



17th April, 2014

Agriculture Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

9 George Street
North Strathfield
NSW 2137 Australia

Mail to: PO Box 1026
Strathfield NSW 2135
Australia
T 61 2 8741 6000
W mynrma.com.au

Email Submission to: Agricultural.Competitiveness@pmc.gov.au

NRMA Motoring & Services Submission to the Australian Government White Paper on the Competitiveness of the Agriculture Sector 2014

Summary

NRMA appreciates this opportunity to contribute to the development of an Agricultural Competitiveness White Paper for Australia. Our comments are restricted to the mobility fuel and transport implications and impacts associated with food security and the agriculture supply chain. We believe that a competitive agriculture sector must be underpinned by secure and sustainable access to mobility fuels. Our submission therefore addresses the following two issues identified in the Terms of Reference:

- Issue 1. Ensuring food security in Australia and globally; and
- Issue 6. Improving the competitiveness of inputs to the supply chain.

NRMA has conducted extensive analysis and industry engagement over recent years to gain a greater understanding of Australia's liquid fuel security and the breadth of the implications for us as a nation when our liquid fuel production, stockholdings and distribution are disrupted.¹

The reliance of the Australian agricultural sector, including the critical food supply chain, on road transport is so fundamental that we believe we risk severe damage to our society and economy if fuel supplies cannot be guaranteed. NRMA reported in 2013 that, even though Australia is a net exporter of food, we are not self-sufficient in the domestic food supply chain. The Australian food sector is vulnerable in two ways to a disruption in oil supplies: the production and distribution of Australian grown food and the importation and distribution of foreign produced foods².

¹ NRMA Report - Australia's Liquid Fuel Security, 28 February 2013 - http://www.mynrma.com.au/media/Fuel_Security_Report.pdf and NRMA Report - Australia's Liquid Fuel Security Part 2, February 2014 - <http://www.mynrma.com.au/images/About-PDF/Fuel-Security-Report-Pt2.pdf>

² NRMA Report - Australia's Liquid Fuel Security Part 2, 28 February 2013. p 6

Food security is not possible without fuel security. Food security extends beyond affordability - the 'pockets of food insecurity' referred to in the issue paper are potentially greater than those experiencing 'social disadvantage' or 'remoteness'. Without access to secure oil supplies, Australians, no matter where they live or whatever their social class, risk becoming 'food insecure' in a relatively short timeframe should a crisis or supply disruption arise.

The secure supply of mobility fuel is crucial to all aspects of Australian life. Without timely, effective transport, critical components of our society would rapidly grind to a halt. For example, in NSW, food distribution is enabled by an estimated 25,000 truck trips per week from distribution centres to retail outlets. With an average of only 7 days of chilled and frozen foods stocks and 9 days of dry goods stocks in our food outlets at any point in time, a fuel supply interruption would have serious food supply consequences.³

In a 2012 report prepared for the then Department of Agriculture, Fisheries and Forestry, it was observed that Australia's food supply chain had been resilient in the face of localized or regional crises, but that it is potentially vulnerable in large-scale events such as a national fuel shortage⁴. Our capacity as a nation to withstand global shocks and disruptions can only be assured with a comprehensive Whole-of-Government strategy to address the interdependence of land, water, labour, capital and energy.

Such a Whole-of-Government strategy would need to be coherent, flexible, innovative, and affordable. The Agricultural Competitiveness White Paper Issue 6 suggestion regarding the exploration of biofuel production by Australian farmers is aligned to the recent NRMA proposal regarding options to strengthen our liquid fuel security. This opportunity, as articulated at Issue 6, proposes such biofuel production as 'contributing to global fuel supplies'. NRMA would *suggest* that any biofuel production within Australia first and foremost remains in Australia to improve our own fuel security before that of other nations. We have recently proposed an option to achieve a 30% secure fuel supply for the nation comprising 10% from Australia-sourced oil and 20% from Australian-sourced alternative fuels, which would include biofuels.⁵

NRMA recommends the following:

Issue 1: The Agricultural Competitiveness White Paper should specifically address security of liquid fuels as an aspect of food security.

Issue 6: Production of biofuels should be focused on achieving an Australian level of energy security first and foremost as this will add further assurance to the sustainability and security of the food supply chain. The capacity to contribute globally to fuel supplies should be a second order consideration.

