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Attention: Agricultural Competitiveness Taskforce

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

RE: Agricultural Competitiveness White Paper

I am writing to provide Sheepmeat Council of Australia's (SCA) submission to the 'Agricultural Competitiveness White Paper- Issues Paper', currently being conducted by the Department of the Prime Minister and Cabinet.

SCA is the national Peak Industry Council representing and promoting the needs of Australia's lamb and sheepmeat producers.

SCA welcomes the opportunity to contribute to the consultation of this important initiative. SCA strongly supports the government in its consideration of the long term agricultural policy requirements to ensure Australian agriculture remains a significant contributor to the economy and local communities. This is an initiative that elevates the importance of agriculture both within government and the broader community.

SCA hopes the White Paper process can help promote greater collaboration and co-investment between multiple industry stakeholders, service providers (RDCs, etc.) and Government, including the facilitation of cross-departmental co-ordination and co-investment. SCA looks forward to continued engagement with the Agricultural Competitiveness Taskforce over the coming year, including opportunities to more fully explore some of the issues discussed in this submission.

Yours sincerely,
Ian McColl

A handwritten signature in black ink that reads 'Ian McColl'.

President, Sheepmeat Council of Australia

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Background - Sheepmeat Council of Australia

SCA is the national Peak Industry Council representing and promoting the needs of Australia's lamb and sheepmeat producers.

The objects of SCA are;

- to represent and promote the interests of Australian sheepmeat producers;
- to carry out activities necessary for the advancement of the sheepmeat and live sheep export industries;
- to collect and disseminate information concerning the sheepmeat and live sheep export industries;
- to co-operate with industry stakeholders and organisations at the state and national level and overseas;
- to maintain interaction and co-operation with its Members, relevant Government departments and authorities at Federal, State levels, and local government levels, and with other relevant industry organisations;
- to promote the development and resourcing of the agricultural and pastoral industries of Australia;
- to act as the Prescribed Body for the sheepmeat industry in Australia within the Red Meat Industry Memorandum of Understanding (MoU) under the Australian Meat and Livestock Act 1997 (the Act);
- to oversee the implementation of the Sheepmeat Industry Strategic Plan (SISP).

SCA represents sheepmeat producers in Australia and provides a mechanism to bring a diverse range of issues and needs to the policy making process. The Council draws on many formal and informal processes to achieve this. Principal amongst these is input from the state farming organisations, which have extensive networks within their jurisdictions.

As the recognised peak body for the sheepmeat industry under the Act, SCA sets the strategic objectives to be pursued by the levy funded organisations Meat & Livestock Australia (MLA), Animal Health Australia (AHA), and the National Residue Survey (NRS), examining and approving their programs and budgets. We are involved in priority setting for industry R&D and marketing activities both domestically and internationally as set out in the Red Meat MoU. Under the MoU SCA assesses the performance of services delivered by expenditure of lamb and mutton levies.

Summary

This submission focuses on the consultation for the Agricultural Competitiveness White Paper.

The submission does not address every issue and question raised in the Issues Paper. Rather it seeks to cover five issues outlined in the Issues Paper that the sheepmeat industry sees as critical to its future competitiveness:

- Farmer decisions for improved farm gate returns
- Increasing the competitiveness of the agricultural sector and its value chains
- Improving the competitiveness of inputs to the supply chain
- Reducing ineffective regulations
- Enhancing agricultural exports

The submission addresses these issues through several cross-cutting discussion points:

- Defining what competitiveness means in the Australian sheepmeat industry
- The importance of strategic planning addressing competitiveness issues
- The value of government and industry collaboration and co-investment
- The importance of reducing ineffective and costly regulations
- The role of government in supporting a productive sheepmeat industry.
- Priorities and principles for government and industry to cooperatively tackle competitiveness issues

SCA supports the submission made by the Red Meat Advisory Council (RMAC) on behalf of the entire Australian red meat industry.

SCA supports the submission made by the National Farmers' Federation (NFF). SCA is a member of the NFF, working closely on a range of cross-sectoral issues including trade negotiations, drought policy, and environmental legislation.

