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Agricultural Competitiveness Taskforce

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To Whom It May Concern:

Agricultural Competitiveness Issues Paper

On behalf of the Committee for Greater Shepparton, I would like to congratulate the Federal Government and the Minister for Agriculture in commissioning the development of the Agricultural Competitiveness White Paper.

The White Paper will provide a strong platform for enhancing the contribution of agriculture to economic growth, employment creation and national prosperity. The Committee looks forward to the finalization of the White Paper at the end of this year and the resulting policy and initiatives, which may emanate from the document's findings.

The Committee would welcome an opportunity to present to the Taskforce at a future stage.

Yours sincerely,



Matt Nelson

Chief Executive Officer

Agricultural Competitiveness Issues Paper

Submission by the Committee for Greater Shepparton

Introduction:

The Committee for Greater Shepparton has recently been established to unite its business and community leaders to influence public policy and advocate on issues and priority initiatives that will help strengthen the economy and make the region a more vibrant place to live. The Committee represents over 70 of the most influential businesses, community organisations and statutory authorities from the region.

While the committee's jurisdiction is the municipality of Greater Shepparton, this submission is made in context of the Goulburn Valley (municipalities Campaspe, Moira, Strathbogie and Greater Shepparton as shown in Figure 1).



Figure 1 – Municipalities within the Goulburn Valley

The Goulburn Valley is a significant food-producing region. As outlined in the Goulburn Valley Fruit Growing Industry Roadmap (2014, p.16); the region currently produces:

- 99% of the national nashi crop
- 90% of the national deciduous processed fruit production
- 86% of the national pear crop
- 70% of the national peach crop
- 49% of the national plum crop
- 43% of the national apricot crop
- 28% of the national apple crop
- 25% of the national nectarine crop.

The region is part of the Murray Dairy region, which extends from Wodonga to Swan Hill in Northern Victoria and southern Riverina of NSW. The Murray Dairy Region is Australia's largest milk producer, supplying over 2.2 billion litres of milk. The Goulburn Valley is the largest contributor, supplying over 1.4 billion litres of milk.

The region has one of the highest concentrations of food processing firms in rural Australia. As demonstrated in Figure 2, major companies such as Kagome, Simplot, Fonterra, Nestle, Unilever, Murray Goulburn, Bega and SPC Ardmona all operate in the region, to highlight a select few.

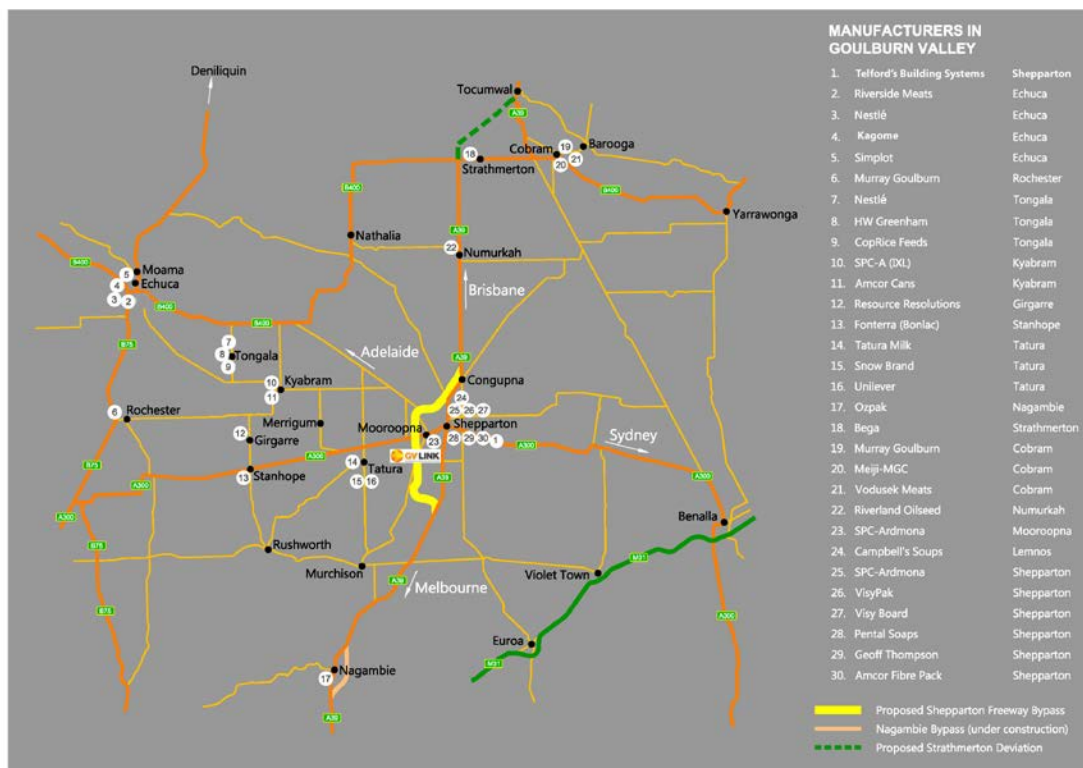


Figure 2 – Manufacturers in the Goulburn Valley

The region has a strong presence of transport, warehousing and packaging firms such as; Kreskas Brothers, Keatings Transport, Visy Logistics, Patrick's Asciano, Visy packaging, Amcor and SCS Plastics.

