

Agricultural Competitiveness White Paper Submission
IP671 Western Australian Farmers Federation
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Submission on

Agricultural Competitiveness Issues paper

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Submitted to:

Agricultural Competitiveness Taskforce
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WAFARMERS FEDERATION BACKGROUND

The Western Australian Farmers Federation (Inc.) (WAFarmers) is the State's largest and most influential rural lobby and service organisation. WAFarmers represents approximately 4,000 Western Australian farmers from primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers, commercial egg producers and beekeepers. Collectively our members are major contributors to the \$5.5 billion gross value of production that agriculture in its various forms contributes annually to Western Australia's economy. Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental wellbeing of that land.

WAFarmers welcomes the opportunity to comment on *the "Agricultural Competitiveness Issues Paper"*

INTRODUCTION

WAFarmers strongly endorses the National Farmers Federation “*Blueprint for Australian Agriculture 2013 - 2020*” which is designed to inform the future direction of agriculture in Australia. The Blueprint is subject to regular review and amendment to reflect the prevailing circumstances. Of the Blueprint priorities, industry leaders selected four key goals they wish to see actioned today to ensure the success of the Australian agricultural sector tomorrow:

- **Innovation, research, development, extension:** Securing investment in, and developing a model to underpin, research, development and extension in Australian agriculture.
- **Competitiveness:** Building the sector’s competitiveness and profitability through understanding our market opportunities and value chains to create growth, market access and future opportunities.
- **Agriculture within society:** Telling the story of agriculture by building a common narrative about the sector, in order to better position agriculture in the minds of urban Australians, prospective employees and international markets.
- **Natural resources:** Embedding sustainability as core business across agriculture and its supply chain.

1. Ensuring food security in Australia and globally

What opportunities exist to expand agricultural production in Australia and how can we take advantage of them?

Industry	Problem	Solution
General	Expansion of agricultural production will largely be driven by consistent profitability and good, targeted RD&E that focuses on profitability. Since 2000 agricultural research public spending has decreased from \$1 billion to approximately \$0.5 billion,. Results from a global survey on agricultural R&D spend show that Australia has dropped from 9 th place to 16 th , behind partners and competitors including China, America, Japan, Canada and India. Australia can only develop a competitive advantage in agricultural produce within the Asian region by ensuring that we remain at the forefront of agricultural research, development and extension.	WAFarmers calls on the federal government to recognise the critical importance of agricultural RD&E investment and to: <ul style="list-style-type: none"> • Develop a strategic plan to establish Australia as the international leader in agricultural RD&E • Increase government expenditure on agricultural RD&E to support productivity increases required to meet anticipated demand from the Asian region. • Increase government expenditure to fund RIRDC and current and additional agricultural Cooperative Research Centers • Provide taxation and policy frameworks to encourage private investment in RD&E. • Encourage further research into biotechnology advances which could result in alternative grain varieties that provide solutions to changing regional weather patterns. • Commit to developing sustainable environmental

		<p>salinity management programs and to providing appropriate funds on a long term basis for managing the impacts of salinity.</p> <ul style="list-style-type: none"> • Ensure that research priorities undertaken by RD&E bodies funded by government, and research into the latest adoption techniques are supported by industry.
Grains	<p>Problem: Unrealised crop Yield Potential in higher rainfall areas In Western Australia, as in other States, there is unrealised crop yield potential in higher rainfall areas which provides a significant growth opportunity for the grains industry. Western Australia modelling indicates that improving the water-use efficiency of high rainfall crops by 20 per cent could lift wheat yields by 2 tonnes per hectare. A shift to increased cropping requires adequately cleared paddocks. Land clearing laws which prohibit realising crop yield potential therefore need to be removed on a state and federal basis.</p>	<p>Solutions</p> <ul style="list-style-type: none"> • Identifying and overcoming the factors that constrain the adoption of new technology and practices will be critical to achieving improved yields and water-use efficiencies of high rainfall cropping systems. These may include soil, pest, disease, variety, economic and social constraints. • Simplifying and streamlining the Environmental Protection and Biodiversity Conservation Act 1999 (EPBC), specifically assessment and approvals processes. • WAFarmers strongly supports a setting where landholders are able to use a variety of management methods, including being able to clear land, establish offset land parcels to enable land clearing, obtain financial compensation where restriction has been placed on future land clearing, and negotiate with competing interests for access to agricultural land.

<p>General</p>	<p>Problem: Poor Governmental policy on how industry can respond to climate change As the variability of Australia’s climate increases so does the challenge for sustainable agricultural practices. Climate variability is now listed as a typical risk factor to enterprises when assessing productivity and profitability. Adaptation needs to be the key response. to assure successful future farming enterprises to the extent that productivity and profitability factor climate variability as a typical risk to the enterprise.</p>	<p>Solutions: Collaboration between industry and government. WAFarmers call on the federal government to support the agricultural sector to maintain sustainable agricultural practices by:</p> <ul style="list-style-type: none"> • Increased R, D & E into biotechnology advances is critical to farm viability in the foreseeable future. • Enabling greater information sharing of climatic data to improve on-farm decision making capability: • Improved Bureau of Meteorology weather forecasting capability. • Guaranteeing that agriculture and on-farm diesel use remains exempt from carbon tax policy. • Providing support for risk mitigation tools including Multi-peril crop insurance products.
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How can farm businesses, food manufacturers and the retail sector be more responsive to domestic and global food demand and better integrate into domestic and global supply chains?