Key Points

- The Australian sheepmeat industry's competitive advantage is the ability to produce a high quality, safe product, which is traceable from paddock to plate.
- Profitability is the key driver of competitiveness, but requires a competitive sector is growing, productive, innovative and cooperative across the supply chain.
- Improved competitiveness of the sheepmeat industry requires a combination of complementary policies and initiatives across all levels of government that recognise the specific nature of the sector.
- A competitive sheepmeat sector will require a collaborative approach from government and industry.
- The priority for government policy should be to facilitate, but also to actively drive investment both on-farm and off to facilitate growth which will lead to improved competitiveness.
- Investment in infrastructure (including road, rail, port and air) that reduces the bottle necks and disruptions that add costs and inefficiencies across the supply chain are critical and must be a central component of agricultural competitiveness policy.
- A key source of improved competitiveness and growth in agriculture has, and will continue to be, the generation of new knowledge or technology. The cooperative government and industry approach to

research and development must be continued and government policy should focus on getting more return from the investment.

- Australian agribusiness faces high cost which our competitors do not. Government policy needs to focus on reducing un-necessary costs across the supply chain but also facilitates ongoing industry efficiencies.
- International markets are critical to the future of the export-oriented Australian sheepmeat industry. Government policy must be focussed on working more closely with industry on a clear and cooperative strategy for increasing growth in exports that deliver improved returns on-farm.

Building the Australian Prime Lamb Industry

The success of the Australian prime lamb industry over the last 30 years is a direct result of a coordinated supply chain approach.

In the 1980's lamb attracted low auction prices, with fluctuating quality, and was an inferior product to other protein sources. In the 1990's the industry was worth approximately \$1.1 billion dollars and 85% was consumed domestically.

Today Australia is one of the world's leading producers of lamb and mutton, the largest exporter of mutton and live sheep, and the second largest exporter of lamb. Australia exports 51% of its lamb and around 96% of its mutton. The off-farm meat value of the Australian sheepmeat industry is \$3.9 billion.

The industry continues to strive through industry strategic planning and collaboration to be the leading supplier of lamb and sheepmeat to a world with growing demand for our premium product. The continued success of the sheepmeat industry is dependent on the structures and systems currently in place in the industry, and underpinned by marketing and research by MLA, AHA, and the NRS. There are a number of existing and emerging challenges that must be addressed to ensure the industry's continued competitiveness.

The importance of competitiveness for a productive and sustainable industry

The Agricultural Competitiveness White Paper defines competitiveness as: the ability to efficiently use our nation's land, water, human and other resources to achieve sustainable improvement in the standard of living for all Australians and growth in profit for our businesses.

This definition raises numerous related, but different, understandings of the interaction between competitiveness, productivity and profitability. These terms are often used interchangeably, but in SCA's view, they should be considered as components of an overall explanation of what a competitive sector comprises. In simple terms, competitiveness is the ability to make a sale in a given market for a profit. Profitability relates to the required return on investment, and productivity refers to input compared to units of output or how efficient you are doing what you do.

The World Economic Forum¹ defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, drives the level of prosperity that can be reached by an economy. The productivity level also has a large influence on the rates of return obtained by investments in an economy, which underpin growth rates. In other words, a more competitive economy or sector is one that grows faster over time. The Australian agricultural sector needs a collaborative

¹ *The Global Competitiveness Report 2013–2014*: World Economic Forum -The Global Competitiveness and Benchmarking Network.

whole of government approach to policies and programs that drive growth and contribute to on farm profitability and competitiveness. Without such an approach, the sector will not grow the contribution the farm sector makes to the national economy will decline and the communities and regions that rely on agriculture will inevitably suffer.

For the sheepmeat industry, competitiveness encompasses a range of characteristics which include profit, productivity and the need to continually innovate and invest. The terms profit, productivity, income and return (etc.) can be interchanged depending on the context, however the key point is, that for a range of reasons, the competitiveness of the sheepmeat sector in Australia, is not defined by one issue or one term. Competitiveness encompasses a range of issues, which must be part of the overall competitive environment and policy landscape. The combination of these factors, the recognition that profit, productivity and competitiveness will vary, and the policies required to achieve a competitive sector need to be whole of government and flexible that will really underpin competitiveness.

Competitiveness in the Australian sheepmeat industry

Australia is one of the world's leading producers of lamb and mutton, the largest exporter of mutton and live sheep, and second largest exporter of lamb. There is increasing international demand for animal protein, particularly in emerging economies in Asia and the Middle East. However, this means ensuring lamb and mutton are competitive with other protein sources, including beef, pork and chicken.

