

Agricultural Competitiveness White Paper Submission - IP338
Shire of Yilgarn
Submitted 16 April 2014



SHIRE OF YILGARN

Agricultural Competitiveness Issues Paper Submission

April 2014



Submission from the Shire of Yilgarn

Po Box 86, Southern Cross WA 6426

The Shire's Background

The Shire of Yilgarn is located in Western Australia's Eastern Wheatbelt, 370 kms from the Perth metropolitan area. Our Shire covers 30,720 square kilometres, which compares to approximately half of the size of the State of Tasmania, and is almost the same land mass area as the whole of The Netherlands. The Shire has a population of approximately 1,600 people, however it serves well over 3,200 people due to the resources industry in the Shire and the fly in fly out / drive in drive out nature of work. The Shire is well known as the Gateway between the Wheatbelt and the Goldfields.

The town of Southern Cross is the main centre, and houses the administration of the Shire, however, there are numerous other smaller townsites throughout the Shire, including, Bodallin, Bullfinch, Ghooli, Koolyanobbing, Marvel Loch, Moorine Rock, Mt Hampton and Yellowdine.

Distance to Perth and the regional centres of Kalgoorlie and Merredin is one of our biggest challenges and this challenge is often at the forefront of decisions made by our Council and many primary producers within our district.

Agricultural production and mining activities are the main primary industries for the Shire. Council and farming groups within the Yilgarn district have been very proactive in supporting the agriculture industry by:

1. The *Skeleton Weed Committee* - who with the assistance of DAFWA has developed a program to eradicate Skeleton Weed throughout our district,
2. The *Bodallin Catchment Group* – brings farming owners together to discuss farming matters, crop updates, crop trials, and encourages farmers to up skill and try innovative farming techniques.
3. The *Shire of Yilgarn Council* - advocates on behalf of the farming community for better outcomes in the agriculture sector.

The Council's Vision

"A strong, vibrant and progressive Shire that retains strength in its communities by way of continual promotion of agriculture and mining as the Shire's major industries and an added focus on tourism to ensure that a robust economic and social base is retain for all residents"

White Paper Working Group

The Shire of Yilgarn Council has invited proactive members of the Agriculture sector to be part of the White Paper Working Group due to their involvement in the Agriculture industry and continual efforts towards providing better outcomes for the whole sector.

Attendees:

Cr Onida Truran	Business Owner / Shire President
Cr Wayne Della Bosca	Farmer / Deputy Shire President
Cr Julie Della Bosca	Farmer / Councillor
Cr Gary Guerini	Farmer / Councillor
Cr Kim Crisp	Business Owner / Councillor
Cr Bryan Close	Business Operator / Councillor
Mr Clint Della Bosca	Farmer / Bodallin Catchment Group Executive Committee
Mr Brad Auld	Farmer / Bodallin Catchment Group Executive Committee
Mr Ron Burro	Farmer / Bodallin Catchment Group Committee Member
Ms Vivienne Piccoli	Chief Executive Officer

Issue 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?

No Comment

- 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?
 - The farm businesses need to work within the market places and help with quality discovery but also find the best fit and use for product readily grown.
- Do farmers have access to timely, relevant and accurate information to fully inform production decisions to meet domestic and global food demands?
 - Unfortunately, the information doesn't come out in a timely fashion or at times isn't accurate, which makes it difficult for farmers to make informed decisions. For example; weather information can be inaccurate and a planting program depends on accurate long term forecasts. Market prices vary considerably and having an insight into this information as it changes can make a difference in profitability.
 - More R & D information shared with the farming community; for examples; more information can be released on Calingary wheat and how to use this product effectively.
- What opportunities exist for exporting Australian agricultural technology, marketing skills and expertise to improve global food security outcomes?
 - Australia's Wheat milling expertise is an area we need to export and import the skills to manage this market.
 - There needs to be international standards that competing countries need to conform to otherwise the agriculture product quality is questionable. For example; Brazil has a live export market offering very competitive prices, which Australia cannot compete against due to our regulations and input costs. Then you find in recent times that their live trade has been found with foot and mouth disease.
 - Australia needs to produce / manufacture more within our Country as this increases jobs in our Nation and reduces input costs to farmers and the quality and standards are kept at an acceptable level. For example, currently farmers are having to buy machinery overseas and pay import taxes related to this purchase.

