

Submission to the Agricultural Competitiveness Issues Paper April 2014

INTRODUCTION

CORRIGIN/LAKE GRACE ZONE OF THE WESTERN AUSTRALIAN FARMERS FEDERATION.

PREPARED BY C. J. NICHOLL Dip of Ag; Advanced Dip of Agribusiness. MAICD

[REDACTED]

[REDACTED]

[REDACTED]

Corrigin/Lake Grace Zone of the Western Australian Farmers Federation is the largest grain growing zone of the Farmers Federation delivering grain to Kwinana, Esperance and Albany ports.

We welcome the opportunity to contribute to the Agricultural Competitiveness White Paper from a farmers perspective. The profitability of agriculture is important to inland Australia.

Australian farmers are quick to implement new technologies and contribute significant sums of money into agronomic research through GRDC.

The disadvantage that we suffer is that unlike other industries in Australia we are not able to calculate our costs and pass them down the supply chain. Our wool and livestock are sold by auction and we take what the buyers will offer. The price of grain is largely set by the Chicago Board of Trade and the Futures Market, together with the value of the Australian dollar.

Over the years farmers have overcome the effects of inflation and other cost pressures on us by expanding our holdings and cropping more acres per farmer. We have done more with less. This has come at a cost of seeing many families leave the land and in this area most existing farms are made up of anything from 5 to 15 original sized holdings. There is a limit to the size of a farm that a farmer can properly manage.

Our submission will cover

- The high cost of farm inputs
- Our financial requirements in both long term financing as well as year to year financial support.
- Logistics Systems, getting our produce to port and our inputs onto the farm
- Research and development and the role of the Department of Agriculture
- Land and Water Conservation
- Drought preparedness.
- Social Issues.

1. HIGH COST OF FARM INPUTS

With the large size of Australian grain growing properties it is important that we have access to reliable reasonably priced machinery such as tractors; (300 to 600 hp) and seeding and harvesting machines wide enough to enable us to plant and reap our crops in the small window of opportunities that we have seasonally.

When the Australian dollar strengthened to that of parity with the US dollar the price of these large machines did not reflect the cheaper import price to us as farmers. Yet the price of imported cars dropped significantly.

In WA we have seen dealerships merge across significant regions of the agricultural areas which has eliminated competition between dealers in marketing their machines to farmers. There is evidence that this has enabled dealers to market the price of their top sized machines up by \$100000 to \$140000 a machine.

FERTILISER AND CHEMICALS

In WA farmers rely on the use of phosphate, lime, potash and trace elements to maintain satisfactory yields in our cropping programs. The price of DAP is very fluid and rises every time the price of grain increases which takes away the benefit of higher prices that we should get.

With the introduction of No Till, (this is a system which is good for land care) and enables farmers to make the best use of the amount of rain that falls) which is important in dry land farming areas. It is paramount that we have access to cheap chemicals like Glyphosate, Triflurin, 24D Ester 800 and Sprayseed in order to make the system work. If these chemicals become too expensive then we would not be able to be competitive with this wide spread system of crop establishment.

The cost of labour is also significant input cost for us. We find it impossible to compete with the Mining Companies when it comes to attracting quality labour. The Mining Companies have attracted many young farmers away from the land with high wages offered. (\$2,000 to \$3000 a week.)

It is essential that the 417 and 457 Visa system is kept in place to enable us to attract the seasonal labour that we need for cropping and harvesting. Without these visa holders there would be many farmers that would not be able to find sufficient labour to fill their requirements.

There are many other cost imposts that farmers have to endure such as the cost of accounting, because of the complexities of our Taxation system, the cost of stamp duty on insurance premiums (a necessity for risk management tool), the cost of stamp duty on land purchases; this includes the licensing of vehicles as well.

It is important that we continue to be able to purchase off road diesel free of excise duty for use on our farms for primary production. It would be better if we could claim the excise at the point of sale rather than having to pay it and having to claim it back.

2. AGRICULTURAL FINANCE – LONG AND SHORT TERM

While the existing banks play an important part in funding both farm purchases and farm inputs their business models do not often suit the farm scene.

Farmers tend to lay out large quantities of money in acquiring inputs and machinery for cropping and receive their income in big lots but spread well apart. Often this is disrupted by adverse seasonal conditions and low commodity prices.

In recent times we have lost the “Lenders of Last Resort” which was the financial arms attached to both Landmark and Elders, these being bought out by the mainstream banks. Previously to that the Commonwealth Bank and the Primary Industry Bank played an important part in funding agricultural operations both in developing farm expansion and improved productivity. These are no longer available to us and there needs to be a replacement of them or something similar. This needs to be done as a matter of urgency. It may include the setting up of a RAFCOR or specialist rural bank.

The rural bank needs to have a special policy and facilities to attract and assist young farmers to either enter agriculture or take over the ownership of the farm from their parents enabling the older generation to retire with enough resources to live comfortably separate from the farm. The current average age of farmers is a concern. We believe the Rural Housing Authority if expanded would have the capacity to do this.

The Reserve Bank of Australia plays an important part in the setting of the value of the Australian dollar. This in turn affects the competitiveness of the export of Australian primary produce and the price that we receive as growers. It is important that there is a practicing farmer with experience on the RBA Board so that the rural industries are not overlooked in the setting of policies by that Board.