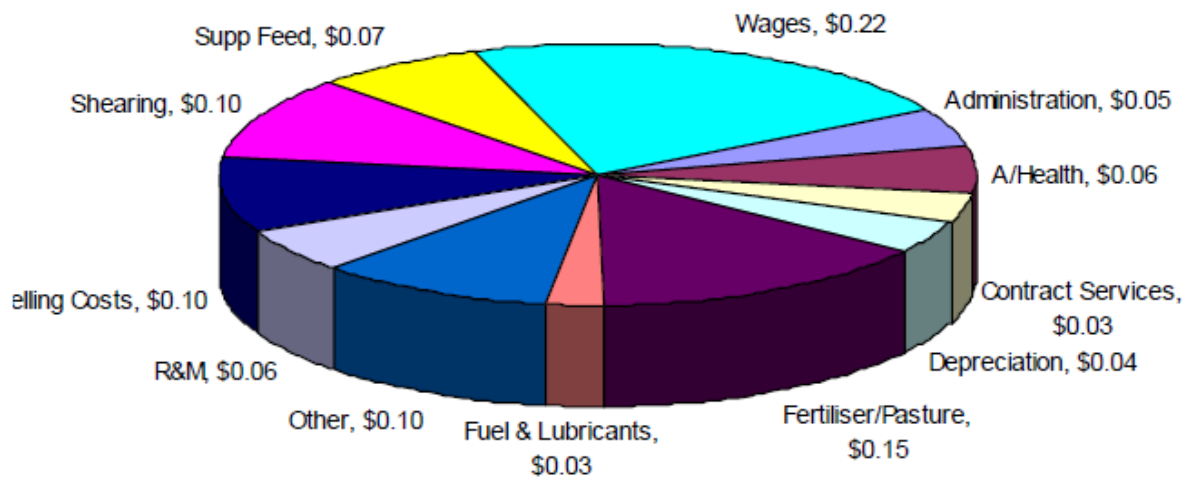
Internationally, the competitiveness of the Australian sheepmeat industry relies on remaining competitive with our major international trade competitor, New Zealand. Currently, New Zealand has a competitive advantage in China as they have finalised an FTA. Despite our significant share of the growing Chinese market the Australian sheepmeat industry is at a disadvantage to our major competitor, New Zealand. Australian producers have been waiting for years for the finalisation of some of these agreements. In the meantime our main competitor, New Zealand, has been able to capture market advantage.

Industry research has shown that productivity in the sheepmeat industry is driven by the number of ewes run per hectare, the number of lambs produced per ewe run and the weight of lambs when they are sold. The most profitable lamb production businesses have an overall superior combination of higher productivity, lower cost of production and higher price received. The important consideration is the combination of these factors, rather than the single highest productivity.

Although productivity has increased over the past decade, this has come at ever increasing costs of production. The major cost for sheep flocks is the labour employed. According to the '2014 prime lamb situation analysis' report commissioned by MLA, labour remains the biggest cost of production for lamb producers, accounting for around 22% of the cost of production per kg. Increasing labour efficiency is one of the major competitive drivers for sheepmeat production (see Figure 1 below).

Figure 1: Components of lamb production costs per \$1 spent

Source: Holmes Sackett Pty Ltd (2009-2012)



Source: Holmes Sackett Pty Ltd (2009-2012)

This research has shown that productivity is determined by a number of interrelated factors. The most profitable sheepmeat producers have a superior combination of:

- Higher productivity (kg of lamb per hectare),
- Lower cost of production (they produce each kilogram cheaper), and
- A higher price received.

The choice of market, genetics, lambing and sale time, and all other inputs into the system are crucial to achieving a better combination of productivity, cost of production, and price received. The complexity of the interactions between these three things means that any one cannot be looked at in isolation.

The role of Government and priorities for action

This section summarises what SCA sees as critical priority areas for industry and government to address in order to ensure the sheepmeat industry remains competitive in the long-term. It also provides a commentary on the possible role of government in helping to address these areas. SCA believes one of the most important aspects of the White Paper process is for industry to provide feedback on what it sees as the appropriate role for government in helping to address and facilitate.

Government must maintain and improve investment in the collection of market information, through agencies such as the Australian Bureau of Statistics and ABARES. This data is critical to assisting producers, and others in the supply chain, make timely, relevant and informed decisions.

