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Member for Chaffey



Agricultural Competitiveness White Paper Submission - IP598

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Submitted 17 April 2014

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Introduction

As a State Member of Parliament for the electorate of Chaffey representing one of South Australia's primary food bowls, I would like to provide a submission to the Agricultural Competitiveness White Paper.

Detailed comment in my submission will focus on the key issues identified in the Issues Paper:

- Food security
- Improving farm gate returns, including drought management
- Access to finance
- Competitiveness through the value chain
- Regional communities
- Inputs along the supply chain
- Reducing inefficient regulation
- Enhancing agricultural exports
- Effectiveness of incentives for investment and job creation

Agriculture in Chaffey

Chaffey is a diverse electorate covering the wider areas of the Riverland and Mallee with a proud history of producing quality food and wine.

Chaffey incorporates the Renmark Paringa Council, the Berri Barmera Council, the District Council of Loxton Waikerie, part of the Mid Murray Council, the District Council of Karoonda East Murray, the Southern Mallee District Council, the Unincorporated Area Riverland, County Hamley and the Hundred of Parcoola. Major towns in the electorate include Renmark, Berri, Loxton, Waikerie, Barmera, Swan Reach, Karoonda, Lameroo and Pinnaroo.

Incorporating the Riverland and Mallee regions, Chaffey's economic and social fabric is strongly associated with irrigated horticulture and dryland agriculture mainly producing citrus, wine grapes, stone fruit, almonds, olive oil and vegetables. The Mallee produces grain, particularly wheat, for export, livestock products such as wool and meat, as well as potatoes, onions, carrots and olives. Chaffey is the largest potato producing electorate in the Southern Hemisphere. The Riverland is a world-class horticultural area, part of the national Fruit Fly Exclusion Zone and is known as the engine room of South Australia's famous wine industry producing around half of the State's wine - and boasting the biggest winery in Australia. All of these industries contribute significantly to the State's export profile. In fact, the total gross value of agricultural production is estimated at \$777.3 million for the Riverland region alone. Chaffey comprises the majority of irrigation water entitlement holders in South Australia. The Riverland is Australia's largest horticultural producing region, reliant on the River Murray for production and harvesting. The region is dependent on agricultural production to provide employment and economic growth with approximately 29 per cent of people directly employed in food production and associated businesses. About 47 per cent of businesses in the electorate are directly involved in the agriculture or food industries.

Overall, the Chaffey electorate covers more than 25,000 square kilometres with a population of almost 45,000 people and more than 3000 food producers.

1. Food security

Global food security will demand the development and delivery of new technologies to increase food production on limited arable land and without relying on increased water and fertiliser use -

Professor Peter Langridge, Chair, PMSEIC Expert Working Group on Australia and Food Security in a Changing World

Food security is critical to South Australia and is recognised as a major global issue. In the electorate of Chaffey, food security underpins the economic viability of both the Riverland and Mallee. This region is a premier food bowl and contributes significantly to both the South Australian and national economy. The food produced from this region is clean, green and internationally renowned.

In 2007-08, the total agricultural output of South Australia was approximately \$4.8 billion with the Murraylands (covering the Riverland and Mallee) contributing nearly 27 per cent of that, with an agricultural output of nearly \$1.3 billion. By 2011-12, South Australia's total agricultural output had increased to \$5.4 billion. To put the region into perspective, the Riverland produces more than a quarter of Australia's total winegrape production, about 30 per cent of Australia's citrus crop, 17 per cent of the nation's stone fruit and 18 per cent of Australia's almond crop. The Mallee is the engine room for the potato industry, producing more than 75 per cent of Australia's fresh potato supply.

When it comes to food security, the Riverland and Mallee play an integral and important role on a national level. However, the region is faced with many challenges which impact on building a resilient food value chain.

