Australian-based agri-business directly competing with a non-Australian international agri-business importer.

Issue 5: Enhancing agriculture's contribution to regional communities

Key observations of the sector:

Background information:

Scale:

- The *2010-11 Agricultural Census* found there were 135,000 farm businesses across Australia (with 157,000 farmers) - 55 per cent of these are small farms that had an estimated value of agricultural operations of less than \$100,000. There was however a small number (7,700, or 6 per cent) of large farms with estimated operations in excess of \$1 million.
- According to ABS data, the value of agricultural production was estimated at \$46 billion with the value added by the agricultural industry accounting for 2.4 per cent of GDP.
- It is concerning that the number of farms has been declining for many decades. According to ABS data there were 19,700 fewer farmers in Australia in 2011 than in 2006 - a fall of 11 per cent over five years. Over the 30 years to 2011, the number of farms declined by 106,200 (40

percent) equating to an average of 294 every month over that period.

Employment and characteristics of the sector:

- Australian agriculture is a dominant employer in regional communities. In 2010-11 there were 307,000 people employed. The complete agricultural supply chain, including affiliated food and fibre industries, provide over \$1.6 million jobs to the Australian economy.
- Agriculture employs a high proportion of self-employed (family operated farms) and casual workers. It has an ageing workforce, receiving low wages, working longer hours than people in other occupations, with low rate of post-school qualifications. According to ABS data over the three decades to 2011 for instance, the proportion of Australian farmers with non-school qualifications more than doubled from 15 per cent to 38 per cent. Yet, as farms systems become more complex, farmers will need more advanced skills to better manage risks and identify and apply new technologies.
- The education system will need to develop flexible, adequate training for this cohort.

Skills shortages:

- According to ABARES, labour availability is an issue for many agricultural industries. Labour and skills shortages have been identified. Demand for professional skilled farm labour will increase in the future.

Attracting young people to agriculture:

According to ABS data, not only is the agriculture workforce older than the workforce in general but the average age of farmers has increased significantly in the last three decades. Without an injection of young workers in the farming workforce, there will be an inevitable loss of productivity and the survival of the sector will be in doubt. The challenges associated with attracting the next generation of farmers are great.

An increase in the number of people entering the farming sector as farmers, agricultural professional and service providers is urgently needed to improve and maintain productivity and develop vibrant rural communities, according to report on Regional Agriculture published by the Royal Melbourne Institute of Technology (RMIT).

Young people are reluctant to go into a business that is perceived less rewarding, that involves physical hard work, market volatility, little certainty, economic pressures and few opportunities for advancement as well as the social isolation of farm work and lack of connections. In some cases parents discourage children from taking over the farm.

The need to regenerate rural communities:

In order to attract young people to rural regions, a broader strategy might be needed to regenerate, populate and diversify targeted rural communities, build human capital and improve labour availability

through:

- Identifying the specific competitive strengths and opportunities for the particular region
- Building on existing social and economic infrastructure and develop a business case for expansion.
- Incentives for people to go back to rural regions through tax breaks, salary packages, business start ups, attractive salary packages, housing, etc.
- Continuing access of temporary and permanent migrant workers. The National Farmers Federation has highlighted the need for incentives for migrants to settle in rural areas.
- Migration programs that involve regional settlement including newly arrived special humanitarian entrants and refugees, as well as Skilled Migration with qualifications and experience in agriculture and related fields: agronomy, environmental science, finance, veterinary science, civil engineering, animal husbandry professionals, soil scientists, farm managers.
- Improving arrangements to access to temporary and permanent overseas labour through a variety of programs and visa arrangements.
- Networking opportunities and amenity for newly arrived settlers to prevent displacement and build community networks.

Attracting young people may require a number of policies and programs that include:

- State and federal programs and incentives (grants, loans, tax breaks) to address the capital and management barriers young people experience in entering the sector.
- Loans for beginning young farmers and assistance to deal with the legal and financial complexities in transferring ownership.
- Improving the image of the agriculture and its perceived potential for “life balance” to make it attractive to young people, so that they perceive agriculture as a business, an economic enabler, rather than as life style, showing the benefits and potential of an agricultural career. Publicity campaigns could be developed designed along the lines of those used by the Australian Defence Force and STEM.
- Introducing agriculture in primary and high schools, as part of science and economics, presenting it as a diverse, multi-faceted and interesting career.
- Well-planned and well managed work experience placements on farms for school students to enable them to better engage with on-the-ground farmers and farming activities, at different levels.
- More innovative ways of providing learning opportunities for young people in farms – mentoring, online courses and blended learning approaches with real time components.
- Career paths in agriculture that are flexible offering pathways to agronomy and environmental studies and other related fields with career progression.
- Networking opportunities, mentoring and support for young farmers.

The price of land is too inaccessible for young people. The impact of foreign ownership of Australian

farm lands has the potential to lift the cost of land, making it even harder for young farmers or those wanting to move to the regions.

Issue 7: Reducing ineffective regulations

The purpose of regulation in agriculture should be to improve outcomes and enable innovation.

Reducing unnecessary regulatory burdens and export marketing regulations inconsistencies in legislation across each state is likely to benefit particularly:

- Rural businesses operating in several states.
- Farmers attempting to connect directly with international markets.
- The development of farmer initiated collaborative business.
- Training on international countries market regulations (where appropriate), and regularly consulting with stakeholders on regulatory processes, is important, as is allowing organizations and individuals to provide feedback to government on regulation directly affecting them and their businesses.