³ NRMA Report - Australia's Liquid Fuel Security, 28 February 2013, page7.

⁴ Resilience in the Australian food supply chain, February 2012, Department of Agriculture, Fisheries and Forestry, p viii

⁵ NRMA Report - Australia's Liquid Fuel Security Part 2, February 2014 , p. 17

Detailed Comments

Agricultural Competitiveness White Paper – Terms of Reference

NRMA fully supports the Considerations and Scope identified in the Terms of Reference however will only comment on Issues 1 and 6 in the context of the fuel implications of those particular issues.

NRMA welcomes the Government's recognition of the complementarity of the Agricultural Competitiveness White Paper with the Energy White Paper, the White Paper on Developing Northern Australia, and the Action Plan to Boost Productivity and Reduce Regulation.⁶ The themes and issues we are commenting on in this submission reflect a focused consideration of those explored in NRMA's submission to the Energy White Paper.

Issue 1: Ensuring food security in Australia and globally

Food security cannot be disaggregated from fuel security for Australia. The current extraordinary reliance on road transport at all stages of the food supply chain makes food security an energy security subset. As an example, for New South Wales alone, a Department of Agriculture, Fisheries and Forestry (DAFF) report from 2012 found that food distribution comprises 14 million cases a week through 25,000 truck trips from distribution centres to retail outlets. This example represents roughly one third of the Australian food distribution task.⁷

NRMA studies into the broad mobility fuel security implications for Australia, have consistently stated that supply chains are vulnerable to the impacts of liquid fuel supply interruptions. There are risks to most aspects of our daily lives because the services and supplies we rely on are reliant on imported fuels.⁸

Australia faces considerable risks in its food supply chain as a result on the almost complete reliance of this critical sector of our economy on diesel fuel for food production and distribution. For example, 95% of fertilisers used by Australian farmers are transport by road. Approximately half of the fertiliser used in Australian farms is also imported and therefore subject to risks associated with the import supply chain's dependence on liquid fuels. Without the security of mobility fuel, food production and distribution cannot be guaranteed making us food insecure.

⁶ Agricultural Competitiveness White Paper Terms of Reference

⁷ Department of Agriculture, Fisheries and Forestry, *Resilience in the Australian food supply chain*, February 2012

⁸ NRMA Report - Australia's Liquid Fuel Security Part 2, February 2014, p 10

The following paragraphs provide detailed comment on specific aspects of Issue 1.

Extract from Issue 1:

‘In Australia food is available and most Australian families have the income to afford it. Australia is considered to have a high level of food security ... Despite this, social disadvantage and remoteness lead to some pockets of food insecurity. While rising food production will contribute to secure access, food security for these groups is a focus of social policy.’

Comment:

NRMA believes that the current ‘high level of food security’ is a fragile construct and would not withstand a significant disruption. As DAFF reported in 2012:

‘Australia is a net exporter of food. This does not necessarily mean that Australia is self-sufficient in food supply. Global supply networks are increasingly important in the Australian food sector, and many types of foods or inputs to food are imported ...’⁹

NRMA questions the resiliency, and thus security, of the food chain in the face of a disruption. We know that as a nation we’ve responded well to natural disasters. But could we cope with a different type of significant event, or even the combined effects of multiple disasters? How would we move food around Australia without our road transport system? A shortage of diesel for example would impede food distribution in an emergency. Would Australians go hungry?

Average stockholdings of food in supermarkets are currently estimated to be seven days in the case of refrigerated/frozen foods and about nine to 10 days in the case of packaged goods. Households generally have between two and four days in stocks.¹⁰ And this is before anyone starts panic buying. Supply chain efficiency pressures are likely to reduce the level of stockholdings even further in the future.

The DAFF examination of lessons from the 2010-2011 Queensland floods found the most significant risk to food storage, transport and distribution was the availability of fuel.

‘Diesel fuel was vital for road transport and for powering refrigeration units (diesel is used for cooling, both as the backup source of power at many retail sites and for temporary cool storage in refrigerated containers.) The industry was fortunate in this case that adequate diesel fuel supplies were available, but

⁹ Department of Agriculture, Fisheries and Forestry, *Resilience in the Australian food supply chain*, February 2012, p viii

¹⁰ NRMA Report - Australia’s Liquid Fuel Security, 28 February 2013, p 7

several food industry interviewees were concerned that the risk was not sufficiently identified and managed.¹¹

Food security is not possible without fuel security. Investment in agriculture and food industries will always address risk factors. The absence of secure fuel supplies within Australia is a clear and definite risk. Australia can only be “open for business” if there is the constant opportunity to maintain supplies and production.