Factors challenging Chaffey's food security include:

- The continually changing climate
- Loss of productive land
- Food transport options declining and poor road maintenance
- Water security
- Low commodity prices and rising Australia dollar
- Competing with cheaper import products
- Lack of investment in Research and Development
- Biosecurity threats, such as fruit fly

1a. The continually changing climate

Irrigators are facing a challenging and continually changing climate and adapting to this can determine the future of a food property. Riverland and Mallee food producers are faced with a number of disease threats and a number of these diseases surface following weather that suits the conditions they thrive in. In recent years, unseasonal weather has meant irrigators must be even further prepared than ever before and have measures in place to assist in preventing crop damage. Having all of the weather information available is one option to assist irrigators to prepare to fight a

disease based on the climate. For example, Riverland wine grape growers have been hit by climate-based diseases such as powdery and downy mildew during months where weather would not traditionally suit these diseases.

On February 3, 2014, Riverland Wine emphasised the disease pressures faced by irrigators:

“Generally growers appear to be dealing well with the heat. With drip irrigation it is imperative that soils are moist before the heat of the days arrives. Given the high clay content in water at present it is also a good idea to ensure that irrigations systems are clean, so that the application rates are working efficiently and able to add water at an adequate rate. Regular cleaning of filters and flushing of drip lines may be needed to achieve the correct application rate. Often during heat waves vines can shut down sugar accumulation as part of a stress response. In many cases at the moment the continued hot weather has led to rapid increase in ripening of fruit. It is a good idea to sample fruit regularly and send the results in to the relevant winery to facilitate harvest in a timely manner. Even varieties that are normally harvested late should be tested, to avoid any surprises.”

This example shows the impact of the changing climate on our food producers and the importance of preparing and having all the relevant information at hand to prevent disease and crop loss as much as possible.

An option to battle the changing climate is to focus on plantings and crops that suit the region’s weather. In the Riverland and Mallee there are a number of opportunities in dry land farming. Particularly in the Mallee, there are large areas of open marginal land that would be ideal for grain production. With newer technologies being developed, marginal Mallee areas could play a key role in growing agriculture in Chaffey.

The Grain Research and Development Corporation (GRDC) has undertaken trials in pasture cropping potential for marginal areas, including Karoonda in the Mallee. Pasture cropping provides an opportunity to integrate livestock and cropping operations for wide-ranging benefits. These include diversification and reduced risk, green feed supply over summer and more flexible management options for marginal soils that provide plant cover and soil protection throughout the year¹. According to GRDC, there is increasing interest in pasture cropping among mixed farmers with marginal soil types, but adoption is still low. This is due to a lack of understanding of: the potential perennial options; the interaction between the pasture and crop across season types; and the impact on crop returns². At Karoonda, the annual rainfall is at 339mm and the low rainfall statistics mean this an area where marginal land has much potential.

Recommendation: All level of governments must continue to invest in trials and research and development to look at ways to produce more food with less water. Food producers must have all possible information regarding weather forecasts and access to chemicals to battle disease.

¹ <https://www.grdc.com.au/Media-Centre/Ground-Cover-Supplements/Ground-Cover-Issue-95-NovDec-2011-Mixed-Farming-Supplement/Pasture-cropping-potential-for-marginal-areas>

² <https://www.grdc.com.au/Media-Centre/Ground-Cover-Supplements/Ground-Cover-Issue-95-NovDec-2011-Mixed-Farming-Supplement/Pasture-cropping-potential-for-marginal-areas>

1b. Loss of productive land

The loss of large areas of irrigated land (approximately 6000 hectares) taken out of production due to water entitlements being purchased by the Federal Government has impacted food security in the region. This Small Block Irrigator Exit Grant package undermined the irrigation district viability and has prevented farm amalgamation. During the drought more than 180 irrigators in the Riverland accepted an exit package whereby they gave up their water entitlements in exchange for funding to exit the industry. After accepting the exit package, the land was placed under a moratorium which outlined that it could not be used for irrigation purposes for five years. The grant has left the Riverland with a large number of dormant blocks and has reduced the overall tonnage of food production for some commodities. While the grant did assist to reduce the oversupply in the wine grape industry, overall it has seen growers exit the industry impacting on succession options, creating uncertainty for investment and having flow-on effects for employment and the population.