Government must work with industry to ensure that regulatory frameworks continue to maintain the integrity of and enhance the value of our production and traceability systems. Australia's industry systems are essential to underpinning our market access and our international competitiveness.

Through bilateral and multilateral trade agreements, Government must continue to reduce the impacts of trade-distorting policies and to improve access in key global markets. Comprehensive FTAs emerging Asian markets, such as China, are essential to the long-term profitability of Australia's sheepmeat producers and processors. Currently, New Zealand has a competitive advantage in China as they have finalised an FTA. Australian agriculture can continue to play an important role in the national economy but reducing trade barriers is imperative and the agreements must be comprehensive. This requires including key commodities like sheepmeat. In 2012-13, Australian sheepmeat exports to China (combined lamb and mutton) reached a new record, at just under 70,000 tonnes shipped weight. Despite our significant share of the growing Chinese market the Australian sheepmeat industry is at a disadvantage to our major competitor, New Zealand. Australian producers have been waiting for years for the finalisation of some of these agreements. In the meantime our main competitor, New Zealand, has been able to capture market advantage.

Government must take a collaborative approach to identify and prioritise critical agriculture infrastructure. Investment in infrastructure (including road, rail, port and air) that reduces the bottle necks and disruptions that add costs and inefficiencies across the supply chain is critical and must be a central component of agricultural competitiveness policy. Government must also ensure that rural and regional areas are considered equal in the roll out of telecommunications infrastructure.

Government should seek to take a 'whole-of-government approach, where possible, given the multi-faceted nature of agricultural policy issues. SCA is encouraged by the cross-departmental approach being undertaken by the Agricultural Competitiveness Taskforce. **Government must also commit to carefully consider regulatory impacts on the agricultural sector during the policy development process to avoid perverse impacts on the agricultural sector.**

Further, the issue of red tape reduction must be tackled at a cross-jurisdictional level, with states and the Commonwealth working collaboratively to identify areas of overlap, duplication or confusion for farm businesses to comply with. Such examples include establishment of a one-stop-shop for environmental assessments and approvals.

Government must endeavour to provide policy certainty for the agricultural sector in order to reduce risks outside the control of the industry. SCA supports the submission made by the Australian Livestock Exporters' Council (ALEC), which identifies policy certainty as one of the most critical long-term issues facing the livestock export sector. Australia's live sheep export sector is a major contributor to the profitability of our industry, and it underpins markets across the country. Australian live sheep are in high demand in export markets due to our reputation as a reliable supplier of high quality product. In 2012, Australia exported over 2.2 million sheep worth approximately \$280 million.

Government must work with industry to investigate options for improving risk management, without unnecessarily influencing the market, to help reduce the volatility of income/returns.

Government should provide the regulatory framework to enable flexible work place/ employment arrangements to help attract and retain staff on farm. This allows greater flexibility in labour arrangements and ensure workplace relations arrangements appropriately meet the needs of the agriculture sector, including through filling skills gaps from overseas sources.

Reducing ineffective regulations and cutting red tape

The Australian red meat and livestock industry is one of the most highly regulated production, processing, retail and export chains in Australia. While some regulations are valuable, others are onerous, have little or no marginal benefit, are inconsistent, impose unnecessarily high compliance costs and can impair the productivity and competitiveness of enterprises, supply chains and the broader industry.

The red meat and livestock industry has comprehensively researched the nature and impacts of these regulations, the result of which have been summarised in two reports submitted to the Productivity Commission which examined the regulatory burdens on business (July 2007 and March 2008).

Each day sheepmeat producers' businesses face a myriad of hard to understand, complex or duplicative regulations, making it difficult for them to remain competitive and produce on an ongoing, reliable and sustainable basis. The 'red-tape' or regulatory burdens faced by producers include; excessive regulatory coverage; overlap or inconsistency; unwieldy approval and licensing processes; heavy-handed regulators; poorly targeted measures; overly complex or prescriptive measures; excessive reporting requirements; or creation of perverse incentives.

Industry research has identified that regulatory and government induced costs a major part of the overall costs of sheepmeat production. Reducing inefficient and ineffective costs and regulations presents a major opportunity to increase the competitiveness of the sheepmeat industry. A report commissioned by MLA in 2012 demonstrated that in 2008-09 regulation cost Australian sheep producers around 14% of total revenue. Major cost items associated with regulation included animal welfare; the environment; transport; time taken by producers to comply with regulatory requirements; employment on-costs; utilities; rates; levies; building code compliance; administration and vehicle registration.