Access to mining and coal seam gas where it conflicts with agricultural growth should be avoided.

Extracting opportunities need to take place away from prime agricultural land. Farming productivity value should be assessed prior to issuing mining or prospecting licenses to avoid loss of prime agricultural land and disruption of agricultural production.

Planning regulations are a constraint for the peri-urban agriculture. We recommend:

- Agricultural lands taskforces for major cities are recommended to advice governments on strategies, to secure appropriate land for agricultural purposes around the major cities and about additional infrastructure support to sustain agriculture.
- The development of agricultural strategies within the Metro Strategies to protect both agricultural land and agricultural activities. Maps of existing use and potential intensive future use need to be developed alongside major residential and industrial growth centres.
- Targeted use of public-owned land for agriculture needs to be encouraged when appropriate Government policies are needed to retain lands of high strategic importance to agriculture for current and future agricultural use. Consolidation e intensification should be encouraged in targeted locations within appropriate riparian growth corridors. Provisions are needed to enable growth through, for example, the identification of critical locations or resources and priority access to those resources.
- Sufficient provisions are needed to continue existing agricultural activities, while these activities need to be compliant with appropriate legislation and local plans, and must manage the impacts to the farm boundary; appropriate mechanisms need to be developed to avoid pressure for land use change arising from unreasonable nuisance complaints.
- Re-zoning land from agriculture use needs to be done through a full cost-benefit process and must provide sufficient lead time to transition. Where possible, there should be identification of

“receiving lands”, that is, a new location with appropriate resources, infrastructure and longer term tenure.

- Sufficient provisions are needed so that agriculture is not impacted by the externalities of other industries.
- Consistency in the application of planning regulation across the state –development approval (DA) process and standards. DAs need to be standardised across all LGAs. In previous years and across many rural industries, similar developments have had to sustain differing interpretations and have had many different conditions put on them, leading to confusion and extra costs. Similar DAs allowed in one area, were refused in others.

Streamlining will allow a farmer whose land has been taken up for urban expansion in one area, to confidently move to another locality, with a similar zoning within the Metro Rural area and continue that operation with certainty.

- Recognition that competition for agricultural lands/resources from other land uses, such as coal seam gas in the Sydney Water Catchment area do vary, and as a result, there is a need for ‘tailoring’ of approaches in order to better balance these competing demands.
- Legislated protection for Standard Agricultural Practice (SAPs) in appropriately zoned areas, or pre-existing agricultural enterprises where urban encroachment has occurred, should be enacted. Laws protecting SAP in farming would eliminate conflicts with non-farming residents and would provide certainty for agriculture.

8. Enhancing agricultural exports

How can industries and government respond to the key challenges and opportunities to increase or enhance exports?

At a global supply level: farmers operate in volatile globalised commodity markets often competing against heavily subsidized producers in Europe and North America. According to ABARES the level of agricultural producer support is currently the second lowest in the OECD area at 3 per cent of gross farm receipts. Let’s not forget that worldwide agriculture continues to be most highly protected sector. We believe the Australian Government has a crucial role in facilitating the provision of information that would not otherwise be available:

- Providing better access to markets through reduction in tariff barriers in any trade agreement negotiated, e.g. such as the recent free trade agreements between Australia and Japan, South Korea and China.
- Develop bi-lateral and multi-lateral trade agreements (that are transparent and include the economic modeling in which they are based) with other key countries, also policies for international collaboration.

- Improving farmers' business strategies with better international and domestic customer-driven intelligence: increasing ongoing fact-finding business investigations into global markets and competitors' countries by government overseas outposts (attaché corps).
- Timely online information to Australian farmers and agribusiness.
- Provide concessions in the agricultural sectors for Australian farmers who have been disadvantaged in the free trade agreements.
- Increase market access and demand outside of free trade agreements through consumer targeted collaboration R&D along the supply chain between industry and research groups.
- Support additional EDMG grants that enable farmers and agribusinesses to visit the international market place to gather key business information (international trade fairs, visits to key companies etc), business matching, network facilitation.
- Competitive assessments of farm sectors through international benchmarking, (tracking trends in competitor countries in foreign governments' fiscal support and tax regimes, use of technology and an assessing of how and in what way international agribusiness and value chains abroad are evolving).
- Provide additional assistance through EDMG grants for group collaboration to market products to Asia.
- Review taxes, costs and charges that might decrease competitiveness, reduce unnecessary red tape. Negotiate trade barriers and reducing impediments to growth in agricultural trade through support policies and programs.
- Future agricultural productivity growth will depend on the capacity of rural R&D systems with on and off farm production focus to supply innovations to a diverse sector. Encourage an effective agricultural innovation system through R&D and R&D produced abroad with public and private funding.
- Use Austrade and international trade posts, agricultural and food expos and conferences to promote opportunities for investment in agricultural and agribusiness.
- Promote opportunities for investment in agriculture and agribusiness.

Fund research to identify the many examples of overseas approaches used to improve agricultural competitiveness that could easily have relevance for Australia, for example:

- Collaborative business structures that have been used successfully by overseas farmer groups.
- Financing new business models similar to for example the *New General Coop* in the US used primarily in the value added processing of agricultural commodities for producers interested in collectively adding value to their commodities.
(usaskstudies.coop/pdf-files/What%20Are%20NGCs%3F.pdf)

In conclusion: to improve Australia's agriculture sector productivity, farm infrastructure systems need to provide efficiencies to accommodate a growing food sector, while reducing food production costs to compete within the global market place.