The Federal Coalition Government is working towards lifting the moratorium on the exited properties. As it stands currently, land subject to the program could remain locked until as late as 2016. A total of 297 grants under the program locked up 2747 hectares of land – the equivalent of 1373 Australian Rules football ovals that are no longer being used for productive purposes³. The dormant land is also not often cleared properly, meaning it is a haven for feral animals, pests and a fire risk. Senator Simon Birmingham described the exited properties:

“These locked parcels of land are also scattered holes in the productive footprint of a region that resemble the holes in a block of Swiss cheese. As water has already been recovered by the Commonwealth in exchange for the grant, it makes no sense to lock away land that could be used productively by an irrigator seeking to maximise the efficient use of other remaining water entitlements. Murray-Darling reform should be about recovering water for the environment, not dictating to landowners how their land can be used⁴.”

Recommendation: Lift the moratorium on dormant properties as soon as possible to attract investment and further growth in agriculture in the region.

1c. Food transport options declining and poor road maintenance

In the early 1990s agricultural outputs were largely transported to markets by rail but as rail options decline, road transport has become the number one option. This is putting increased pressure on both State and Federal roads. The importance of heavy vehicles to the Riverland and Mallee, and indeed to all food and wine producing regions in SA, is not to be understated especially given the limited amount of rail infrastructure. In the simplest of terms, trucks bring produce to market. Heavy vehicles play an integral role in SA's \$675 million fresh fruit and vegetable industry.

With a \$400 million road maintenance back log in South Australia, heavy vehicles transporting produce to market are continually putting further stress on the condition of our roads. Many of the

³ Murray Pioneer, March 19, 2013, 'Land Locked from Public'

⁴ Murray Pioneer, March 19, 2013, 'Land Locked from Public'

roads requiring urgent repair based in the Riverland and Mallee are vital networks to transport produce to market. The Dukes, Sturt, Mallee and Karoonda Highways are all important Federal routes. In the Mallee, the Browns Well and Ngarkat Highways are also of significance to local transport operators.

One need only drive a couple of hours out of the city to understand and appreciate the importance of heavy vehicles for South Australia’s production capabilities. The Sturt Highway which takes you right through to Renmark carries more than 10,000 vehicles per day – 33 per cent of which are commercial in nature.

For example, the Southern Mallee alone has a significant agricultural output reliant on road infrastructure. The South Australian Government’s Integrated Transport and Land Use Plan does not provide for any material and or significant investment on the Mallee Highway.

Agricultural Activities

Source : Australian Bureau of Statistics
National Regional Profile : Southern Mallee District Council : 2010 Census

Description	Southern Mallee	All South Australia	Ratio
Total Area	394,000 hectares	55,408,000 hectares	1%
Cereals for grain	135,000 hectares	3,421,000 hectares	4%
Vegetables	3,608 hectares	15,218 hectares	24%
Total sheep	326,000	11,331,000	3%
Beef cattle	9,000	1,161,000	1%
Pork	23,000	403,000	6%

Freight and transport operators throughout the Riverland and Mallee have voiced concerns about the safety and condition of the local road networks. With the establishment of horticulture in the Southern Mallee, the agricultural output has increased by 500,000 tonnes per annum. There are now 10,000 more semi-trailer, B-double movements annually on the Mallee, Browns Well and Ngarkat Highways⁵. One producer alone accounts for 5000 more semi-trailer, B-double movements each year on these highways.

According to a council in Chaffey, as freight costs escalate and the value at the farm gate decreases, producers are contemplating withdrawing from the industry unless vehicles like road trains or B triple semi-trailers are available to carry outputs from the farm gate to terminals, ports and markets. Many of these terminals, ports and markets are being centralised meaning there are limited access options and alternatives to main arterial roads.

⁵ Southern Mallee District Council, Evaluation of Speed Limits on Rural Roads

There have been concerns raised by truck operators about a lack of transparency and understanding of the performance characteristics of vehicles in local government, which makes decisions on restricted vehicle access. Increasing access to roads for certain types of heavy vehicles would reduce the congestion on our roads and improve safety on the roads.

Recommendation: Address road maintenance concerns along major freight networks and look at efficiency in the types of heavy vehicle options allowed to travel on road networks.

1d. Water security

The River Murray is the lifeblood of the Riverland and being home to thousands of irrigators, water security is critical to the economic viability of the region.