Regulation costs are a lower percentage of revenue for NZ sheep producers, Australia's major export competition, than for sheep producers in Australia. In 2008-09, regulatory costs faced by New Zealand sheepmeat producers account for around 11% of total revenue (compared with 14% of revenue for Australia). Significant NZ regulatory cost items include transport; time taken to comply; labour on-costs; rates; levies; and administration. The report identified costs which are prominent in Australia and lower or absent in NZ include animal welfare. More research is needed to explore the nature of these costs, as they may be a factor providing a comparative competitiveness advantage for NZ over Australia in world markets.

Other industry research has highlighted the regulatory costs facing Australian farmers, and suggested possible government approaches for reducing 'red-tape'. The NFF Issues Paper- Red Tape in Australian Agriculture (September 2013) identified two key questions that need to be answered when considering regulation:

1. Is new regulation the most efficient and effective way to address the issue at hand?
2. If it is, how can that regulation deliver the desired result with least impact for industry and government?

It is worth noting, regulation comes in many forms and from many sources (both government and industry-driven). SCA has encouraged a focus on reducing industry-driven regulatory costs, for example in on-farm auditing and quality assurance programs.

NFF submission to 2007 Productivity Commission review

"The task of regulatory compliance has become a significant cost impost on Australian farm businesses. An increasing portion of the working day is now dedicated to overcoming hurdles imposed by the three tiers of government and other bodies looking to regulate the ways in which farmers operate. Whether it be meeting environmental criteria to enable them to adjust their land management practices or complying with the multitude of taxation regulations, farmers are constantly being pushed from their core business of producing top quality food and fibre."

It is in the interest of governments to actively pursue red tape reduction as both a way to stimulate economic activity, and therefore government revenues, and to limit their own costs associated with administering and enforcing regulations. Critical to avoiding unnecessary regulations is ensuring government's properly target and clearly communicate with industry, providing adequate consultation in order to 'ground-truth' the data they have collected.

Strategic planning: how co-ordinated R&D, export and domestic marketing can transform an industry

Through strategic planning and the prioritisation of industry and government investments, the Australian sheepmeat industry had been able to address competitiveness issues. A focus on strategic planning has helped reveal some of the long-term and immediate challenges facing the industry and help identify key areas to target investments.

The 1995 Lamb Industry Strategic Plan (LISP) facilitated by the Meat Research Corporation (MRC) and SCA established high-level goals targeting an industry value of \$2 billion per year by 2000. The subsequent industry revolution was market driven and underpinned by a program to identify, promote and create supply pathways for what consumers wanted, and an on-farm research and development (R&D) program focused on delivering it.

The 1995 LISP Plan also set out a three pronged strategy to achieve this target:

- On-farm R&D to develop production practices that would produce heavier, leaner lambs all year round, and a communications strategy to convince lamb producers to adopt these practices;
- A major increase in promotion of lamb in export markets, commencing with the Fresh Australian Range Lamb (FARL) program in the USA; &
- Trim Lamb – aggressive domestic promotion that aimed to reinvent lamb as a modern meat, with the development of 22 new cuts and collaboration with butchers to improve merchandising.

Although the \$2 billion target was not reached until 2003 (a subsequent target of \$2.8 billion by 2005 was surpassed in 2007 when the industry was valued at \$2.9 billion), the lamb industry was successfully transformed. A large proportion of lambs are now produced by specialist prime lamb producers. Lamb carcass weights have increased from 16 kg per head in the mid-90s to over 22 kg per head in 2011-12. Export markets now account for almost 50% of lamb production and the USA is now Australia's largest export market for lamb, accounting for 34,738 tonnes valued at \$304 million in 2011-12.

An independent evaluation of this program conservatively estimated that as a result of the \$639 million investment by AMLC, MRC, and MLA over the period 1991 to 2007 an additional \$1.39 billion to \$2.39 billion of added value had been generated at the farm gate.

SCA collaborated with MLA and key industry stakeholders to execute R&D and marketing programs that facilitated cooperation and co-investment through the supply chain involving producers, processors, independent retailers and supermarkets. The federal and state governments' critical financial contribution saw state government extension staff and research institutions play a pivotal role in building industry capability. This collaboration has underpinned reported industry benefits.