There needs to be greater knowledge, understanding and integration between all parts of the supply chain. There is a lot of pressure on the supply chain due to the market dominance of the major players reducing true competition. This squeezes the processors and producers and reduces the profitability of these sectors which in turn reduces the ability to invest in efficient infrastructure to improve overall productivity.

<p>Meat</p>	<p>Problem: Issues in the integrity of the supply chain Integrity of the supply chain of sheepmeat and beef has room for improvement in Western Australia. There is currently a ‘silo’ effect existing between producers, processors, exporters and retailers. Improved trust and communication between these sectors would greatly benefit all in the supply chain. Longer forward contracts promote confidence for growers.</p>	<p>Solution</p> <ul style="list-style-type: none"> • Dr Kelly Manton Pearce’s research addresses the issue of supply chain feedback and integration between producers, processors and retailers in the international prime lamb market. We would like to draw the attention of the review committee to this research as a model for improvement in the Australian prime lamb (export and domestic) supply chain that could well be extrapolated into beef market supply chains with some careful consideration. http://www.nuffieldinternational.org/rep_pdf/1388651915KellyMantonPearcefinalreport.pdf
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Do farmers have access to timely, relevant and accurate information to fully inform production decisions to meet domestic and global food demands?

A lot of information already exists in the marketplace which is available to primary producers. However not easily accessed.

Industry	Problem	Solution
General	Problem: Slow internet speeds makes accessing information difficult	<ul style="list-style-type: none"> • A refocus on investment into telecommunication services from a productivity perspective, as opposed to a population perspective is vital to ensure that grain producers can maximise the benefits of new technologies.
General	Insufficient data on weather forecasting to make informed decisions.	<ul style="list-style-type: none"> • Increased numbers of Doppler Weather stations to increase the accuracy of 7-14 day forecasting period.
Grains	<p>Lack of market signals to aid grain producers in planting decisions.</p> <p>The 2012 report by Peter Reading on 'Information requirements for an effective bulk wheat export market states <i>"the Wheat Quality Council expressed concerns that they now receive less feedback on what the market wants from wheat grades, causing difficulties in determining wheat classifications and market signals to breeding companies."</i> They also argued the need for additional resources to analyse and interpret the wide variety of data on wheat quality.</p>	<ul style="list-style-type: none"> • A national body that is involved in the generic promotion of Australian grain and the provision of market signals back to growers is essential. The Grains Research and Development Corporation (GRDC) and the Department of Agriculture and Food WA (DAFWA) currently fund the Australian Export Grains Innovation Centre (AEGIC) based in Perth. AEGIC has the potential to play a pivotal role in both maintaining and increasing export opportunities and government to government trading relationships. •

2. Farmer decisions for improving farm gate returns

What are the drivers and constraints to farmers adopting alternative business structures, innovations or practices that will assist them in improving farm-gate returns?

<p>General</p>	<p>Problem: Limited exposure to business training Research suggests that farmers, particularly in their fifties, are naturally risk-averse and rely on confidence and accuracy of information to make informed decisions. There is less reliance on traditional business planning methodologies such as risk assessment, identifying risk tolerances, and strategic planning which inevitably puts the business at increased risk. Traditionally, issues around farm productivity, finance, economics and trade have been dealt with purely from a commerce perspective. It needs to be recognised that social issues, around education, training, and most importantly, the science around decision-making (particularly under stress), risk management and adoption rates, is lacking. Farm demonstrations and agricultural department extension which largely drove the productivity increases in the 70's and 80's have been replaced with internet-based solutions and commercial companies. While the younger generation are mostly-self driven and learn from technology, the bulk of the farmers, who are mostly over 50, rely on traditional forms of learning (peer group, local relevance and practical applied results).</p>	<p>Solutions:</p> <ul style="list-style-type: none"> ▪ Targeted information delivered in a way that will improve decision-making ▪ Business training, using incentives, and awareness/extension to upskill producers in risk management, strategic planning, financial analysis and risk assessment • Instigate an area of research (RIRDC) around the social aspects of farm business operators to better understand how the funds dedicated to R & D, extension, capacity building and drought-relief, can be better spent in line with the psychology of how farmers make decisions, respond to change, and approach risk and adverse situations.
<p>Dairy Industry</p>	<p>Problem: Lack of confidence The largest driver and constraint in the West Australian dairy industry is medium term confidence in the domestic markets and the ability for the dairy processing sector to develop overseas markets amidst corrupt retail domination.</p>	<p>Solutions: The power of the two big retailers, Coles and Woolworths, drives prices down and highlights the need for a mandatory <i>Code of Conduct</i> to restore balance in the supply chain.</p>

What tools, skills and advice do farmers need to effectively adapt and respond to the risks they face?