All states have signed the Intergovernmental Agreement (IGA) on Implementing Water Reform in the Murray-Darling Basin and an amended National Partnership Agreement (NPA). The fundamental priorities are to ensure the Murray-Darling's food and fibre industries remain vibrant and sustainable, and that the river system on which they rely is restored to good health for the long term. According to the Federal Government, 'Irrigation infrastructure upgrades are central to achieving the best productive outcomes from the Australian Government's \$13 billion investment in the Basin Plan, recovering vital water for the environmental water while enhancing the sustainability and viability of Basin communities'.

The Murray Darling Basin Plan is vital to water security and the equity of water entitlements for irrigators. To date, every single drop of water committed to environmental flows in SA by the Labor Government has come, or is going to come, from irrigated food producers in one form or another. Despite assurances of support from SA Premier Jay Weatherill, the amount of water available to irrigators will be reduced by up to a third – that means a third fewer jobs and a third less economic activity in river communities. As part of South Australia's commitment to the Plan, the State is expected to return 83 gigalitres of water for environmental flows. The South Australia River Murray Irrigation Industry Improvements Program will achieve 40 gigalitres and the Government has committed another 20 gigalitres but there is still 23 gigalitres to achieve with no outline as to where this water will come from.

Irrigators are constantly being asked to do more with less when it comes to water entitlements. The region's primary producers are facing cuts to surface water of about 30 per cent and a significant reduction in underground water in broad acre horticulture. An arising issue in the SA Mallee is the volumetric conversion of water allocations currently being rolled out.

According to the South Australian Murray-Darling Basin Natural Resources Management Board, volumetric conversion is the process of changing current area-based licences to volumetric allocations. Historically irrigation licences in the Mallee Prescribed Wells Area (Mallee PWA) were issued as area-based allocations. The area-based allocations are expressed as hectare irrigation equivalents (haIEs), which has allowed irrigators to grow a maximum area of crop, rather than being limited to a volume. All existing area-based licences are being issued with a volumetric limit.

The conversion has raised major concerns within the community as inconsistent reductions on water allocations based on zones have been rolled out. The SA Labor Government has provided no disclosure on how a decision was reached regarding the volumetric allocation roll out.

For South Australian irrigators, the current carryover storage system is inadequate. Currently SA's entitlement is the first to spill in storage when storages are full. Water security underpins a viable industry and also gives growers the confidence to remain in the industry in the long term. It is essential to industry confidence and investment.

Recommendation: Ensure the Murray Darling Basin Plan is rolled out for the betterment of irrigators in SA and address inequity in carryover storage arrangements.

1e. Low commodity prices and rising Australia dollar

The high Australian dollar has been impacting the region's agricultural output for a number of years and it is largely out of the control of food producers. However, low commodity prices are an issue that must be addressed. For example, low returns are impacting Riverland wine grape growers, with prices at unsustainable levels. Growers must work towards ensuring they have a brand that can compete on a world stage and place more emphasis on marketing the high quality product.

Recommendations: Invest in continuing to promote Australian products to key export markets.

1f. Competing with cheaper import products

The rise of imported products is another challenge Riverland and Mallee food and wine industries continually face. The orange industry has been hardest hit by the importation of juice concentrate. Australia imports 32,000 tonnes of frozen concentrate orange juice annually, two-thirds of which comes from Brazil. Traces of the fungicide carbendazim have been identified in orange products from Brazil. Carbendazim is used to control fungal disease, which makes fruit look less appealing but does not affect its taste⁶.

The Riverland contributes around a quarter of the total number of citrus trees in South Australia with approximately 6300 hectares planted. South Australia produces 159,000 tonnes of oranges (equal tonnages of navels and valencias), 6,700 tonnes of lemons and limes, 17,500 tonnes of mandarins, 2,500 tonnes of grapefruit and 3,000 tonnes of tangelos annually. Currently planted in South Australia are approximately 1.63 million orange trees, 78,700 lemons and limes and over 240,000 mandarin trees⁷. The farm gate value of oranges in South Australia is \$86.8 million with mandarins having a value of \$18.6 million and the value of lemons and limes is \$3.7 million.

The region is a significant player on a national scale in terms of citrus and with the importation of juice concentrate; the industry has faced extremely challenging times. Coupled with low commodity

⁶ <http://www.theage.com.au/national/brazilian-orange-juice-scare-fails-to-stop-imports-20120112-1pxiy.html#ixzz2yGipYFVu>

⁷ http://www.pir.sa.gov.au/wid/regions/river_murray/region_specific_contacts2

prices, the imported concentrate has left a number of growers with little choice but to exit the industry.