During 2009-10 SCA guided the development of the 2010-2015 SISP to provide a blueprint for the sheepmeat industry for the next five years. The plan provided a link to the overarching framework, the Meat Industry Strategic Plan (MISP) developed by the RMAC and strategies which guide individual agencies, corporations and entities servicing the sheepmeat industry. This includes the National Sheepmeat Production RD&E Strategy, MLA, Australian Meat Processor Corporation, NRS, AHA and other agencies responsible for implementing RD&E.

The SISP continues to be the roadmap to ensure all of the sheepmeat industry has a focus – it has a set of agreed, clearly articulated outcomes that produce results across the entire industry. It seeks to include all sectors to harness their energy and resources, achieve collaboration and cooperation to provide premium lamb to the world. In short, it is the foundation for our success.

SCA led the midterm review of the plan; the revised plan now reflects issues associated with the live exports, given the very important part that this trade plays in the Australian sheep industry. SCA continues to work closely with key organisations and stakeholders to refine the activities and responsibilities outlined in the plan.

Work has commenced to develop the next SISP. This will include a review of MISP and SISP 2010-2015 and a process to collate material to inform the development for the Strategy from 2015-2020. This strategic plan will again be integrated into the overarching framework provided for the red meat industry through the Meat Industry Strategic Plan (MISP) IV.

Key achievements of the sheepmeat industry

Some key achievements during this period;

- Increased consumer demand for sheepmeat worldwide through responding to consumer attitude and producing a more consistent, high quality, and leaner product; and integrated marketing approaches.
- On-farm implementation of R&D outcomes through broad industry participation in extension activities delivered by MLA.
- Significant genetic improvement of the national flock which increased productivity for sheepmeat producers. This work has mostly been conducted by the sheep Cooperative Research Centre (CRC). The sheep CRC was first established in 2007. SCA and MLA have been integral in the success to secure another \$15.5 million for 2014-2019. One of the key factors in the success of the CRC and securing an extension has been industry's engagement and collaboration across the supply chain.
- Tools to improve sheep health. For example registration of the Gudair vaccine for Ovine Johne's Disease.

The strength of the Rural RDC model

Australia's rural R&D corporation model has a number of strengths that have been acknowledged to deliver benefits to industry and the wider community (Productivity Commission, 2011). The model, where industry levy investments in R&D are matched by government funds, provides a mechanism for the Government to harness

collective investment across the agriculture sector and have the investment directed in-line with the National RD&E Research priorities. The RDC model also allows for greater collaboration across industries with co-investment from multiple RDCs.

Australian Government funding has supported the development and delivery of productivity-enhancing R&D ranging from genetic tools and evaluations through to consumer-driven supply chain product quality systems such as MSA. This R&D has created opportunities for producers to increase the productivity and profitability of their enterprises where they have chosen to adopt them. These investments have contributed to industry maintaining the long-term average productivity growth of approximately 0.5 per cent per year in sheep enterprises.

These investments have also assisted in building the competitiveness of Australian industry in the face of advances by our global competitors. Failure to make effective advances in marketing and R&D leads to the Australian industry falling behind its international competitors and, with industry so export-dependent, the result would be dramatic.

Case Study: The Cooperative Research Centre for Sheep Industry Innovation (The Sheep CRC)

SCA recently chaired the successful extension bid of the Sheep CRC. SCA believes investing in genetic benchmarking can help to provide producers with valuable decision-making tools to maximise their returns through genetic productivity improvements.

The Sheep CRC extension includes \$15.5 million of Government funding to support its activities from 2014 through to 2019. That funding is being matched by a further \$45m in cash and in-kind contributions from 35 industry and producer organisations covering the full length of the supply chain.

The Sheep CRC's research program has been built around three key areas: to enhance monitoring and management of sheep wellbeing; to introduce value-based trading of sheepmeat; and to deliver affordable DNA-based genetic tools.

SCA has supported the investment of producer levies in genetic benchmarking through MLA over a number of years. The development of LAMBPLAN has been a major factor underpinning the success of the sheepmeat industry and its transformation from a relatively small and domestically focused industry to an industry worth around \$3.5 billion, exporting to over 90 countries.

With rapid technological and scientific advances currently occurring in sheep genetics and genomics, SCA believes it is crucial that MLA and AWI continue to invest in research, development and extension, and provide support tools for producers to capture the opportunities of genetic benchmarking.