Issue 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?

Drivers:

- Achieving economies of scale without the financial risk.
- Achieving the diversification of skills and expertise and enterprise.
- Developing synergies with likeminded people (farming / businesses) with the will to achieve a common goal.
- Farming groups working together to develop innovative ideas through R & D.

Constraints:

- Legal restraints
 - Little Government financial support for Farming groups to work together to develop innovative ideas through R & D.
- What tools, skills and advice do farmers need to effectively adapt and respond to the risks they face?

Advice:

- One of the major risks faced in farming is the lack of rain or impending frost, having more accurate weather forecasting advice would be beneficial.
- There is much variability between financing companies and banks in relation to Agribusiness. By having an independent body that can advise Farmers on competitive loan rates, incentives, and other matters would be beneficial. This support would assist farmers to review their financial situation regularly and ensure they are receiving the most competitive and beneficial deals, which would go a long way to sustaining a viable business.
- An independent body that can inform farmers of the Grain Market and ongoing fluctuations in price. Being aware of the changes in market price will assist farmers in getting the best price for their crops.

Skills:

1. The local farming group (Bodallin Catchment Group) brings farming owners together to discuss farming matters, crop updates, crop trials, and encourages farmers to up skill and try innovative farming techniques, having Government funding support for local groups such as these would be beneficial and can support further R&D and a more innovative way forward in farming.
- What alternative actions or measures by governments, farmers or others would result in improved financial performance at the farm gate?

Actions:

2. A review of the current tax system, the removal of taxes relating to inputs e.g. fuel, transfer fees and stamp duty on vehicles / machinery. Or alternatively, a reduced taxing structure be put into place for farming businesses which reduces the overall cost burden.
3. The government consider re-structuring the tax system to allow farming businesses to only pay taxes if a profit is made in any one year, not where in the current system there are so many taxes applied to agriculture industry it is difficult to obtain a profit.
4. For Government to gain a better understanding of farming / Agriculture industry and realise and value the market in the Australian economy.

Measures:

- That a watchdog be put into place to keep the financing / Banking companies honest.
- That the licencing processes needs to be less cumbersome for Farm vehicles i.e. permits are only given for 3 months and then you need to re-apply again for harvest vehicle use. A different structure where permits are for 6 months and times can be designated.

- **What approaches could be used to encourage improved drought preparedness?**
 - Innovation in water technologies
 - For those farmers that don't have debt – a scheme where there are advantages for farmers to put money in savings e.g high interest returns on investments.
 - For those farmers who have debt – an offer of tax incentives to encourage farmers to pay off debt sooner.
 - Farmers growing salt bush
 - Storing fodder when cheap and available.
 - Tax incentives to harvest water.

- **During drought, what measures are most effective in supporting long term resilience?**
 - Having a Government mechanism in place in which drought is identified based on certain criteria, and those affected areas are provided with support by way of:
 - Subsidised freight rates to get fodder for stock to the area.
 - Subsidised / Free fodder during difficult times.
 - Subsidised water for stock
 - Being able to retain stock on the land and not having to have them freighted elsewhere and pay for agistment.
 - Fast and responsive decision made by Government in the declaration of drought in an affected area, so that cost reduction can be achieved.
 - A central Government website that provides information that farmers can access, that advises where subsidised fodder can be sourced from and the prices in subregional groupings. Equally, those farmers that are in a position to give away free hay etc they can advertise this on the website and the conditions relating to the purchase or transfer of fodder.