Food security extends beyond affordability - the ‘pockets of food insecurity’ referred to in the issue paper are potentially greater than those experiencing ‘social disadvantage’ or ‘remoteness’. Without access to secure oil supplies, Australians, no matter where they live or whatever their social class, risk becoming ‘food insecure’ in a relatively short timeframe should a crisis or supply disruption arise.

It is this aspect of food security, the direct correlation between fuel security and food security that NRMA believes need to be addressed in the White Paper.

Recommendation Issue 1

The Agricultural Competitiveness White Paper should specifically address security of liquid fuels as an aspect of food security.

Issue 6: Improving the competitiveness of inputs to the supply chain

NRMA is of the view that the competitiveness of the inputs to the supply chain is directly related to the availability and security of mobility fuels. The Issue 6 discussion identifies ‘energy’ as one of the inputs necessary to enable farmers to ‘as efficiently as possible ... produce farm outputs they can sell profitably’ and NRMA is pleased to see this input acknowledged. However, the ‘energy’ propositions in the issue paper tend towards an emphasis on the cost of energy, fossil fuels and electricity, rather than the security of that energy. Many aspects of food production rely on energy – and most particularly mobility fuels. The productivity growth across the agriculture sector that the Government is encouraging needs to be cognizant of this fact. Without a Government commitment to fuel security, it is difficult to see how the irrigation, transport, storage and distribution systems that underpin our agriculture sector can become more efficient and effective.

The following paragraphs provide detailed comment on specific aspects of Issue 6.

Extract from Issue 6:

‘The condition of Australian soils makes fertiliser use essential to much of Australia’s agricultural production ... Movements in Australian domestic fertiliser prices generally track developments in work markets as Australian is a net

¹¹ Department of Agriculture, Fisheries and Forestry, *Resilience in the Australian food supply chain*, February 2012, p 27

importer of fertilisers (about half the fertiliser used in Australia is manufactured in Australia).’

Comment:

NRMA accepts the comments above about the vulnerability of fertiliser used in Australia to world price fluctuations, but believes this view fails to address another important aspect of fertiliser’s place in the food supply chain. Without fertiliser there would be major readjustments in the Australian economy and regional areas and towns would be very severely impacted¹². The fertiliser industry in Australia acknowledges the extensive supply chain required to distribute their products and has identified an ‘efficient transport sector’ as a policy issue for focus. ‘The Australian fertiliser industry is highly dependent upon an efficient transport sector especially for road and sea freight.’¹³ As mentioned above, almost 95% of fertiliser movements in Australia are by road. It’s not difficult to imagine the dire consequences from a social, economic and trade perspective should fertiliser not reach Australian farms.

Extract from Issue 6:

‘Increasing use of agricultural products for biofuels, also presents an opportunity for farmers to be contributing to global fuel supplies.’

Comment:

NRMA has been advocating the use of biofuels as part of an alternative fuels mix to partially address Australia’s looming crisis of near total dependence on imported oil. Using our agriculture sector to contribute to a biofuels industry for Australia is strongly supported by NRMA. However, should Government be open to supporting the growth of such an industry, we would recommend in the strongest terms that the biofuels produced should, in the first instance, be contributing to the achievement of a measure of fuel security at home rather than towards ‘global fuel supplies’.

As we have been stating throughout this submission, food security and secure, effective supply chains have to be underpinned by a secure supply of mobility fuels. How could such a fuel security be achieved?

NRMA is certainly not advocating energy independence. While the United States may aspire to this, it is a fantasy for Australia given current technologies, energy sources and economic realities. As at 2013, our fuel security is in the order of 10% of supply and decreasing.¹⁴ The Jamison Group, in a report commissioned by the NRMA,

¹² Presentation to the Australian Fertiliser Industry Conference 2010, *The Australian fertiliser industry – values and issues*, Terry Ryan, Meta Economics Consulting Group, 25 August 2010.