The genetic improvement of the Australian sheep flock is essential to maintaining our status as one of the global leaders in sheepmeat and wool production. Growing demand for our meat and fibre is occurring alongside increasing costs of production. With increasing costs of production it is becoming more important to provide tools for producers to become more efficient.

Sheep genetics is an area where there are many opportunities for producers to increase productivity and profitability. The productivity benefits that can be attained through genetic improvement are a critical factor in capturing opportunities in emerging markets.

As the Peak Industry Council representing sheepmeat producers in Australia, SCA has encouraged MLA to prioritise investments in genetic and genomic research, development and extension (RD&E). This includes increasing the rate of genetic progress in the sheepmeat sector, with a focus on traits related to reproduction, and improving lean meat yield without a decline in meat eating quality.

It is important to note that investments by RDCs are only a small proportion of overall national RD&E investment. However, total national investment is declining, through the wind-up of CRCs and declining co-investment. In this funding environment, investments by RDCs are becoming a proportionally larger part of total investment. Therefore opportunities to promote co-investment, in areas like genetic and genomics, should be prioritised.

SCA has supported the investment of producer levies in genetic benchmarking through the Sheep Industry Strategic Plan (SISP). The SISP has provided a strategic roadmap to guide investment and measure industry progress in key areas. SCA has also chaired the extension bid of the Sheep CRC, taking a leadership role to ensure the continuation and progression of genetics and genomics RD&E.

Summary and Conclusion

SCA welcomes the opportunity to contribute to the consultation of this important initiative. SCA strongly supports the government in its consideration of the long term agricultural policy requirements to ensure Australian agriculture remains a significant contributor to the economy and local communities. This is an initiative that elevates the importance of agriculture both within government and the broader community.

The ‘Agricultural Competitiveness White Paper’ process provides an opportunity to bring together cross-commodity food sector expertise in addressing the challenges and opportunities likely to impact upon Australia’s future food supply. It is essential the White Paper process recognises the weaknesses of, and build on, previous and concurrent initiatives both by industry and government.

SCA hopes the White Paper process can help promote greater collaboration and co-investment between multiple industry stakeholders, service providers (RDCs, etc.) and Government, including the facilitation of cross-departmental co-ordination and co-investment. SCA looks forward to continued engagement with the Agricultural Competitiveness Taskforce over the coming year, including opportunities to more fully explore some of the issues discussed in this submission.

SCA believes it is critical that recent government and industry strategic initiatives that address competitiveness issues be carefully considered throughout the White Paper process. These initiatives and the consultation that informed them have identified priority areas of R&D investment to underpin the long-term competitiveness of the Australian agricultural industry. For example, industry-led strategic planning was crucial in the successful establishment and extension of the SheepCRC (discussed above), which provides a case study for government and industry co-investment.

The MISP represents a single view of, and roadmap for delivering, the industry’s priorities, through the framework of the MoU. It is the overarching planning and collaboration framework for all advocacy and service delivery entities of Australia’s red meat and livestock industry.

Similarly, SCA believes the NFF's "Blueprint for Australian Agriculture 2012-2020" (The Blueprint) should be thoroughly considered by the Agricultural Competitiveness Taskforce. The Blueprint brought together all those with an interest in, or involvement with, agriculture to help shape its future direction. The Blueprint sets out a vision for the longer-term future, and some of the steps required to get there.

Almost 4,000 farmers, transporters, retailers, consultants, rural businesses, agribusinesses, educators, governments, rural communities, community groups and consumers had taken part in the development of the Blueprint. As a sector-led initiative, the Blueprint's main value lies in bringing the players in agriculture together and on to the 'same page' in terms of a desired future for the sector, and coordinating their actions to bring this about.

The Australian sheepmeat industry's competitive advantage is the ability to produce high quality, safe product, which is traceable from farm to plate. Profitability is the key driver of competitiveness, but a competitive sector is growing, productive, innovative and cooperative across the supply chain.

Maintaining and improving the competitiveness of the sheepmeat industry requires a combination of complementary policies and initiatives across all levels of government that recognise the specific nature of the sector. The priority for government policy should be to facilitate, but also to actively drive investment both on-farm on off to facilitate growth which will lead to improved competitiveness.

A competitive sheepmeat sector requires a collaborative approach from government and industry. The success of the Sheep CRC provides an example of how government and industry collaboration and coinvestment can deliver practical outcomes to build the competitiveness of the sheepmeat industry.