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

Attract new farmers:

- The youth of the district to get involved in the science of agriculture through their school activities, bring this course into the education curriculum of rural communities.
- Agriculture needs to be seen as a profitable industry.

How can they succeed

- There needs to be a worldwide level playing field, other countries with little food standards and low labour costs are producing food / grain / stock that is imported into Australia at less costs making Australian grown markets less competitive.
- Put the profit back into the bottom line.
- Creating cheap investment pathways and abolishing stamp duty and hidden tax on business investments.
- Bring back the Rural Land Trust (Land Bank) that offer reduced interest loan rates to farmers e.g. interest rates reserve bank +2% and long term loans.
- Reduced import royalties on Agriculture supplies and machinery.

Issue 3 - Enhancing access to finance

- **How do we better attract private capital into farm investment?**
 - Encourage Superannuation investment in Agriculture industry.
 - Have alternative finance methods e.g. first crop income goes towards paying for fertiliser costs.

- **What examples are there of innovative financing models that could be used across the industry?**
 - Farm Managed Deposits (FMD's) can be increased from current \$400,000 per partner to a more equitable model. If there is four partners on a farm FMD's can be up to \$1.6M in comparison.
 - The development of an Australian futures exchange.
 - We need a cost effective banking system that can provide affordable finance.

- **What would encourage uptake of new financing models?**
 - More competitive financing market with lower interest rates and long term secure loans. Currently with Agriculture finance, long term loans are not given and risk margins are adjusted annually.

- **What alternative business structures could be developed for farming that also retains ownership with farm families?**
 - Collaborative farming – where by families still own the land and work the land by joining with other families to make bigger, stronger viable Agriculture companies. Each family leases land to the Agriculture company and there is the sharing of Machinery resources and labour, leading to economies of scale.

- **How can foreign investment best contribute to the financing and productivity growth of Australian agriculture?**
 - Foreign Investment – There are definite positives in foreign investment if the government ensures that control measures are in place that the advantages out way the disadvantages.
 - The rural Land needs to remain Australian owned.

Issue 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?**

No Comment

- **How can the agriculture sector improve its competitiveness relative to other sectors in the economy?**
 - By strengthening the control of the agriculture industry, increasing transparency, thus decreasing the ability for minorities to disable the industry. For example; government intervention in stopping the export of cattle.

- Which examples of overseas approaches to improving agricultural competitiveness have relevance for Australia?

No Comment

Issue 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?
 - There is a smaller pool of employees and suppliers for the agriculture sector in remote rural towns.
 - There is a decrease in availability of parts and supplies.
 - The social impact on small remote communities is evident with the shift of population to regional centres and the city. For example, less volunteers to provide necessary emergency services in remote towns (Bushfire Brigades), less social interaction with families with children moving the cities for education etc.
 - Reduced services in remote townships due to reduced populations e.g. we are in jeopardy of losing one of our local schools due to poor student numbers.
 - Difficult access to schooling and health services.
- How can the agriculture sector best contribute to growth in jobs and boost investment in regional communities, including indigenous communities?
 - If there is an increase in Farming profitability, then there will be an increase in the ability to employ more people.
 - Support Traineeships in Agriculture Studies and youth to work on farms.
- 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?
 - Return the agriculture sector to profitability
 - Provide a relocation assistance incentive to encourage families to re-locate to rural communities for work.
 - Assist with the provision of accommodation for farming employees.
 - Reduce the "Red Tap" relating to farming Employer's obligations so that it becomes viable to employ farm hands.
- How do we attract the next generation of farmers?
 - We need to increase the profile and profitability of the farming sector.
 - The Agriculture sector needs to be valued as an important part of Australia's economy by State and Federal Government. Government departments need to stop making decisions in Agriculture without consultation with farming groups, people who are experts in their field.
 - Provide suitable training for the next generation; for example having an Agriculture degree that covers also a fast track of a trade so that farmers finish their education with an Ag Degree and a trade giving them diversification in their farming business, and also the certification to work off the land if required.
 - There is a lack of education recognition for farmers, so when there is a change in employment there is no proof of prior learning.
 - There needs to be recognition of prior experience and learning pathways.