<p>General</p>	<p>Problem: Lack of reliance on farm business tools to make decisions</p> <p>There are an unacceptable number of farm businesses that are not properly-skilled in concepts such as farm business analysis, farm financial management, risk assessment and management, and strategic planning skills.</p> <p>The WA State Government undertook Farm Business Resilience training as part of the WA Drought Pilot program in 2010, and found that of the 796 farm businesses enrolled, less than a fifth had the necessary skills, with only four percent claiming that they didn't obtain valuable skills from the course.</p> <p>Major WA rural lender, Bankwest and prominent farm consulting firm, Planfarm run the largest farm benchmarking program in Australia, and have found that over the last twelve years of the program, the top 25% of participants each year have an average return on capital exceeding 10%, whilst the bottom 25% have only profited once in fifteen years. There is a clear spread of profitability between the top and bottom 25%.</p> <p>Research has also shown that farm businesses who have sufficient business and risk management skills, adapt to not only their adverse circumstances, but carry over those skills to all aspects of their business that in turn better prepare them for industry volatility; identify and develop skills necessary to manage their business, and drive appropriate change within their business.</p> <p>The Rural Financial Counselling Service WA report that as identified by its business planning methodology, for many of their current client base, there are clear linkages between their current poor financial positions and a relatively low level of skills in effective decision-making, strategic planning, financial analysis and management, and risk management.</p>	<p>Solutions:</p> <p>Using the concept of 'one does not know what one does not know', sufficient work needs to be undertaken to understand the drivers for gaining knowledge by farm businesses and then followed up by:</p> <ol style="list-style-type: none"> a. Utilise the Rural Financial Counselling Service to provide the awareness of the deficits through it's business planning process, to businesses without capacity to pay for advice, and to identify 'at risk' businesses. b. Provide practical farm business and risk management courses offered to farm family using incentives and criteria that encourage farm businesses to life their skill base. c. Provide financial incentives to local grower groups (similar to the proposed Grain & Graze 3 program) to facilitate an industry benchmarking program, recognising two dynamics; <ol style="list-style-type: none"> i. That only those farm businesses utilising the services of two major consulting firms have the ability to compare large numbers of analysed 'farms' like for like ii. Grower participation encourages ownership of financial issues
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What alternative actions or measures by governments, farmers or others would result in improved financial performance at the farm gate?

General	<p>Problem: Misuse of market power to force down prices Government has allowed the distortion of the domestic market through the market share of the two major supermarkets</p>	<p>Solutions:</p> <ul style="list-style-type: none">• Enforcing a mandatory supermarket code of conduct would result in manufactures having greater ability to return sustainable farm gate prices and provide some stability to suppliers.• It is important that Australian farmers are able to operate on a level playing field.• Any free trade agreements should include agricultural products very early in the agreement.• The imposition of export tariffs by other countries on farm inputs such as fertiliser and import tariffs imposed on our products going into other countries impacts on competitiveness and farm profitability. This should also be a focus of free trade agreements since Australia does not impose similar tariffs on imported or exported goods.• The food safety standards required of Australian producers should be required for all imported product with regards to QA and chemical testing.
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What approaches could be used to encourage improved drought preparedness?

<p>General Draught -</p>	<p>Problem: Lack of drought preparedness with no Government strategy. Evidence suggests a proportion of farm businesses suffering drought have made no change to their management to lowering the impact of the next drought. Although a more profitable industry would facilitate off-farm investment, prudent on-farm investment, and improved risk management strategies is urgently needed however there are policy settings that inhibit drought preparedness.</p>	<p>Solutions:</p> <ul style="list-style-type: none"> • Farm Management Deposits (FMD) of \$400,000 upper limit is insufficient and needs to be re-structured. <ol style="list-style-type: none"> i. Volatility of season often mean large spikes of income over \$1M even when five-year averages incomes are close to zero. ii. FMD's should be enough to cover the input costs for at least two years of production. iii. Should not be classed as non-farm income when re-entering the system given reliance on farming partners collective off-farm income, which may total >\$250k in a year. • Improving producers risk management skills (Refer to Section 2.1) • Industry and Government to have a drought strategy in place. This strategy should consider: <ul style="list-style-type: none"> ○ Timely income support to those who actually need it ○ Low interest loans to finance current crop, fodder, water supply etc for viable farmers, contingent on attendance at capacity-building courses. ○ The system needs to provide certainty, minimal red tape and be repayable over time as seasonal conditions allow. Examples of unacceptable red-tape include: <ol style="list-style-type: none"> i) Deeming provisions on trusts that prevent farm households accessing assistance because of an historical 'paper transfer' of assets from trust to trust, trust to partnership and vice-versa, despite there being no liquid assets left to dissolve. ii) Where elderly farmers who have transferred their distressed assets to active farming family members for the younger generation to remain viable and within bank lending guidelines, cannot access a pension for five years and places undue stress on a business to provide for the older generation. ○ Timeliness is essential, especially for cropping farmers where there is only a small window of opportunity to get funding approval to plant a crop in the current year. ○ The current stand-off in allowing drought funds to flow to WA farmers is unacceptable.
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During drought, what measures are most effective in supporting long term resilience?