A key source of improved competitiveness and growth in agriculture has, and will continue to be, the generation of new knowledge or technology. The cooperative government and industry approach to research and development must be continued and government policy should focus on getting more return from the investment.

Australian agribusiness faces high cost which our competitors do not. Government policy needs to focus on reducing un-necessary costs across the supply chain but also facilitates ongoing industry efficiencies.

International markets are critical to the future of the export-oriented Australian sheepmeat industry. Government policy must be focussed on working more closely with industry on a clear and cooperative strategy for increasing growth in exports that deliver improved returns on-farm.

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APPENDIX 1

The 2008 submission titled: *'Red Meat Industry Submission to the Productivity Commission, Second Review on Regulatory Burdens on Business'* outlines a set of 'points of principle' that should overarch all regulation regimes.

These principles are encompassed in the following:

- Government is viewed as responsible for developing and implementing acceptable standards of practice. Consequently, with regard to livestock management and food production, intervention has increased substantially in the last decade, with the introduction of both direct controls (e.g. regulations) and indirect controls such as Codes of Practice and Standards.
- The red meat and livestock industry operates in open, competitive markets and considers the market and its needs should be the primary regulators of operational and investment decision-making, and adjudicators of performance.
- The industry supports appropriate levels of regulation. It is a widespread, multi-participant industry providing food for domestic and world markets. Responsible, accountable, consistent, effective standards are recognised to add stability to the industry and assist on-going operation in some marketplaces against strong competition.
- The industry supports regulations that show net benefits to most participants in the meat production, processing, retail and export marketplaces. While acknowledging that regulatory systems usually increase costs, the industry has developed some rule systems that are partly enforced by government (co-regulation).
- The potential benefits of co-regulation are self-evident. Coercion breeds minimal compliance, often resulting in slow suboptimal improvements on a broad scale and often comes with a significant cost in relation to enforcement, inspection and monitoring activities.
- In practice, the distinction between public and private regulations and standards is often less discrete than often assumed, for instance, private regulations and standards have evolved as a mechanism to facilitate compliance with regulatory requirements and alternatively, regulations can reference private standards as part of their requirements.
- The increased understanding of the shared responsibility (and liability) for both Industry and Government in relation to livestock related issues from the farm to the retail shelf has brought about a new paradigm in stakeholder relationships. This is seen in more recent policy developments, where governments are increasingly working with commercial and private industry systems and arrangements to ensure outcomes are demonstrated.
- Modern legislation is now considering the role and responsibility of industry in demonstrating compliance as distinct from the role of Government in verifying compliance - a move away from the previous approach where onus was placed on Government to "catch" individuals who were not complying.
- A number of national reviews (Bloom, 2008; Pearson et al., 2007) suggest that co-regulation empowers those subject to regulation to find the most appropriate ways for their activities to be performed in compliance with the required standards set by the regulator in consultation with industry. The Australian Quarantine Inspection Service (AQIS) Export Meat reform is an example where a co-regulatory framework has reduced unnecessary structural requirements for compliance and allowed for the development of validated but cost-effective approaches under a Quality Assurance framework that meets the operational outcomes for food safety and other regulatory requirements to export meat from Australia.

- The industry is conscious of cost, competitiveness and red tape issues raised by supply chain businesses. Fast changing marketplaces, competition and technologies make regular questioning of rules and their effects increasingly important.
- Australia must achieve common-sense, clever, uniform regulations, underpinned by sound science, and reduce the huge costs to taxpayers arising from duplication of compliance activities across various governments and departments. Given the capability decline, reducing the risk of multiple standards and multiple audits, combined with a more focused risk based compliance regime, is imperative. There are significant opportunities to establish a “single standard” approach between both Government and industry for a range of areas into the future.
- The total weight of regulation and compliance burdens is a serious issue that needs to be addressed in all reviews. While single rules or instructions may appear justified, regulatory burden is cumulative, and imposes cost prohibitive structures on production and processing systems. Multiple rule regimes impact on motivation, innovation and investment and more often than not, do not necessarily improve compliance.
- The onus for proving the need for rules should reside with proponents of the regulation. Governments or groups advocating rules that impact on businesses should be required to prove such intervention will have a sizeable and tangible marginal benefit for the majority of industry in accordance with the Regulatory Impact Assessment requirements of the Council of Australian Governments.