3. LOGISTICS

In WA most farmers are dependent on the export market for the sale of their grain, wool and livestock produce. It is vital for us that we have a low cost efficient transport system to transport our produce to a position where it can be exported to take advantage of any surge in demand. This would also benefit grain traders. The size of the Western Australian grain crop has been increasing over the years. The record crop of the 2013/14 harvest is causing problems and putting our grains logistics system under enormous pressure. Many of the up country receival sites will not be emptied before our next crop starts to be received. The current rail system is not operated under an efficient business model. The Government owns the rail track and land, this is leased out to Brookfields (a Canadian company) who engage contractors such as John Holland to do the maintenance work on the lines. While CBH and ARG own and run the rolling stock above the tracks. There are too many parties involved here all trying to make a substantial profit for their efforts. We have a high cost business model here.

The grain transported into the Esperance port and in the East Albany area is done mainly by road using road trains to empty the up country receival sites. While these road trains are

reasonably efficient in the task Main Roads struggle to maintain the roads in a satisfactory condition to cope with the increase in production.

Western Australian farmers have invested a lot of money in rapid rail loading facilities through CBH and these have added to the efficiency. The high cost of constructing these facilities has made further investment not economic.

Australia needs a National Plan to modernize our rail system and more money invested in our road network so that grain growers can have better access to our ports. Our ports are efficient and can export many times more grain than can be delivered into the ports, that's where the bottle neck is. This adds significantly to our costs and we lose marketing opportunities.

The continued export of live sheep and cattle is vital to our livestock industry. It is a live export trade that put the profitability into these industries. There is a big and growing demand for live sheep and cattle overseas.

We believe that the loading of live sheep and cattle needs to be moved away from the port of Fremantle to the outer country ports of Albany, Bunbury or Geraldton.

This would remove some of the congestion that occurs on the road network into Fremantle and would be more welcomed by the people in the outer ports.

It is vital for our grains industry that we have a strong grain handler and marketer of Australian grain. Many agricultural co-operatives such as United Farmers Co-operative, Rural Traders Co-operative have failed in the face of overpowering competition from the corporate sector.

While the CBH Co-operative have provided growers with a good and innovative bulk handling and marketing system and now transport as well, it is vital that they are protected with a similar law that is used in USA such as the Caper Volstead Act which enables agricultural co-operatives handling agricultural produce to be exempted from the Anti Trust Laws or in Australia's case the National Competition Policy.

4. RESEARCH AND DEVELOPMENT

It is vital that Australian farmers with the assistance of the Australian Government continue to invest in research and development. It is also vital that we have a well funded and independent Department of Agriculture that can also be involved with the research and development and extension and be able to give farmers independent advice.

While the chemical industry and the private seed breeders play an important part in introducing new and better crops and techniques into the agricultural industries much of their advice and research is biased towards their product and their system. In too many cases there have been failures or the perceived benefits have not been there.

We believe there should be limits on the amount that owners of seed technology or plant variety rites can charge in the way of end point royalties. End point royalties are becoming a

significant charge against our grain incomes. Our understanding is that EPR's are soon to be charged on pasture seeds as well.

5. LAND CONSERVATION

This is an important aspect of farming and while NO TILL has been a major step forward in reducing wind erosion and improving soil structure by incorporating crop residues back into the soil it is important that soil conservation is not overlooked in any competitive plan. More lime needs to be incorporated into our soils, but the biggest cost is in the transportation of the lime. It is important that our transportation costs for lime in and grain and livestock out are reduced.

Farmers also need assistance to handle the growing problem of salinity on our land. This problem has been overlooked in recent times with drought and water shortages over shadowing it.

6. DROUGHT

Drought will always be part of the rural landscape in Australia. Good managers need to be able to manage their business in good times and in bad.

To help us achieve this we need an affordable Risk Mitigation Insurance system to help us overcome bad seasons and droughts both for cropping and livestock. This would be far more acceptable and beneficial to Australia than the Exceptional Circumstances Assistance that has been there in the past.

This would not only help farmers but would enable farmers to keep spending and supporting the local community when droughts occur. To make this Risk Management Insurance system affordable Governments both State and Federal will need to assist us in underwriting some of the premiums as is the case in the USA.

Mark Vaile the then Leader of the National Party advocated such a scheme as Multi Peril Crop Insurance in 1998 when he toured the frost damaged crops in Western Australia.

Farmers need to be encouraged and assisted to sink large dams and develop wells to supply water in times of drought. We also need to be encouraged to store fodder in strategic drought reserves. This can be done by encouraging farmers to store grain in underground sealed pits. While FMD's are of limited benefit and can provide us with reserves of money you can't feed livestock on dollar notes. Someone somewhere must have the fodder.

7. SOCIAL ISSUES.

To be competitive family farming businesses need to operate in a social environment that is healthy and embraces the whole of the family and the community with good sporting community and educational facilities and systems.

It is important that rural communities have access to high quality education at a reasonable cost. The school bus system of delivering country children to school plays an important part in this. But for many families where their local towns do not have a high school the high cost of sending their children away to boarding school is a financial burden on the farming family.

It also has the effect of tearing a farming family apart if the mother needs to move to a city or a larger regional town so that her children can receive higher education. This is a lower cost option to boarding students away at College.

This leaves the farmer and father on the farm on his own and separates the children from the activities of the farm and the farm learning experience and many of them never return to the farm.

This has been accentuated by year 7's now required to go to High School instead of at year 8 level at primary school.

SUMMARY

We hope this submission adds some value to the White Paper. We believe that it will be a very important step in assisting more farmers to stay in the business of farming and we thank the Minister for giving us this opportunity.