Since 2008, the Goulburn Valley has undergone a major refurbishment of its irrigation infrastructure with a \$2billion modernization of the Goulburn Murray Irrigation District. The project will provide state of the art gravity and pressurized systems, significant water savings as well as providing farmers with a diverse range of on-farm irrigation options to enhance productivity.

Recommendations

1. Provide a clear approval process for the application of Higher Productivity Vehicles.
2. Investigate the opportunity for 'bonded warehouses' to be established in regional centres.
3. Work with the Victorian Government to provide assistance to support direct rail access into the Port of Melbourne.
4. Work with all tiers of government, industry and regional development groups in developing regional transport plans and priorities for transport infrastructure.
5. Investigate avenues to provide more detailed research on the changing diet of the rising middle class in Asia, other countries, and to assist in the 'match making' between Australian food producers and export markets.
6. Develop a coordinate workforce development strategy which position agriculture as a career of choice.
7. Investigate the Victorian Government model of a Red Tape Commissioner to improve productivity and efficiency in the agriculture sector.
8. Ensure consistency of imported products with the food labeling other standards enforced on Australian products.
9. Partner with regions and industry bodies to develop an effective marketing campaign about Australia's food producing regions for specific export markets.
10. Provide a clear direction on the issue of foreign ownership of agricultural land.
11. Continuation and investment of a number of key programs and initiatives such as:
 - a. On Farm Irrigation Efficiency Program
 - b. Supply Chain Infrastructure
 - c. Rural Financial Counselling
 - d. Catchment Management Authorities

Response to Agricultural Issues

Response to Agricultural Issues

1. Exports and the Global Market Place

a. *Higher Productivity Vehicles for Road Transport*

Higher Productivity Vehicles (HPV) have the potential to increase productivity in the Goulburn Valley by up to 30% per vehicle (figure estimated from discussions with a major transport company in the Goulburn Valley). However one local transport company has had difficulty with clarity of process for HPV accreditation and as to whether it is a national or Victorian approval process. Not only will HPV have productivity and cost competitiveness benefits for producers, it will also assist road transport operators to cater for the global demand and preference for 40-foot containers.

b. *Bonded Warehousing in regional areas*

Currently when containers arrive in the Port of Melbourne, they are inspected by AQIS, however those containers which arrive post AQIS hours of operation, stay in the Port until the following Monday when AQIS reopens. This is at a significant cost and inconvenience to customers. While the Committee understands the issues with risk management, surely there must be some practical and pragmatic opportunities to establish “bonded” warehouses in regional areas. This would overcome congestion at the Port over the weekend, and would strengthen the cost competitiveness of regional food processing and manufacturing firms.

c. *Securing the first and last mile*

Currently containerised freight can not be ‘landed’ in the Port by rail creating double handling issues and therefore diminishes the cost attractiveness of rail compared to road transport, which results in traffic congestion issues around Melbourne. More work is required to achieve greater efficiency in the delivery of freight by rail into the Port.

There is also merit in governments providing more support and assistance for municipalities to work with local industry to understand the freight needs of local roads. This should be undertaken on a regional basis, as freight requirements are not limited to the boundaries of local government. However local government face the cost burden of local road improvements. Regional Development Australia committees may be well placed to work with local government authorities, organisations such as the Committee For Cities and Regions, the private sector and industry bodies to guide an objective planning and assessment process of the prioritization of local roads and infrastructure in general.

d. *Trade Missions and Offshore On The Ground Intelligence*

Commonwealth and state governments regularly hold trade missions to assist Australian firms to access off shore markets. Some trade missions are more successful than others and may be dependent upon the size of the missions and the understanding of the overseas customer needs to ensure that a good ‘match’ can be made. Further to the introductions during missions, there needs to be consideration to ongoing support post the trade mission event and how Australian producers can be supported to assist in seizing contracts.