One of the major issues when it comes to imports is the food labelling laws. If 51 per cent of the product and packaging is made in Australia, the label can read 'Made in Australia'. Consumers are being tricked into thinking the juice they are consuming is 100 per cent Australian when, in fact, it contains imported concentrate. Last year, iconic South Australian brand Berri fruit juices was caught out selling '100 per cent pure fruit juice' produced in Mexico.

Domestic consumers are severely hampered in making informed choices about purchasing Australian-produced food by confusing and inconsistent labelling. Australian consumers want to buy Australian food and must be provided with consistent labelling which allows them to make this choice with confidence. Both national and state governments have a role to play in addressing regional branding and country-of-origin labelling laws and regulations.

The threat of imported potatoes and apples from New Zealand continues to be another challenge. The imported produce has also had an impact on large businesses. The Riverland has lost the likes of Angas Park and Berri fruit Juice, with hundreds of jobs leaving the region.

Recommendations: Review the food labelling laws to highlight where products are imported.

1g. Lack of investment in Research and Development

Agriculture in Chaffey has suffered significantly due to a lack of investment in agricultural research and development. Given the agriculture sector is a significant contributor to the State's economy, providing over \$5 billion in state revenue annually and 32,000 direct jobs, its value should not be underestimated. Yet, we see research and development continually scaled back with funding cuts to the likes of SARDI and PIRSA.

The 2013 South Australian Budget saw the Government's net appropriation to PIRSA fall from \$89 million to \$77m, including \$4m less for SARDI. Primary Producers SA chairman Rob Kerin said:

"Our producers do not look for handouts, but the government role in R&D, biosecurity and accessing markets is vital to underpinning the enormous contribution of food and wine to the SA economy. Regional SA is the power house of our economy, and reducing the budget for PIRSA yet again hurts the industry. And SARDI has a vital role to play in lifting the State's productivity, yet once again they receive less money, with SARDI's budget battling to fund its core capacity. Given the downturn in manufacturing, and the volatility of mining, the government needs to invest in primary production through R&D, biosecurity, and ensuring our products are promoted to the emerging markets."

It is extremely disappointing to see regional centres, such as the Loxton Research Centre, being underutilised at a time when agriculture needs critical Research and Development to ensure its long term future prosperity.

Recommendation: Review investment in agriculture research and development and provide long term support for a sustainable farming sector.

1h. Biosecurity threats, such as fruit fly

South Australia and the Riverland pride itself on being fruit fly free and has benefited from support by the Government to continue this approach. Many international markets require strict measures in place to ensure the produce they are importing is fruit fly free. With two Queensland fruit fly outbreaks in Loxton and Pyap this year and five separate outbreaks in metropolitan Adelaide over the past 12 months, fruit fly pressure on the State is at an all-time high.

While the status of being fruit fly free is costly to maintain, it is vital in the international marketplace and must continue to be supported as it provides access to exclusive export markets and reduces production and post-harvest supply chain costs. Random roadblocks within South Australia and along the border are not operated often enough, given the increased threat of fruit fly to the state.

Fighting fruit fly is a tri-state issue and a national fruit fly strategy is critical in the overall management of this horticultural pest.

Recommendation: Establish a national fruit fly strategy which will place Australia in the forefront of international biosecurity, with all stakeholders committed to a national policy.

2. Improving farm gate returns, including drought management

Improving farm gate returns in the Riverland and Mallee is one of the biggest challenges facing food producers. The viability of a farming business is based solely on farm gate returns and a number of Riverland and Mallee industries are suffering from low commodity prices.

The Riverland wine grape industry, which will this vintage crush almost 400,000 tonnes, is suffering from low returns to growers, as little as \$100 per tonne and well below the cost of production. The industry itself has said those prices are unsustainable. It is important for these growers to look at their business structure going forward. Approximately 50 per cent of the world's wine is sold for under a dollar a litre and that is difficult to compete with.