Issue 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?**
 - There should be better use of available resources and infrastructure. For example the CBH Wheat train returns to the region empty, why can't lime or fertiliser be brought back on the train to reduce input costs?

- **What skills including specialised skills and training, will be required in the future and how can these be delivered and uptake encouraged?**
 - Today's farmers need to have a very diversified skill set, and developing a more sound Ag Degree that is trade based will assist with this diversification.
 - Provide training through E Learning, so that all farmers can access education no matter their location. This training should cover all aspects of a farming business e.g financial management, development of yearly programs, time management skills, scenario planning (weather contingency), R & D, understanding markets, use of changing technologies etc.

- **How can we attract workers to agriculture – particularly in remote areas?**
 - By providing a good lifestyle in regional country towns; the provision of quality education, health and recreation of an acceptable standard.
 - By providing tax incentives that relate to below 26 Parallel.
 - By offering accreditation for prior learning.
 - By offering competitive wages.
 - By assisting Local Governments in providing suitable recreation and social facilities in regional towns through the continuation of Royalties for Regions Country Local Government Fund Individual and Regional allocations.
 - For Farmers to offer career progression within the farming business.

- **How can we promote career pathways for the agriculture sector, including models to enable younger farm workers to gain broader industry experience?**
 - By developing a framework for a recognised qualification to be broadly valued outside of the farming industry.
 - Through succession planning
 - Through developing an apprenticeship for the agriculture sector which involves cross employment on different farms in the region.

- **How can rural industries and governments better identify, prioritise and fund research, development and extension?**
 - Research cannot only be done by private enterprise, as discovery is not always profitable.
 - R&D is an area that the Department of Agriculture should take the lead in and have synergies with farming groups to assist with these projects, and the benefits shared with the farming community.
 - There needs to be an independent body undertaking relevant checks on technologies before they are broadly taken up.

- **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?**
 - There should be Government investment into a Railway line from the mid-west to a Geraldton port. This rail system should be used for import and exports relating to the agriculture sector, and current exports from Fremantle should discontinue.
 - Better planning of Agriculture / Farming infrastructure; for example, the sale yards should be in the same location as the abattoirs.
 - Farmers and Local Governments support grain being kept on rail and kept off the road due to; additional maintenance to Council Roads and related costs being shifted to LG, a high level of risk to other drivers with additional truck movements on roads.
 - State Government should fix critical tier three lines.
 - There should be a more cost effective supply chain from farm gate to the market place or port overall.

Issue 7 - Reducing ineffective regulations

- **How well do regulations affecting the industry meet their policy objectives?**
 - Fair Trade Agreements (FTA) are wonderful in theory, however when the agreement gives more benefits to one country than another, they tend to not work in practice.
 - The export supply schemes saw the close down of the live export trade in Australia.
 - ESCAS parameters are not realistic and too difficult to conform to.
 - The tax fuel credits have not increased over time in line with the increase in fuel costs.
- **What opportunities are there to reduce ineffective or inefficient regulation?**
 - Open up opportunities where farmers can clear rural land further and manage their resources on the farm so they can develop the land in line with changes in the climate. For example, do a trade-off of rural land for bushland that has more viable soil to grow crops.
 - Before regulations are considered there should be more consultation with the farming communities so that they can be part of the decision making.
 - Land clearing approvals should be made by a "Landcare Council" who are familiar with the district and decisions should be made on a case-by-case basis.
 - The re-enactment of the "Agriculture Consultative Committee" where there is a cross section on the committee e.g. Pastoral and Grazier representative, Financier, District Representative who meet with the Minister of Agriculture (Mr Ken Baston) to make important decisions on the sector. In particular, the declaration of drought in those districts / areas affected.
- **Which regulations are disproportionate to the risks they are supposed to address?**
 - ESCAS is over regulated.
 - Clearing regulations, especially with different rules apply to Mining companies.
 - Carbon Tax ends up being passed on to the Primary Producer e.g. Increase in transport costs adds to Agriculture industry input costs.
 - Import regulations are disproportionate e.g. car manufacturers are no longer in Australia and once again adds to the Agriculture industry input costs.