Over the last few years there has been media coverage about the rise in the middle class, especially in Asia, and the need for a higher protein diet. There is a gap in understanding the rising middle class specific needs and taste preferences. More work is required into the detailed research of specific products in the current demand by offshore markets and future trends of consumers. In addition to the research, an effective communication strategy to producers is required.

e. *Free Trade Agreements and Comparisons with other countries*

At the time of making this submission, the Prime Minister had signed a 'Free Trade' agreements (FTA) with Korea, and announced the conclusion of negotiations over the Japan Economic Partnership Agreement, while advancing discussions with China. While the committee understands that there will be winners and losers in the negotiation of these agreements, for our region it was concerning to see the Japan Agreement offered little benefit to the dairy sector. As highlighted by the Australian Dairy Industry Council (ADIC), Japan is the single largest market for Australian dairy productions with \$511 million in exports in 2012/13 and 19% of our dairy exports by value.

There is a perception that Australia gives far away too much in return for little at the negotiation table. It would be useful for the Department of Foreign Affairs to engage and consult with regional producers about the construct of FTAs and to debrief on recently agreed FTAs.

The Committee for Greater Shepparton believes the focus should now be on the China FTA which is one of the largest growth markets for Australian dairy products. Ensuring the Australian dairy industry is able to achieve at least equivalence to that achieved by New Zealand dairy under their FTA with China (came into force in 2008) is going to be important to the on-going global competitiveness to this important sector for the GV region.

In addition, for the dairy industry, demand growth for dairy products is also coming from other markets in South East Asia and the Middle East. We therefore support advancement of commercially beneficial outcomes in bilateral and regional negotiations underway in those key markets.

2. **Workforce Development**

a. *Education and Promoting Agriculture as a Career within the early years of High School.*

There are continual negative media stories about the long term prospects for farmers as evidenced by the tree pull with fruit growers for SPC Ardmona and the prolonged drought in northern NSW and Southern QLD. Yet this is in the context of the potential positive role Australia can play in feeding the rising middle class of Asia.

There needs to be a coordinated approach to promoting agriculture as a career. In addition, industry needs and global trends are required to help guide education providers both in terms of courses as well as innovation and technology. A

coordinated strategy across all commodities and the value chain is required to promote agriculture as a career, and develop the 'demand' to help overcome the current workforce 'supply' issues.

b. Rethinking Overseas Labour

There has been much debate over the use of 457 visas to satisfy skill shortages and how this can be at the expense of local labour. There is, however, anecdotal evidence to suggest producers have trouble in sourcing local people for positions and not necessarily skilled positions. The Committee believes it is timely to have a structured discussion on this issue to provide some certainty for Australian producers and processors in ensuring a sustainable labour force for the future and one that is not reliant upon markets such as backpackers.

We support Government working with industry to streamline the approval process for 457 skilled worker visas, and the development of Regional Labour Agreement for specific industries.

The dairy industry should also be included on the list of eligible industries for the Seasonal Worker Scheme and on the Skilled Occupation List, and realigning the skills description for dairy farmers so it fits with the industry descriptions.

3. Overcoming the Regulatory Burden

There is no question that 'red' and 'green' tape continues to erode the time available for producers and firms to work "on" and "in" their business. While the Prime Minister has made strong comments in cutting red and green tape in general for businesses, the Committee feels that there could be merit in following the approach of the Victorian government who has established a Red Tape Commissioner.

The role of the Commissioner is to liaise with the community, businesses and key industry groups and identify red tape issues affecting productivity. Such a Commissioner could report to a taskforce of Prime Minister and Cabinet to advise on identified inefficient regulatory process and make recommendations to ensure improvement.

Environmental laws and regulation are part of operating any agricultural business. The role of Government should be to make sure these are in place to serve a meaningful purpose, are as simple and transparent as possible and are not being used as a means to other ends.

The same applies to the myriad of other laws and regulations, for example quarantine inspections for the fresh fruit industry can carry a disproportionate cost for the service compared to the value of other inputs. The Government needs to give a high priority to market access and overcoming quarantine issues and other restrictive and technical barriers.

Clear planning laws informed by land use suitability would go a long way not to stopping the expansion of urban areas, but towards negating the fragmentation of agricultural land by life style practitioners. An example is the extra cost imposed on Goulburn-Murray Water Connections Program to accommodate these type of use compared to agricultural productive enterprises.

Domestically, there is more pressure on local producers to comply with regulations compared to imported product especially with regard to food labeling standards. More

work is required to demonstrate the differences in imported food preparation standards compared to domestically produced food products.

4. Marketing of regional areas

During the recent deliberations by the Commonwealth as to whether to provide financial assistance to SPC Ardmona, it was interesting to see the dramatic increase in consumers purchasing the company's product (sales for the Australian grown Woolworths Select increased by 38% in September 2013). Why does it take a crisis to rally for domestic support?

There has been a change in consumers wanting to know more about where their food comes from and wanting 'clean and green' produce. There is also strong global demand for this, especially in the premium market. The Committee believes that there are opportunities for government(s) to partner with regions and industry bodies in promoting this value proposition to access export markets.

