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Agricultural Competitiveness Issues Paper

Thank you for the opportunity to comment on the issues paper. Primary Producers SA (PPSA) is the peak body representing primary producers in South Australia. PPSA is a “federation” of six commodity associations: Grain Producers SA; Livestock SA; the Horticulture Coalition of SA; the Wine Grape Council of SA; the South Australian Dairyfarmers Association; and Pork SA.

The issues paper addresses most of the key issues. PPSA notes that the National Food Plan also previously collated numerous key issues through a consultative process and should be a point of reference for this work.

- Opportunities for overseas promotion of Australian primary produce exist. For example, into markets such as Singapore. More coordination and cooperation is needed in this area. The promotion of competition, rather than collaboration, through competitive funding processes has been raised in both this context and the R, D & E and training contexts.
- Development of new products to meet market demands, both domestically and overseas, continues to present opportunities too. An example which has been given is the development of almond meal as a substitute for flour.
- However it has been highlighted that exploitation of market opportunities does not just entail opening new markets, but also maintaining existing markets – through mechanisms such as FTAs, meeting biosecurity and other market requirements, and ongoing investment in promotion and marketing in key markets.
- Marketing remains an area with potential for capacity building – particularly for grain producers. There are concerns that commissions can currently drive grain marketing advice, rather than independent advice in the best interests of grain growers.
- The cost of labour is a key point to emphasise. This has both direct and indirect impacts on costs of production for primary producers. This is also a driver for high levels of investment in machinery and technology and, in some cases, may result in overcapitalisation and other inefficiencies. Another example given has been wineries not crushing on weekends due to high labour costs.

- A separate white paper on energy is welcomed. It is understood that this will encompass fuel (petrol, diesel, gas). These are key inputs and rising costs for primary producers.
- Supply chain issues can be critical. For example, grains supply chain costs (including transport costs) tend to be much higher than those of overseas competitors¹. There is clearly room for improvement, including through investment in transport infrastructure. Other constraints include a lack of food-grade containers to shift produce through ports.

The monopoly on grain handling facilities is also a key issue here. Lack of competition has been cited in other sectors as well – for example, in meat processing.

It has been pointed out that value adding does not only occur through processing. For some fresh food products, marketing (encompassing market access and biosecurity provisions) is perhaps the key opportunity for adding value.

- Protections for primary producers both domestically (by the ACCC) and from overseas risks (such as dumping of product, biosecurity risk and products produced to lower standards than those applied to Australian primary producers) need to be maintained or strengthened.
- The ability to challenge “whether expectations are out of proportion to the risk” (page 13) is supported – in particular, through robust cost:benefit analysis. The estimate of approximately four percent of total farm expenses being for costs of compliance with regulation seems quite a low estimate, particularly for some sectors. In the area of environmental regulation, there is some duplication of regulation between the EPBC Act and state-based legislation, for example. Transport regulations are another area of concern and inconsistency between jurisdictions (especially local government areas).
- There are persistent concerns about loss of extension capacity for the adoption of research and development findings. The rationalisation of R & D through the National Primary Industries R, D & E Framework increases the reliance on good extension of R & E findings over a larger area, in addition to the need for independent advice focussed on primary producers’ interests. However, some potential for sharing extension capacity (as well as R & D facilities and staff) is acknowledged. It is critical that the commitments under the National Framework are not shirked by governments.

Other concerns raised regarding R, D & E include: the proportion of time spent by personnel on seeking funding and administrative reporting, rather than technical work and development; security of tenures; critical mass; and succession planning.

- The incentives to deliver quality training outcomes for industry through current funding and governance arrangements for training have been queried.
- Poor mobile and internet access are an important constraint for many primary producers in SA. This can affect marketing capacity, in addition to ability to access technical information, for example.
- While recognising some of the limitations associated with multi-peril insurance, risk management along these lines may be an area for further development.
- Consistent drought policy is needed – both over time and across jurisdictions and regions.

¹ Australian Government, Royal Commission into Grain Storage, Handling and Transport, 1988; SA Parliament, Final Report of the Select Committee on the Grain Handling Industry, 2012.

- The inclusion of access to finance as a key issue in the issues paper is appropriate. Accordingly, the Farm Finance Program is welcomed. However the level of accessibility of this program to primary producers in SA is queried.

Potential for foreign investment, which does not require the sale of farmland, may exist. For example, a South Australian winery has received investment from a Chinese investor. The investor also purchases (and markets) the winery's product, as part of the arrangement. The preparation of suitable prospectuses for potential investors may be a tool to facilitate this type of investment.

Potential investment in agriculture by Australian super funds may also warrant further investigation.

- Competition for land is another area where agriculture competes with other sectors of the economy, including urban developments. While it is recognised that this is predominantly under state jurisdiction, the protection of farmland is a challenge for many state governments.

PPSA is pleased that the Australian Government is carefully considering issues affecting the competitiveness of Australian agriculture and looks forward to an ongoing involvement in the development of the white paper.

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Yours sincerely



Rob Kerin

Chairperson

Primary Producers SA