- The shifting of the responsibility of managing UCL land to rural land owners and local volunteers. For example; if there is a fire on UCL land it is up to the volunteer Bushfire Brigade to manage the response and most of these volunteers are farmers. Another example, is wild dog movement from UCL land onto rural land who are killing stock, the effects of this problem includes the cost of stock loss to the farmer and also the cost of dog control by employing a dogger to monitor and reduce the risk. The overall cost to effectively manage these issues currently falls back on the farmer and the Local Government.
- [How do we coordinate across governments to reduce regulations whose costs exceed their benefits?](#)
 - There should be a National approach to licencing and transport regulations, currently if you travel interstate you require several permits for each state.

Issue 8 - Enhancing agricultural exports

- [How can industries and government respond to the key challenges and opportunities to increase or enhance exports?](#)
 - Industries and government should be proactive not reactive. If we see a problem we should start working on a solution early, don't wait until it is unmanageable. For example, financing organisations should not allow 10 years of debt to mount without some intervention, there needs to be support for the farming business.
- [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?](#)

No Comment
- [How can engagement between industry and government on market access priorities for Australian agricultural products be improved, including to inform negotiations on FTAs?](#)
 - The Government needs to consult with the agriculture industry prior to FTA's being approved.
- [What changes could be made to biosecurity arrangements, both in Australia and in other countries, that would enhance global trade in agricultural products?](#)
 - The FTA's need to have included in the conditions the protocol for biosecurity for imports to Australia and equally exports from Australia.
 - There needs to be more work done on "paddock to plate", as there is money being made in the value chain, but not necessarily at the primary producer stage.
- [How do we provide the appropriate biosecurity controls at minimum cost?](#)
 - There should be a nationwide Biosecurity Department that is not controlled by the state DAF that is able to provide these services, that way the National Biosecurity Department can focus on Biosecurity and the individual State Departments of Agriculture can focus on providing support for the landholders and R & D.

Issue 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?
 - Department of Agriculture and Food (DAFWA) lacks the necessary funding to be effective, hence limiting necessary services that are required in the region. For example, funds to get involved in R & D to develop new innovation in the agriculture sector.

- 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?
 - The Visa system has been beneficial for the agriculture industry, but we feel that there needs to be additional visa conditions stating that the overseas employee needs to stay within the agriculture industry. What farmers are facing is that employees coming in on a visa stay 3-4 years on the farm and leave to go into other industries where they can earn more money e.g. Mining industry.
 - We find that there is too much red tape relating to the 457 visa system.
 - The government needs to develop website / or a system where farmers are made aware of the current programs and incentives which are available, so that they can take advantage of them.

- What have other countries done to inspire agricultural investment?
 - Canada has a realistic and fair road licencing system for farm vehicles.
 - Australian Government should be more proactive in valuing farming on an international scale. 2014 was the International Year of the family farm, unfortunately Australia was one of the last countries to sign up.
 - New Zealand taxes heavily on unleaded fuel, not diesel. This change in the taxing structure would reduce farming input costs.
 - New Zealand has made farming changes over the past years, where more farmers are farming Dairy instead of grain and sheep.

- What has Australia done in the past that has had best effect?
 - The Australian Wheat Board – the farmers used to own this organisation, since the organisations demise the price of wheat has reduced.
 - In the 60's, low interest loans were offered to primary industry.
 - The acceptable depreciation levels used for farm capital assets used to be 20% – 30%, depreciating assets quicker.