<p>General Draught</p>	<p>Problem: Inability of farmers to pay for advice when they need it most Whilst no farm business can prepare for extreme periods of drought, WAFarmers recognises that even in periods of drought, there exists sound businesses that have analysed their business, identified their position; their risks, their triggers for action; their plans and responses, and have assessed and managed risks accordingly based on their desired outcome Whilst in drought, many businesses do not have the capacity to pay for professional advice that helps guide the farm business to make effective decisions about their long-term future, and in some cases, some advisory firms base their advice on the wrong assumptions of a desired outcome. An example would be a financial plan around farm expansion</p>	<p>Solutions:</p> <ul style="list-style-type: none"> • Continual funding for business planning services as currently contracted to <u>Rural Financial Counselling Services WA (RFCSWA)</u> for those farmers who have little capacity to pay for professional advice. These services allow for a change of behaviour and positive change in capacity-building that builds resilience. • Services such as the RFCSWA have been enormously successful. These use a business planning approach to help the farm business to seek clarity around their situation and analyse their business; assess the risks to all aspects of their business and family, and help regain control, so that they can be better prepared for the next drought. • While it is not important who offers the service, it is critical that a business-planning methodology is used as opposed to the traditional 'action-plan' model used by Centrelink which is ineffective in changing behaviour around strategic planning around drought, both pre-drought and in-drought responses. In WA, practically all of the 1000+ RFCSWA clients have adjusted within or outside of agriculture within five years, whereas in other states, many farms are still reliant on assistance after two decades, simply because of the incorrect form of assistance.
<p>Grains</p>	<p>Problem: Lack of appropriate and affordable risk mitigation products With the current high input costs of producing grain including the costs of fertiliser, chemicals and machinery being on average around \$1 million dollars for every 4,000 hectares of crop planted, the risk factor borne by these producers is extremely high. Growers are concerned about climate change and their long term viability so it is important that they are able to mitigate risk. Most governments in the world understand the importance of the community's food producers</p>	<p>Solutions:</p> <ul style="list-style-type: none"> • A Multi Peril Crop Insurance (MPCI) scheme remains the best risk management tool to assist growers into the future. • A MPCI model incorporating a nation-wide approach, implemented at a federal level covering as broad a spectrum of crops and varieties as possible to reduce rates would give MPCI the greatest chance of success. Research in this area is imperative as MPCI will provide additional economic stability to rural communities, reassurance to rural lenders and remove uncertainty and reactionary measures of Exceptional Circumstances provisions, particularly as they have been applied to WA in the past.

	<p>and are working to ensure the preservation of grain growers and rural communities. While these countries have considerable differences in coverage and public sector involvement, they are examples of governments putting systems in place relating to premium subsidies and re-insurance to support the viable continuation of food production</p>	
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3. Enhancing access to finance

	<p>Problem: Rural banking sources confirm that farm equity levels have fallen as a consequence of the prevailing adverse conditions. Since 2009 average farm equity has decreased from about 80% to current levels of around 70%, with falling land values compounding the issue. The underlying problem for WA farmers, should this trend continue, is that the capacity to maintain or increase future production, or indeed absorb price volatility, will be constrained because the debt to income ratio will likely increase resulting in limited finance options.</p>	<p>Solutions:</p> <ul style="list-style-type: none"> • Government needs to assist the facilitation of alternative funding models away from debt-funding. (Refer Section Solutions on 3.4) • Improved understanding of bank lending criteria to help growers understand drivers to attract suitable finance <ol style="list-style-type: none"> i) Debt-mediation just prior to foreclosure (NSW & Vic. Debt mediation models) is too late for behavioural change and effective adjustment within and out of, the industry. Banks must be encouraged to facilitate capacity-building amongst their client base ii) Mandatory Debt mediation should effectively commence when an asset is first recognised as distressed (under management is the earliest official trigger), which will often allow 2-3 years for the banks and clients to collectively work to resolve and/or facilitate adjustment iii) The Rural Financial Counselling Service (RFCS) is the only government funded program for distressed farm businesses enabling producers to come to terms with their situation and identify farm business risk in order to make appropriate decisions. It cannot be emphasised enough the important role that the RFCS play, particularly with its focus on business planning to help provide solutions.
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How do we better attract private capital into farm investment?

Solutions:

- Need to develop a balanced external investment policy for agriculture that recognizes the importance of international flows of capital for economic development, and recognizes the on-going viability of farmers and their supporting communities.
- Establish a robust foreign investment register for agriculture that can be used to scrutinize and inform agricultural supply chain trends.

What examples are there of innovative financing models that could be used across the industry?

- Equity Partnerships, "MyFarm" syndicates in New Zealand, <http://www.myfarm.co.nz/>
- Future Farmer Fund model proposed by Nuffield Scholar Damian Murphy, http://www.nuffieldinternational.org/rep_pdf/1366339342DamienMurphy_YoungFarmerFinanceSchemes.pdf
- Cowbank which allows farmers/share farmers/employees to lease cows, <http://www.cowbank.com.au/>
- Murray Goulburn Partnerships program. This is designed to attract offshore equity funds to purchase farm land which will then be leased back to suppliers and shareholders, <http://www.mgc.com.au/media/4743/MG-Partnerships-Fact-Sheet.pdf>
- Collaborative Farming Australia, Nuffield Scholar John Gladigau, shared farms operating as a corporate to reduce external finance needs overall, http://www.nuffieldinternational.org/rep_pdf/1221631765John_Gladigau_2006_report.pdf
- Corporate farming that had a minimum requirement for local ownership (equity partners) and management (e.g local advisory board).

What would encourage uptake of new financing models?

- Taxation benefits to encourage individual producers to share resources and form partnerships
- Multi-Peril Crop insurance (banks have already suggested that the presence of MPCCI will be taken into account when developing risk profiles, and thus interest rate/availability of seasonal finance, of those particular clients who subscribe to MPCCI).

What alternative business structures could be developed for farming that also retain ownership with farm families?