5. Input costs of Agriculture

As one of our Committee for Greater Shepparton members ask; "Why has the cost of agricultural inputs gone up faster than returns over the 25 years? It cannot all be due to the two major supermarkets".

Farmers continue to face 'cost-price' squeeze due to rising input costs, especially in relation to water and energy. Governments have a significant role in regulating the energy sector with regard to access and cost, especially if Australian agriculture production is to be internationally competitive.

GV agriculture systems rely heavily on water availability for the irrigation systems that operate, water security and efficiency are critically important to the productivity of agriculture in this region.

Farmers in the Murray Darling Basin catchment are very aware of the need to manage water and land use in order to remain profitable, and are looking at technologies to produce more with less water. However, agricultural producers are used to periods of drought, which are a feature of the Australian landscape. Drought, or low water availability, puts enormous pressure on the production systems in this region, which impacts directly on the profitability of farmers that in turn has a flow on effect to regional communities.

As such the Government needs to have a clear plan on how the Murray Darling Basin Plan is to be implemented, and how they will engage with industry on the implementation. Farmers need certainty in aspects such as Water Recovery Strategies if they are going to adapt to farming with less water.

6. **Financing and Farm Business Structures – Who is taking over the Farm?**

There are issues with succession planning in the agricultural sector as well as opportunities for young farmers to have the financial capacity to enter the market. There is scope for the Government to do more work about potential models for farm ownership and promote through various industry bodies.

With regard to foreign investment, any debate on this subject denies the fact that the sector needs capital investment and this should be encouraged, however domination by foreign owners in part of the vertical integration chain is more problematic. Foreign interests can not obviously take land with them, however they can move manufacturing or marketing off-shore, which isn't in the best interests of the nation.

New models for trying to attract external capital into the agriculture sector needs to be considered. As the Issues Paper identifies, investment by Australian institutional investors into our agriculture sector has been low. If we are going to grow our production base, which is needed to meet the growing international demand, then attracting investment is going to be critical.

Part of the responsibility for this is going to come from industry in identifying innovative models to try to leverage external capital, and there are already examples of this occurring in the dairy industry (e.g. MG Partnerships). The role for Government is to ensure the regulatory environment is in place to facilitate investment in the agriculture sector (e.g. the treatment of non-commercial loss rules prohibiting investment by individuals in agricultural land) and to work with industry to build confidence in the capital market to invest in agricultural production.

7. **Innovation, R&D and Extension Work**

Pure research is a part of the development and growth of any industry, however, because of the tendency to be more concerned with immediate issues, it is an area where industry may struggle with the longer term need for research. Government(s) can play a role in funding and creating conditions for research, while applied research and knowledge transfer should be more the responsibility of industry and individuals.

The Murray Dairy Accelerating Change project is a classic point in case. Murray Dairy, a regional industry board of Dairy Australia from Northern Victoria and the Southern Riverina region of NSW has developed a project to build on the research and innovation undertaken by academic institutions. The industry body wants to apply the research on-farm to accelerate the understanding and consequently the implementation of technology to drive productivity and efficiency gains. This project has the potential to grow milk supply by an additional 600million litres of milk (from a current base case of 2.2billion litres of milk).

8. **Government Incentives and Assistance Programs**

a. *On Farm Irrigation Efficiency Program (OFIEP)*

The Government has purchased a considerable amount of water from irrigated agriculture through 'buy backs' and infrastructure upgrades. The Committee is of the firm belief that infrastructure upgrades and the OFIEP have a much better return over time and should be the preferred method to obtain water for the environment.

The Goulburn Broken Catchment Management Authority have coordinated OFIEP for the region and to date this program has resulted in 52GL of water saved by the region's

irrigators with at least half transferred to the Australian or State governments for environmental purposes and the remaining savings being reapplied on farms to increase productivity.

Environmental water holders now hold very large parcels of water. To get the best use of that water and water held by irrigators for both the environment and irrigated agriculture, innovative ways must be developed to manage the available water conjunctively.

b. Investment in Supply Chain Infrastructure

Investment by government(s) in critical supply chain infrastructure such as roads, bridges, rail and airports are of paramount importance to ensure that the agricultural sector can meet contract and export opportunities as well as improving efficiency.

Initiatives which fit into this category are the:

- Continued duplication of the Goulburn Valley Highway and bypass of Shepparton,
- Melbourne to Brisbane Inland Rail Project, and
- Direct access to the Port of Melbourne by rail.

c. Given its significant role in dealing with transitioning adjustment within the sector, it is critical that the Commonwealth Government continues to fund the Rural Financial Counseling program.

d. There is a need for government(s) support for a specific funding stream to develop the capacity of regional NRM (CMAs in Victoria) to provide and facilitate sustainable agricultural extension services for producers.