Food producers must turn their focus to marketing their own product and not just simply accepting a price set by wineries. If Riverland wine grape growers and other industries continue to be 'price takers', they face an uncertain future. The Riverland produces clean, green, high quality wine and that must be part of the marketing strategy for wine grape growers. To compete on a global scale, growers must look at reducing input costs and one option to achieve this is collaborative farming. This has successfully been done by groups such as CCW Co-Operative Limited for wine grapes and Bulla Burra for grain production. Food producers are too focused on the price and contract at a local level but it is vital to start looking at what it means to be a global trading business.

There are many examples of food producers in the region that have value added their product. This initiative is certainly challenging but could ultimately be rewarding in the end. It is about being innovative with marketing and growing for markets instead of planting in hope that a market will become available. It is proven the Riverland and Mallee finds it hard to compete in a global market when it comes to food production unless we target markets with high value products.

Recommendation: Explore opportunities to invest in marketing for food producers and collaborative farming.

3. Access to finance

The impacts of the drought are still being felt by a number of food producers across the Riverland and Mallee. The drought left many businesses in poor financial condition with high levels of debt. With drought assistance drying up, food producers have largely been left on their own, relying on negotiations with banking establishments. Some 35 per cent of horticultural farms are owned and the remainder have a mortgage. Rising debt levels have been caused by the high Australian dollar exchange rates, low commodity prices and the need to buy water for crops dependent on export markets. Many growers borrowed large sums of money to invest in water saving technologies to make farms more efficient. During the drought growers also suffered from a decline in asset values. Almost 40 per cent of horticulture farmers in the Riverland have off-farm income.

During the drought, South Australian taxpayers gave almost \$115 million in assistance from 2006 to 2011⁸. The State Government spent \$63 million on state-based business, family and community support measures, while \$52 million was spent to match the Federal Government's Exceptional Circumstances Interest Rate Subsidy Program. Those to receive assistance included:

- 2450 businesses received interest rate subsidies
- 1725 irrigators granted a critical water allocation
- 300 people attended technical farm operations-focused workshops
- 50 workshops held on communication and succession planning
- 381 specialist advice grants
- 3000 clients supported by Rural Financial Counselling Services SA
- 53 irrigators assisted in seeking new employment opportunities
- 1568 businesses given Business Planning Grants
- 980 apprentices supported to stay in the regions
- 742 farmers learnt new transferable skills
- 143 community events held including farm tours, guest speakers and community nights

The Rural Financial Counselling Service continues to play an important role in the region and will do so into the future. A number of properties have been sold to foreign investors as a way of recuperating some of the high debt levels. There is an opportunity for foreign ownership and investment in the region but the right balance must be struck.

⁸ SA Business Journal, October 4, 2011, Aid eased the hurt...and saved lives

Succession planning is another major issue in the region, with many young family members deciding against staying on the farm. Many farms cannot remain viable and therefore stop production before the farm can be passed onto the next generation. For other families, passing on debt level to another generation is not a viable way forward. A stamp duty concession is one option to allow another family member to succeed the previous owner. A number of growers want to retire but find it difficult to sell their property with a missing generation of younger growers.

Recommendation: Explore ways to by which farmers could be assisted with diversification of farm enterprise and with business management training in areas such as succession planning. Farmers could be assisted or encouraged to improve their overall long-term sustainability through off-farm investments.

4. Competitiveness through the value chain

To improve on the long term growth and competitiveness of agriculture in the Riverland and Mallee, the region must continue to be more productive and competitive globally.

A report titled 'Agriculture in Focus 2014: Competitive Challenges' by Rabobank highlights that Australian agribusiness is facing mounting competitive threats throughout the supply chain, which require resolute and aligned action from industry and government. The report, which examines Australia and New Zealand's agribusiness sectors, identifies six key challenges affecting the competitiveness of Australia's food and agribusiness industries, which are increasingly coming under threat from a growing group of highly-resourceful international competitors, including countries in South America, Eastern Europe and even Asia.

The report says the critical areas which need to be addressed as a matter of priority are:

- rising production costs both on-farm and beyond farm gate;
- international market access;
- logistics infrastructure (in)efficiencies;
- regulatory pressures;
- capital constraints and
- product innovation and development.