<p>General</p>	<p>Problem: Need for more options for investment than just traditional debt-funded mechanisms. There is a need to explore possibilities to inject new capital into agriculture as opposed to relying on traditional debt-funded mechanisms. On current natural production and debt levels (A\$37bn and A\$61bn respectively), it could be argued that the entire industry on average fall outside comfortable debt to income guidelines.</p>	<p>Alternative business structures that have worked well in other countries include:</p> <ul style="list-style-type: none"> • Producer co-operatives that operate like a corporation (e.g CHS in the US, CBH in WA), not like a co-operative • Allied farms to form a larger corporate farming business. This would involve the ownership of land being retained by individual farm businesses pooling resources, with increased governance; use of advisory boards, and open to outside investment. • Equity-funding models similar to the resources industry. Based on the liquidity and low equity of many ASX listed junior resources companies, if they had to rely on debt-funding similar to agriculture, they would be not be funded. E.g 33% of ASX-200 mining companies have less than \$5M available cash reserves, and many more with less than 10% internal capital. • The challenge is to overcome the strong sense of independence from individual producers that can affect even basic resource-sharing concepts such as shared machinery ownership. <p>Cultural changes require investment from Government in the form of:</p> <ul style="list-style-type: none"> - Research into awareness, education and training - Financial and/or taxation incentives for the establishment of alternative business structures such as co-operatives, shared asset ownership
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4. Increasing the competitiveness of the agricultural sector and its value chains

How might existing laws and regulations be changed to address any market power imbalances in the agricultural supply chain, without limiting prospects for global-scale firms developing in Australia?

Existing laws have allowed the big two supermarkets to dominate. Farmers regularly relate issues of misuse of market power and believe any reporting of this will result in little action by the authorities and the certain loss of their contracts if they speak out. Regulators seem to impose more scrutiny on some co-operatives that are really beneficial to agriculture and yet do little to control the abuse of market power by others.

How can the agriculture sector improve its competitiveness relative to other sectors in the economy?

- Research Organization, Rural Industries and Research Development Corporation (RIRDC) have been a great ally to the industry providing research and development programs. The organization does a good job in working with State and National bodies to ascertain its research needs and delivers every time. The research body needs to have continued funding from the Federal Government to ensure that this continues into the future.

	Problem	• Solution
	<p>Problem: Inefficient taxation measures, e.g the carbon tax, greatly affect the competitiveness of Australian agriculture. The Australian Bureau of Agriculture and Resource Economics confirm that farm enterprises are burdened with additional costs related to the carbon tax, specifically as costs are passed on through the supply chain.</p> <p>Overall production costs for the Australian agricultural sector are expected to rise by approximately \$847 million during 2013-14, and by \$1.1 billion in the following year. Global competition will make it increasingly difficult for food processors to pass costs on to consumers hence it is likely that lower prices will be demanded at the farmgate. Other factors leading to the loss of competitiveness for Australian agriculture include high costs of compliance (over-regulation), duplication of services across state and federal jurisdictions, and ageing infrastructure.</p>	<ul style="list-style-type: none"> • Ensuring fair competition across the supply chain by enhancing the <i>Competition and Consumer Act 2010</i> and the role of the Australian Competition and Consumer Commission (ACCC).

Which examples of overseas approaches to improving agricultural competitiveness have relevance for Australia?

General	Problem: Some other countries seem to really value agriculture. What happened to the live export industry in Australia shows how little respect that governments have for agriculture in Australia.	<ul style="list-style-type: none"> Fonterra is a great example of how co-operatives can be extremely beneficial to agriculture. This co-operative business model needs to be encouraged and promoted.
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5. Enhancing agriculture’s contribution to regional communities

What impact does the growth of populations in regional centres and the decline in more rural or remote townships have on farming businesses and the agriculture sector?

<p>Population decline in rural and remote townships has had a fundamental shift in the way that farming operations do their business by the following ways:</p> <ul style="list-style-type: none"> Increased funds spent on capital and new technology to offset labour shortages. More reliability on overseas labour ie. Backpackers and working visas to meet labour needs of a business. This in turn creates other issues such as: <ul style="list-style-type: none"> Skills are being taught to individuals passing through Australia and therefore are not retained in the agricultural sector for future benefit of the nation. Skills are not retained in Australia. <p>A lot of effort is spent both in time and money on teaching individuals who do not return to the same enterprise twice. Farmers are forced to train new individuals every year without having the benefit of being able to use them again. It creates instability, uncertainty and a higher degree of risk for the business. It provides inefficiency for the agricultural sector.</p>	<ul style="list-style-type: none"> Establishment of new visa class which will allow 417 visa holders to return to the same employer. This will allow Australian farmers to re-employ already skilled and experienced labour. This trend leads to increased cost of production as goods and service providers move further away from the agricultural regions. This also leads to issues with education and health services no longer being accessible in rural communities.
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How can the agriculture sector best contribute to growth in jobs and boost investment in regional communities, including indigenous communities?

- Ensuring that agricultural production is profitable will create jobs and boost investment in regional areas and benefit all communities.
- A sustainable agricultural industry which is profitable will in turn provide job opportunities on farm and throughout the supply chain.
- The Agricultural Sector can best contribute to growth in jobs and boost investment in regional communities by:
- Making a better profit, farmers they can attract people whom they can remunerate appropriately and retain within the business and hence the community.
- Provide information on what occupations exist in the agricultural sector.
- Provide opportunity for individuals to have “work experience” type arrangements to give a person a taste of what life in the rural community/farming enterprise is like.

What community and policy responses are needed in rural and regional communities to adapt and change to new pressures and opportunities in the agriculture sector?

- Greater interaction between policy makers and rural and regional communities for effective consultation in the policy development stage and greater respect from government and agencies for the vital role that agriculture plays in producing safe food for the Australian population and the value of agricultural exports to the economy.
- There are a number of community and policy responses that are needed to adapt and change to new pressures and opportunities in the agricultural sector:
 - Investment in high standard schooling for families who wish to live in rural and regional communities to ensure that they see the place as a “place of choice” to raise a family and contribute to the area. Many families are moving away from the agricultural regions when children reach school age as there is a perception, and sometimes overwhelming evidence, that country schools do not provide a high level education.
 - Provision of doctors and health amenities to ensure that members of the community do not have to leave the area for treatment which will
 - Provision of adequate community recreational facilities.
 - Government needs to invest more in infrastructure and programmes that are not substandard to those in the metropolitan regions.
 - Increased community awareness of the role agriculture plays in their life.