¹³ Presentation to the Australian Fertiliser Industry Conference 2010, *The Australian fertiliser industry – values and issues*, Terry Ryan, Meta Economics Consulting Group, 25 August 2010

¹⁴ NRMA Report - Australia’s Liquid Fuel Security Part 2, February 2014, p16

showed that more than 30% of domestic transport energy demand can be met by secure supplies.¹⁵

This would mean that 30% of our mobility fuel supply would be secure from source to delivery and would ensure that basic services (including critical elements of the food supply chain) could function in the event of a major and sustained liquid fuel supply disruption. The remaining 70% would be supplied by the market and subject to normal commercial market forces and supply risks.

One of the identified challenges associated with achieving the Jamison estimated 10% biofuels is a lack of affordable feedstock for large scale production, particularly where farmers could obtain higher financial returns for food crops¹⁶. However, there are crops that could be grown explicitly for biofuel production such as high-yielding wheats, rather than the common bread varieties. If a secure market for such types of grains was available, growers may take the opportunity to produce an alternative crop. Provided appropriate supporting policies are in place, as has occurred in many other countries, then the 10% target could be met. It should be noted that fifty-four countries have mandated the use of biofuels in their mobility fuel mix, providing an additional element to their fuel security position.

Extract from Issue 6:

‘Given the geographical dispersion and diversity of Australian farms, reliable logistics with efficient provision of road, rail, sea and airfreight infrastructure are crucial for farm produce to move through domestic and global food supply chains... Increased capacity is likely to be required with increased pressure on current distribution networks ...

‘ ... Planning and prioritisation of future infrastructure improvements requires careful examination of the current capacity and conditions of transport and storage networks.’

Comment:

NRMA supports the concept of ‘planning and prioritisation’ especially regarding capacity and conditions of transport networks. Given Australia’s over-reliance on road freight transport (which is particularly dominant in the food supply chain), consideration should be given during any future ‘examination of current capacity and conditions of transport and storage networks’ to innovation in rebalancing modes of transport. For example, the trucking industry benefits from the transport fuel tax credits scheme but has a high fuel consumption per kilometer resulting in a higher overall liquid fuel demand. Cautious and sensible reform of the heavy vehicle charging regime could in

¹⁵ www.mynrma.com.au/images/About-PDF/Jamison-Group-Fuelling-Future-Passenger-Vehicle-Use-in-Australia-February2010.pdf, pp14-17

¹⁶ Ibid, p 51

time both reduce demand and encourage investment in alternative fuels and transport modes.¹⁷

NRMA supports 'planning and prioritisation' in a more macro sense to build mobility fuel resilience and thereby provide greater stability and security to Australia's food supply chain. We proposed in 2013 that liquid fuel security be addressed as a component of a national resilience model and that Federal and State Governments should develop appropriate policies and be prepared to invest in and assure diversity of supply.¹⁸ A similar approach has been advocated by DAFF:

'The food supply chain has a special role as critical infrastructure so it is important to identify points of weakness or stress. Industry representatives bodies and/or governments might, therefore, establish a more systematized approach to monitor the quality and effectiveness of business continuity planning in companies with a material impact on food supply continuity.'¹⁹

Food supply chain viability and the growth of a competitive agricultural sector are laudable goals for any government. NRMA believes that the elements of the supply chain identified in Issue 6 could be better examined by ensuring the Taskforce understand the criticality of the mobility fuel security context. Further, we believe that the exploration of expanding biofuels production is a must for this nation and should be given priority and support.

A further aspect of improving competitiveness of inputs to the agriculture supply chain is addressing the cost of transport infrastructure. NRMA has a long established interest in roads and their costs. It is critical to an efficient economy – and an efficient agriculture sector – to build and maintain an adequate road and transport network efficiently and cost-effectively.

Recommendation Issue 6

Production of biofuels should be focused on achieving an Australian level of energy security first and foremost as this will add further assurance to the sustainability and security of the food supply chain. The capacity to contribute globally to fuel supplies should be a second order consideration.

Should you require further information, please contact Mr Peter Haenke, Senior Manager Corporate Responsibility and Environment, on phone 02 8741 6419 or email peter.haenke@mynrma.com.au

¹⁷ NRMA Report - Australia's Liquid Fuel Security Part 2, February 2014, p 15

¹⁸ NRMA Report - Australia's Liquid Fuel Security, 28 February 2013, p 22

¹⁹ Department of Agriculture, Fisheries and Forestry, *Resilience in the Australian food supply chain*, February 2012, p 52