To continue to be competitive in the agricultural sector, the Riverland and Mallee, and South Australia as a whole, must embrace market opportunities. The demand for food in Asia continues to grow. There is an increasing focus from other countries around the world to meet the challenge of expanding populations. As a result there are more countries in the market to export produce, some with highly developed resources.

Recommendation: Ensure investment and support in the agricultural industry to grow to meet global food demand.

5. Regional communities

The Riverland and Mallee are dependent on agricultural production to provide employment and economic growth. The Riverland regional economy is estimated at \$2.2 billion with a reliance on food producing businesses and irrigation. There are an estimated 3000 growers that are dependent on the River Murray for irrigation, making up 18 per cent of jobs within the region. Labourers are the highest occupation in the Riverland, with 26 per cent working within horticulture. The region's reliance on agriculture as an employer puts pressure on local industries.

While there are statistics to demonstrate the reliance of agriculture on regional communities, for those living in these communities the importance is clear.

The Riverland population has declined by five per cent over the past 10 years from 33,053 in 2003 to 31,411 in 2013. An under representation of young adults in the region suggests that young adults are moving away and this could be due to a lack of on-farm succession planning.

With more than 4000 small businesses in the Riverland and Mallee, the economic sustainability and that of those businesses is underpinned by the success of agriculture. The region has high vulnerability and high dependence on water. Employment opportunities within the agriculture sector have certainly declined with a significant drop from 5,228 in 2001 to 3,885 in 2006.

Long term, the Riverland and Mallee will continue rely on agriculture contributing to regional economies, as well as making environmental and social contributions to the sustainability of the regions. However, to continue making this strong and important contribution, agriculture must adjust to changes in markets, government policies, cost structures, technology and the decrease in population.

Recommendation: Invest in agriculture to ensure job growth and expansion and therefore, guarantee the future of regional communities.

6. Inputs along the supply chain

Investment in research and development and infrastructure is urgently needed in regional South Australia to boost agricultural output. Given the Riverland and Mallee's importance on a national level, it is crucial government recognises need for investment. Long –term challenges and opportunities to South Australia's farming sector and food security will not be met without also having the support of a strong and innovative research, development and extension and adoption regime both nationally and in South Australia.

The agricultural sector has been starved of skills, training and education opportunities in recent years. Much of the skills and training in agriculture are learnt on-farm. There are opportunities to invest in further education in the agricultural industry.

The Riverland councils have been working with the University of South Australia to attract a regional hub to the region. In its five year plan, University of SA revealed it plans to introduce three new 'learning hubs'. The presence of University SA in the region could see the boost of agricultural courses and options for youth in the Riverland and Mallee. Likewise, there is also an option for TAFE to include agricultural courses included under the Skills for All program.

The Riverland and Mallee have competition for workers, especially given the number of seasonal employment options. There have been concerns that international and interstate workers are given priority over local employees for picking fruit.

With affordable land, access to water and a favourable climate, the Riverland and Mallee are seen as attractive land resource options. The challenges include skyrocketing water and electricity bills. The region's largest irrigation provider, Central Irrigation Trust, has been hit by huge increases in electricity to pump water. In 2011, 1200 Riverland family farms were charged an extra \$500,000 in energy bills and that figure has continued to grow.

Recommendation: Ensure local employment is not compromised by overseas working Visas.

7. Reducing inefficient regulation

When it comes to inefficient regulation, agriculture is constantly burdened by government red tape. Despite South Australia being the number one economic driver in export dollars, the SA government is focused on manufacturing and defence. The attitude towards agriculture is based around cost recovery rather than investment.

Australian Bureau of Agricultural and Resource Economics and Sciences highlighted the restrictive regulation, inadequate infrastructure and a lack of research and development as significant barriers to future agricultural productivity growth.

8. Enhancing agricultural exports

Food producers need to have all the relevant information regarding export markets and this is a key process in enhancing agricultural exports in South Australia.

ABARES modelling anticipates a 75 per cent increase in global food demand by 2050, with 71 per cent of that growth to come from Asia – and just under half from China alone. Exports of grains and oilseeds from the Black Sea region alone will increase to almost 80 million tonnes by 2018–19: 20 per cent higher than 2013–14. In 2014–15, ABARES predicts a rise in export earnings for wheat of 2 per cent and wine of 3 per cent. However, falls in export earnings for that period are forecast for barley (29pc) and canola (35pc).