How do we attract the next generation of farmers?

- A profitable and long term sustainable industry will attract and help retain the next generation of farmers. Ensuring rural and regional community facilities are provided which support families and agricultural industries. Ultimately, the feeling of being valued in the community will go a long way to providing job satisfaction and a sense of worthiness. Farmers are business people and promoting a positive image of the industry will attract people to become involved in what is a very noble occupation.
- Provide information on what occupations are available.
- Show success stories.
- Provide opportunities to young people in cities and metropolitan regions to spend some time in a regional community ie “weekly work experience on a farm”.
- Demonstrate that there is profit in agriculture – success stories. If there is no profit in farming, why would anyone want to enter the industry?
- Demonstrate opportunities that exist within the industry.
- Government to provide some assurance that there is a future for agriculture and that they are going to support the sector through a number of useful strategies.

Encouraging young farmers to establish their own businesses/invests in property via more competitive interest rates and terms for loans.

6. Improving the competitiveness of inputs to the supply chain

How can land, water and other farm inputs be more effectively deployed to better drive agriculture sector productivity, while maintaining or enhancing the natural resource base?

Australia already has an extremely productive agricultural sector given the constraints of soil and water. Productivity would be improved through reducing a lot of the red tape that inhibits the productive use of agricultural land.

Land, water and other farm inputs can be more effectively deployed to better drive agriculture sector productivity as follows:

- Government to assist industry to cut through local government and State Red tape
- Government to assist industry in its developmental plans fast tracking the process to expand existing businesses/setting up of new ones.
- Create more agricultural/food precincts to allow for land, water and access to market.
- Access to water and longer tenure for water licenses to provide some level of confidence for those that invest in the business.
- Government to compensate farmers, who preserve natural resource areas of their land as this land, although having value for the state, is unusable for the primary producer.

<p>Problem Inability to access technology to improve farming techniques – Apps/lack of range Access to telecommunication services on many farms is very still very poor, particularly once you travel away from major highways. Given the lack of mobile range in many areas, web-based tools are not going to allow farmers to attain maximum benefits.</p>	<p>Solution</p> <ul style="list-style-type: none"> • A refocus on investment into telecommunication services from a <u>productivity</u> perspective is vital to ensure that grain producers can maximise the benefits of new technologies. • The challenge for government is to ensure that the roll-out of the National Broadband Network provides access opportunities for all regional and remote communities. Population-centric roll-out plans have the potential to overlook regional and remote needs. • Investing in productivity related research, development, extension and education rather than constantly pulling resources from the sector will allow for on farm inputs to be more effective and efficiently used. Government assistance schemes to assist in on farm adoption of new efficient technology that drives productivity gains.
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What skills including specialised skills and training, will be required in the future and how can these be delivered and uptake encouraged?

- a. IT skills and access to high speed internet will become increasingly important in rural areas, including competent use of new technologies used during seeding and harvest.
- b. Shearing and wool handling of people who will be in the industry for more than one season.
- c. The skill to learn to adapt to the volatile market place in which farms operates, succession planning and implementation, mental health awareness training, occupational health and safety training,

How can we attract workers to agriculture – particularly in remote areas?

- Provision of seasonal visas to cover peak labour demand for operations such as seeding and harvest.
- Tax concessions for remote areas and better access to health and education services would also be beneficial.
- Money – how much can employees make in rural and regional communities compared to metropolitan areas.
- Lifestyle – amenities, community
- Subclass 457 visa arrangements are vital to ensuring short term solutions for farm labour. Further tightening of the program places additional strain on the agricultural sector’s food producing capacity at a time when the sector can least afford to be constrained. Similarly, the limited selection of approved occupations currently listed under the Australian and New Zealand Standard Classification of Occupations (ANZSCO) is a constraint on the industry.

The Federal Government to commit to working with industry to deliver improved workforce solutions by:

- Committing to increasing the awareness of agriculture within the broader community:-
 - Include Agriculture in the national school curriculum.
- Stimulating demand for tertiary level agriculture courses.
- Extending the range of occupations allowed under Subclass 457 visa conditions.
 - Review ANZCO codes to better reflect the agricultural workforce.
- By ensuring sustainable /profitable agriculture businesses that are then able to pay attractive remuneration packages

How can we promote career pathways for the agriculture sector, including models to enable younger farm workers to gain broader industry experience?

- Agricultural College students to do compulsory work experience in various aspects of the industry not just the farm side. Take students through the whole supply chain to showcase what employment opportunities exist in a particular industry.
- University students to do compulsory placements each year in various agricultural disciplines to allow facilitation of networking and getting to know the industry.
- Showcase career opportunities by industry and by profession.
- Mentoring programs between new entrants and “old hands” within a business or industry to help transitioning into a new role.
- Highlight case studies of people who have entered agriculture in a non-traditional way, show that anyone no matter what the background can have a career in agriculture if they have a passion for it.

How can rural industries and governments better identify, prioritise and fund research, development and extension?