OTHER COMMENTS

Our Committee wanted to include in their submission an article written by Dr Graham Jacobs MLA State Member for Eyre which sums up the current Debt Crisis that farmers are finding themselves in in particular in the Yilgarn and Westonia District in the Wheatbelt in Western Australia (published 27th March 2014).

Debt Crisis in Farming

At the outset is important to say that although the State has had bumper season, with around 15 million tonnes of grain worth around \$4.5billion of export income, one good season does not eradicate all the financial stresses in farming and not all have had good season. The areas of Westonia and Yilgarn have continued to suffer as well as some of the northern Wheatbelt around Morawa, Mullewa and Chapman Valley. There was a large meeting of 1000 farmers in Merredin last year. Two hundred of those farmers filled out a questionnaire, and of those, 70 said they could not get enough finance to put in a full normal cropping programme in the 2013 season. Since there are 4400 grain growers in the state (20,000 25 years ago) by extrapolation (70x4) there are possibly nearly 300 that could not get sufficient finance.

The scenario of many farmers who have contacted my office over the last 12 months is a series of poor seasons, falling equity (as land values drop due to low production), rising debt equity ratios, assessed higher risk by banks and rising interest rates on any further advances - and these can be rates of up to 17%. This is driving many farms into non viability while the banks write down the value of their properties (and charge the farmer for the valuation which they, the banks initiate!). Very quickly the equity can drop to below 30 % and farms be considered unviable. Deeds of forbearance mandate a sell off, usually at fire sale levels, leaving very little for the exiting farmer. Many experts both in lending and in Agriculture tend to fall back on the thought that the lower 10 % of farmers should leave – mistakenly thinking they are inefficient or farming in the wrong area. Some 25 years ago or more the solution was to "get big or get out." This has now been shown to be a failed experiment as the cost pressures have escalated, and a high Aussie dollar continues to impact, with costs of up to \$250 per hectare to plant a crop. There is a big need to break this nexus and allow our "state of the art" dry land broad acre farmers to do what they do as well, while also ensuring our food security.

First there is the need for government to assist in an immediate sense by providing low interest loans (of around 4.5%), to historically viable farmers. It is important to state that this is not a bail out and does not need to apply to all of the industry and not necessarily all areas. There is some progress with 2 programmes using Federal funds implemented by State Governments. The first is the \$50 million over 2 years to enhance production with Concessional loans, up to \$200,000 per farmer, at 4.5%. The second is the \$280 million Drought Assistance programme available nationwide to farmers who experience a series of poor seasons. This programme allows for debt re-structure with low interest loans up to 50% of their debt.

The State is likely to get around \$28 million for this programme initially. However there is a wider long term issue here. I question the appropriateness and suitability of our lenders to meet the needs of an industry faced with high costs while trying to cope with the vagaries of the seasons. It makes no sense to drive borrowers into the ground with ever increasing interest with every bad season; this just drives another 400 farmers to the wall, with genuinely experienced agriculturalists lost. The buyer of these forced sale farms is a neighbour who already has cost pressures and adds to his debt (as we have seen, getting bigger does not provide immunity from non-viability) or overseas interests who farm by proxy. Our farms are big enough, our country town communities are small enough and who better to farm our land than the good farmers that are left.

There could be a case made to suggest that the lending by traditional banks does not supply the need. We need lenders for farming that deliver valuable core banking activities, free of involvement in insurance, speculative investment, security entities and swap entities. Add to that an instrument free of the prominent commercial drivers of shareholder dividends and high executive salary packages with bonuses, and indeed in my experience, unhealthy alliances with legal receivership entities. This then could provide moderate lending at moderate rates and would provide stable, sustainable, moderate profits for lenders and importantly, sustainable and more stabilised agricultural production.