Whilst very competitive, there are major opportunities to benefit from an expanding global export market. The demand for food in other countries is growing but South Australia must have a sound plan in place to capitalise on the growth. Breaking into new markets in Asia will be of major benefit.

As some export markets decline, it is important the Riverland and Mallee explore new opportunities. The Riverland, which is a major player in the Australian orange industry, faced a declining market in the United States. The US has been a key market for the nation's orange growers for the past 20 years. Opening up markets in China, where shipping of Australian oranges has increased five-fold in the past two years, is an important move⁹. The Federal Government's recent Free Trade Agreements with Japan and South Korea have been welcomed with both agreements expected to be beneficial to the Chaffey electorate.

Wine Australia also reports that China has been Australia's fastest growing export market at 33 million litres per year. Wine Australia is urging the Federal Government to establish more free-trade deals on Australian wine, which would benefit the Riverland. China has an import tariff on wine of 14 per cent, a value added tax of 17 per cent and a consumption tax of 10 per cent on bottled wine, adding almost 50 per cent to the retail price¹⁰. The export markets differ for various food produce industries. For example, the leading markets for Australian apples in 2013 were Papua New Guinea, UK, Malaysia and Thailand. The top three export markets for almonds last year were India, UAE and Netherlands. One major advantage South Australia has when dealing with export markets is its fruit fly free status. This status is integral to accessing certain markets. However, with the horticultural pest endemic in a number of neighbouring states, the pressure is on South Australia to invest in keeping Queensland and Mediterranean fruit fly out of the State and the Riverland and Mallee.

ORANGE COUNTING

Top 5 export destinations for Australian oranges in 2012

(By volume, million tonnes)

Hong Kong	30.9
Japan	29.8
Malaysia	11.6
America	11.2
Singapore	10.4

⁹ <http://www.theage.com.au/victoria/export-market-chinese-take-up-navel-grazing-20130812-2rsdk.html#ixzz2yL8RhatX>

¹⁰ The Advertiser, April 9, 2014, 'Wine boss urges PM on Asian free trade'

Recommendation: A focus on continuing to create new export opportunities will benefit Chaffey.

9. Effectiveness of incentives for investment and job creation

Agriculture is an important employer and it is critical it receives support and investment to continue to create jobs and build the economy.

In South Australia, \$20 million was allocated to the Riverland as a 2010 election promise. The Riverland Sustainable Futures Fund provided funding on a dollar for dollar basis to various projects across the region. While the initial concept was welcomed as a boost to the region following the drought, the fund was poorly administered. The fund's long term effectiveness is yet to be determined.

The Exceptional Circumstances Interest Rate Subsidy (ECIRS) provided business support to farms that were viable in the long term, but were in financial difficulties due to an EC event. Interest rate subsidies were provided as a grant calculated against 50 per cent of the interest payable on new and existing loans for the first year of an EC declaration and at 80 per cent in the second and subsequent years, up to a maximum of \$100,000 in any 12-month period and \$500,000 over five years. This initiative was shut off in 2012 but was effective during the time it was available. Further interest rate subsidies for farmers still struggling with debt from the drought could be reviewed. As highlighted earlier in this submission, stamp duty concession for farm succession planning is also another option to provide incentives to grow jobs in the agriculture sector.

Conclusion

Agriculture is a significant contributor to the South Australia economy and underpinning economies in the Riverland and Mallee. The opportunities within agriculture can often be underestimated with governments focusing on the likes of manufacturing and defence. There are a number of opportunities in agriculture and the Riverland and Mallee are aligned to take advantage of those opportunities given the growing world-class reputation of food grown in this region.

With sustainable comparative advantages for high value irrigated horticulture including soils, climate, reliability of water supply, best practice water supply systems, ability to grow a diversity of crops, fruit fly free status and a proximity to markets, the Riverland and Mallee can continue to contribute significantly to agriculture on a national scale.

The reality is that food security in South Australia will be underpinned by the agricultural sector and food industries' long-term ability to compete in international and domestic markets and as a result food producers need investment and support from all levels of government.