Wool	Australian Wool Innovation Ltd (AWI) has a consultative yearly process which the Federal Government is content with. Industry on the other hand is not. The current consultative process and structure is inadequate, inefficient and does not utilise the existing networks within the industry for the benefit of R&D.	<ul style="list-style-type: none"> • Have a Senate Inquiry into the Australian Wool Innovation grower/shareholder consultation and prioritisation process. • Increased communication and consultation with the grass roots to understand the key issues rather than predicting issues. Good example is seen in in the Australian Cotton industry whereby the RD&E body only supports research that is supported by the industry. There should be regional/State or production based producer committees that can evaluate possible R&D Programs with the following two simple questions: Will this research benefit woolgrowers in WA? Will this research benefit woolgrowers in Australia?
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<p>Wool</p>	<p>Every three years, woolgrowers participate in a vote that determines on how much wool tax will be collected for the next three years for the purpose of marketing, R&D in the wool industry. Unfortunately, the growers (tax payers) have no say on how much of that wool tax will be used on marketing vs R&D and on-farm R&D vs off-farm R&D. The split between marketing and research and R&D is determined by the board. Industry has been very concerned that the R&D component, especially on the on-farm side has been reduced against the wishes of industry.</p>	<ul style="list-style-type: none"> • Unfortunately, AWI have been given this power by the Federal Government and that should be changed. WAFarmers wishes to see that shareholders not only receive an opportunity, via WoolPoll to vote for the level of wool tax but also for the split between Marketing and Research and Development.
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What irrigation, transport, storage and distribution infrastructure are required to support the food and fibre production systems of the future and how should this be funded?

<p>Problem: Deteriorating rail network. Transport is a major issue - we need efficient rail to get grain to port. This makes sense environmentally, puts less pressure on the road network and is safer for other road users. Rail has been allowed to deteriorate. Much of the narrow gauge network is not 'fit for purpose' in terms of being able to economically perform the required grain freight task and urgent upgrades are required. The poor performance of the rail network centres around inefficient turn-around times largely caused by over 700 track speed restrictions.</p>	<ul style="list-style-type: none"> • Government needs to recognise the importance of grain freight networks as a means to meet customer requirements and therefore have a strategic investment plan created with state governments. In order to create the most efficient grain transport system possible, consideration needs to be given into the likely costs of transport for the next five or ten years including the impacts of increases in fuel prices. At present, rail transport is 4.5 times more efficient in litres used per tonne transported than road system. • According to research, rail system maintenance costs are half of those associated with road and thus, any improvements to the rail system will result in more efficient, longer term benefits to the community.
<p>Problem: poor quality road system and inequitable funding mechanisms for remote areas. While the federal government's Nation Building Program has resulted in</p>	<ul style="list-style-type: none"> • Government needs to recognise the importance of road safety in rural and regional areas therefore have a strategic investment plan created with state and local governments. • Commit to increase funding for rural roads:- • Increase funding from the Federal fuel excise.

<p>greater funding allocation for local roads, their contribution remains the least of the three tiers of government, leading to vertical fiscal imbalance. This is despite the federal government having greater revenue raising capacity than state or local governments.</p> <p>The extent of the vertical fiscal imbalance is manifested in the funding “gap” to which local governments are exposed. In Western Australia, local governments in the southern Wheatbelt region need to spend around 98% of their total revenue on road conservation. Those in the northern Wheatbelt region would need to spend around 85% of their total revenue for road conservation. ,</p> <p>the Western Australian Auditor General’s Report <i>Maintaining the State Road Network</i> as released in June 2009 highlighted many flaws in road infrastructure, with the average age of the road network steadily increasing with nearly (one third of the network having now reached the end of its design life)</p>	
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7. Reducing ineffective regulations

How well do regulations affecting the industry meet their policy objectives?

There are a number of Regulations that do not meet their policy objectives. eg competition policy that has allowed two major supermarkets to dominate the market. Instead of protecting the interests of consumers it has resulted in market manipulation that has forced down prices paid for agricultural commodities such as beef with farmers receiving less and less of the retail price. There is a real unwillingness to address any of these hard issues and reduce the power of the big two supermarkets. Other environmental regulations impose a significant burden on agriculture and yet the government is not subject to similar requirements on land it controls and has responsibility for. Wild dogs, vermin and weeds etc on government land are a real issue.

What opportunities are there to reduce ineffective or inefficient regulation?

There are a number of opportunities - all should be under constant review to ensure they are efficient, fair and achieve the intended purpose. It is important that this is done through effective consultation with those impacted by the regulations.

- All too often we see government policy outcomes deliver environmental, investment and planning constraints to farmers, involving much cost and compliance without financial gain.
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- Reducing red tape and harmonizing State and federal legislation and supporting regulations:-
 - Undertake reform of the agricultural and veterinary chemicals regulations to improve registration efficiency.
 - Identify duplication of state and federal services and rationalize.
 - Constantly reviewing regulations to ensure they remain appropriate and deliver the desired outcomes.

Which regulations are disproportionate to the risks they are supposed to address?

- Government needs to look at increasing the turnover allowed to be classified as small business for taxation purposes. The \$2m limit is too low for modern agriculture and a \$10m limit should be introduced.
- Many of the environmental regulations are onerous, repeated for different levels of government and not considered in a timely manner.
- The current land care funding arrangements are ad hoc and very inefficient in terms of actually doing on the ground work that improves the natural environment

How do we coordinate across governments to reduce regulations whose costs exceed their benefits?

Have clear jurisdictions to eliminate overlapping layers of bureaucracy.

It is disappointing to see that the Primary Industries Ministerial Council was disbanded, and therefore losing a consistent national policy platform

8. Enhancing agricultural exports

How can industries and government respond to the key challenges and opportunities to increase or enhance exports?

