

SUBMISSION TO THE AGRICULTURAL COMPETITIVENESS WHITE PAPER

April 2014.

By Peter Corish AM

May I congratulate Minister Joyce and the Government on the initiative to create an Agricultural Competitiveness White Paper to guide policy development at the Commonwealth level. In order to benefit from the opportunities that will develop in export and domestic markets over the next 20 years, Australian agriculture must be able to compete in current and new global markets with food and fibre producers from other countries. The issue of our reduced competitiveness is probably the greatest challenge facing Australian farmers today.

My comments follow the layout of the Agricultural Competitiveness Issues Paper and are drawn from my experience of 40 years family farming and 7 years of corporate farming as well as a term as NFF president and associated roles such as chair of the Cairns Group Farm Leaders.

I also wish to draw attention to the 2005 "Creating Our Future – Ag and Food Policy for the next generation" Report . Many if not most of the issues and recommendations of that report remain relevant today and for many reasons progress has been limited.

There are a number of circumstances that were not for seen in 2005, first, the global financial crisis which created extreme volatility in commodity prices, second, continuing extreme climatic events, particularly floods and cyclones as well as return to drought and, third, production costs have increased at a much faster rate than anticipated in 2005.

Agricultural Competitiveness Issues Paper

Public Consultation –

The proposed extensive consultation process is vital to gain ownership of the process and support for the policy outcomes.

The composition of the industry advisory council is also very important. As well as geographic and sector representation, corporate farming experience and large family farmer experience should be included.

Very importantly, industry participants who have shown a track record in the successful adoption of new technologies should be considered for the council.

Overview

The second para definition of competitiveness refers to the ability " to efficiently use our nations land, water and human and other resources to achieve sustainable improvement in the standard of living of all Australians and growth in profit for our businesses".

My view is that profitability of farming businesses will create the opportunities for efficient and sustainable use of our natural resources from which all Australians will benefit. Without profitable businesses as the starting point, achievement of the other admirable and important objectives is virtually impossible.

Policy Context

Page 2, para3 is a strong statement on how competitiveness of the sector will be enhanced. An area not covered is rural infrastructure. Without a commitment from government to underwrite or fund the improvement of rural and regional infrastructure, our ability to compete in the global marketplace is much reduced.

1.Ensuring Food Security in Australia and globally

The issues paper discussion covers the issue and opportunity in a balanced manner.

Apart from new areas and water resources developed for increased production, any increases in food production in Australia will come from productivity gains and in turn from a strong focus on research and development.

While we are “at the forefront of technology and development of many fields of agriculture” (page 9, para 2) we run the risk of this effort faltering if –

- a) Our industries and government do not work more closely together to not only agree on how R&D be funded but also agree on a national co ordinated R&D strategy and implementation plan be developed and adopted. Despite recent efforts overlap and gaps in the R&D effort are still evident and some industries have managed their R&D efforts much more effectively than others. In addition,
- b) We focus on exporting our technology to benefit global food production without ensuring our intellectual property rights.

2. Farmer decisions for improving farm gate returns –

The biggest issues limiting farm gate returns include (but of course are not limited to) costs of production compared to the A\$ value of the commodities produced and restricted capital available, often because of high debt levels, for investment in technology or climatic extreme preparedness.

Costs of production have risen dramatically since the 2008 GFC, much faster than forecast in years prior to this period.

I am often asked – which costs of production have increased? The answer is - just about all direct costs and farm overheads.

In particular costs associated with energy – fuel, electricity, fertiliser, freight, etc have all shown substantial net increases.

Cost of production increases have not been matched by improvements in the A\$ value of the commodities Australian farmers produce.

3. Enhancing access to finance AND CAPITAL

Then issues paper clearly enunciates the increasing debt load across agriculture over the last 30 years. As noted increased debt combined with tighter lending criteria by financiers post the GFC and

farmer reduced terms of trade is placing many farmers under pressure to restructure or sell their business.

This is often accentuated by the emotional pressure of years of drought or floods and cyclones.

Farmers, particularly aging farmers are often not well educated in the areas of farm finance and capital structures. A reintroduction and expansion of government funded farmer education packages trialled some years ago could assist many farmers grappling with these issues. A low key one on one approach would be most attractive to farmers.

There are a number of innovative operational structures that may bring much needed new capital to agriculture. These include leasing, joint ventures, management structures, sharefarming, etc. All have their place and farmers need to be better educated to equip them for sourcing finance and investment and negotiating the best outcome for their individual circumstances.

Any restrictions on new capital being encouraged into agricultural investment should be minimal. This in my view applies to foreign as well as domestic investment.

The long awaited register of all foreign investment in Australian agriculture would provide the necessary transparency to allay many concerns regarding the quantum and sources of foreign investment in the sector.

5. Ensuring agricultures contribution to regional communities –

The continuing drift of population from smaller rural communities to regional and metropolitan centres has and will in the future create difficulties for agriculture to attract a necessary skilled workforce and business and social infrastructure.

The 2005 Creating our future report (see page 1 of this submission) recommended a material overhaul and increase to the existing minimal tax zone rebate system for isolated communities. This recommendation was one of the few rejected by the then government.

In my view an expanded tax zone rebate system, available to all rural and non rural businesses and PAYE employees is the fairest and most attractive way to encourage people to stay in or relocate to rural Australia. I reference page 167 of the Creating our future report.

8. Enhancing agricultural exports –

The Commonwealths Governments efforts to enhance agricultural exports through continuing commitment to trade reform are commendable and should be continued and supported. Recently negotiated FTA's with Korea and Japan while not perfect will deliver real improvements to market access and competitiveness for rural exporters.

There is ample evidence of the future growth of markets for many of the agricultural products that Australia produces and exports.

The challenge facing us now is that our ability to compete in these new and growing markets is being threatened by the very subject of this paper namely our increasing lack of competitiveness. Our relevant terms of trade have decreased domestically and internationally in recent years.

Hopefully the White Paper will assist in enhancing our competitiveness.

Australian agriculture has a number of generic advantages that should be promoted in all our international markets.

These advantages include but are not limited to –

- Environmentally sustainable production systems that are transparent and recognised. Our agricultural production is generally clean and green.
- A bio security system that is arguably the best in the world to limit pest and disease incursions.
- Strict animal welfare, work health and safety and labour laws (no use of child labour for example).
- Product traceability for consumer confidence
- Proximity to Asian markets – short delivery times

I urge Government to lead the development of a long term comprehensive promotion of the generic benefits of our exports compared to our competitors most of whose cost of production is cheaper than ours.

Industry has a major role to play in the development, funding and execution of such a program but it is unlikely to occur without government leadership. An independent Board with the necessary promotion skills would need to be formed to manage the program.

Attached is an Australian Farm Institute paper (May 2013) on this issue.

Peter Corish

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