- Promote good relationships with our trading partners. Facilitate export industries through streamlining approval processes, ensuring port infrastructure and access to ports is efficient and cost effective.
- Australia should focus on producing high quality food to the world. There are opportunities for Australian agriculture to be the preferred country of produce.
- Bi-lateral trade agreements negotiated by Government should reflect a commitment to providing full and open access for all Australian agricultural products.

• Governments should be working with industry to refine the Export Supply Chain Assurance System (ESCAS), thereby making it easier for trade partners to comply with requirements, and undertaking Government to Government discussions to facilitate additional export opportunities.

• In order to assess the change in (*meat markets and their competitiveness*), accurate base line information should be collated, including the following considerations:

1. Regionally specific data in WA, for example:
 - a. Northern beef cattle
 - b. South west agricultural region beef cattle
 - c. South west agricultural region prime lamb
 - d. *Other commodities may want to add their main regions*
2. This data to include regionally applicable labour, transport, and other input costs.
3. Use this data to make direct comparisons with competitor markets to make analysis of strengths and weaknesses and to assess growth over time.
4. Through extension, make this data available to producers to assist them in making cost effective decisions.

Local market access

The Australian grocery market is dominated by two major retailers who collectively control about 74% of market share⁴. The overwhelming majority of food sold in Australia is grown and supplied by Australian farmers. While there is limited overall risk to the ongoing stability of food supply to Australian consumers, there is concern that the market power of the two dominant retailers could have a negative impact on producer's profitability and sustainability.

Even though codes of conduct between industry and the retail trade have been developed, by far the most successful outcome for balancing supply chain dynamics will rest with a robust regulatory framework such as the *Competition and Consumer Act*.

- Free Trade Agreements to include full and open access for Australian agricultural products.
- Commit to expanding the live animal export trade
 - Work with industry to improve the ESCAS
 - Undertaking Government to Government approaches to facilitate new export market access.

Working with the local industry and grass roots farmers will be the first step to realising exports full potential.

How can the government take best advantage of multilateral and bilateral trade negotiations (including through the World Trade Organization and through free trade agreements (FTAs)) to advance the interests of the sector?

- Governments need to ensure that free trade agreements are truly to Australian agriculture and on equal terms or better than that achieved by our trade competitors. Free access to Australia should be matched by free access for our exports to our trading partners.
- Free trade for agriculture needs to be timely and not phased in over so many years that Australian agriculture is at a serious disadvantage to our competitors.
- Ensuring agriculture is the priority in the negotiation and completing FTAs in a more timely manner.

How can engagement between industry and government on market access priorities for Australian agricultural products be improved, including informing negotiations on FTAs?

- Greater representation from industry and less from bureaucracy would be beneficial.
- Improved trade access and free trade agreements in order to compete with New Zealand in Asian markets.
- Free Trade Agreements with key trading markets, Japan and China especially would provide the Australian food industry to be competitive against New Zealand in getting products into these countries.
- Australia makes honey importation easy without providing adequate export opportunities for the industry. An industry that provides a clean green image and healthy bees. Honey should have been included in the Free Trade Agreement with Korea and we request that honey be included in future agreements. It would appear that Australian honey exports to South Korea have not been given the same trade terms as New Zealand.

What changes could be made to biosecurity arrangements, both in Australia and in other countries that would enhance global trade in agricultural products?

- Australia is in a unique position with regards to bio-security and this should not be jeopardised. It needs to be the responsibility of those exporting to Australia to ensure that their products are not a bio-security risk and undertake the necessary testing and inspections for this.

How do we provide the appropriate biosecurity controls at minimum cost?

9. Assessing the effectiveness of incentives for investment and job creation

How well is the current set of government programmes and incentives directed at the agriculture sector meeting their objectives, in terms of both effectiveness and efficiency?

- Landcare programmes are not meeting either efficiency or effectiveness objectives. The cost of applications, administration, reporting etc often far outweighs the amount spent on the ground achieving results, a more effective program could be delivered directly through the taxation system.
- Unfortunately this is seen to be very poor for the West Australian dairy industry. Although local government departments are spending time working on prefeasibility studies they are not concentrating on ensuring the current local industry survives to fulfil the future export market opportunities.

Are government visa arrangements and programmes like relocation assistance, the Seasonal Worker Programme and Harvest Labour Services effective at channelling workers into the agriculture sector and what other approaches should be considered?

- Yes, current governments arrangements and programs are effective but there need to be more adjustments made. Most of the Government initiatives have worked to provide some relief for the labour workforce during times of need. However, the long term strategy should be on – how can we satisfy the needs of agriculture and the employee with the aim of having a local multi skilled workforce that satisfies the needs of the region, the individual and community.

What have other countries done to inspire agricultural investment?

- In some other countries agriculture is valued far more by both governments and the community. The US and NZ are good examples of this. Australia is limited by a small domestic market and a strong export market is vital in ensuring fair prices for agricultural products. The US crop insurance program has been beneficial in mitigating risk and encouraging further investment in agriculture.
- Governments should support agriculture. They have policies in place that support the retention of existing agriculture and expanding into the future. Government policies make it easier to cut through red tape because Governments actually care about the primary production sector in their countries to ensure that they are not reliant on others for food security.

General Comments

- Government to provide funding or pay consultative fees to producer advocacy groups, such as WAFarmers, in instances where primary producer feedback is required on legislation, regulations, new policy initiatives and review of existing ones, ie this white paper.