



Submission to the Australian Government  
Agricultural Competitiveness Issues Paper

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## Introduction

The Australian Government is developing a White Paper on the Competitiveness of the Agricultural Sector. It aims to provide policy directions for enhancing the profitability of the sector and boosting agriculture's contribution to economic growth, trade, innovation, productivity and rural communities.

**NSW 2021: A plan to make NSW number one** sets the Government's agenda for change in NSW. NSW 2021 recognises the importance of agriculture in improving the economic development of NSW and growing regional economies. NSW 2021 includes targets to improve agricultural productivity through sustainable land, water and vegetation management, promoting the co-existence of resource-based industries through the mapping of strategic agricultural lands and ensuring that the development efforts of industry and government are effective and well-coordinated through the development of agricultural industry sector plans. Priority actions include the delivery of research, development and education programs to improve water efficiency and reduce the impact of agriculture on natural resources. NSW 2021 also recognises the vital role investment in key infrastructure plays in increasing industry productivity and competitiveness.

The Issues Paper objectives align closely with many of the Goals in NSW 2021, such as **“Driving economic growth and increasing the competitiveness of doing business in NSW”**. The issues paper therefore provides an important opportunity for the Australian and NSW Governments to work together, with industry, to align effort on key programs that will enhance industry competitiveness and in so doing better position the agricultural sector to exploit market opportunities.

To ensure the ongoing productivity growth and development of the industry, a focus on partnerships between industry, State governments and the Australian Government is critical. The complexity of the sector requires strong alignment and cooperation between these parties. Some key areas where this has been successful include:

- Agriculture Senior Officials Committee, research, development and education framework and strategies to support productivity growth
- Water policy and key water infrastructure programs, such as the On-farm Irrigation Modernisation Project in NSW
- Drought policy and in-drought responses, including co-contributions to long term programs such as the Rural Financial Counsellors
- Natural disaster, extreme climatic event and emergency responses, such as flood and fire
- Biosecurity and surveillance, including science to mitigate or manage outbreaks
- International engagement and trade, with trade access research, in-country intelligence and support for in-bound delegations
- Resource extraction and access, through joint initiatives such as coal seam gas science and information management
- Agricultural sector workforce development, through co-funding, collaboration and partnerships with industry.

In partnership with industry, addressing key constraints to the agriculture sector's economic, social and environmental contribution to the NSW economy is an important strategic focus for the NSW Government. The submission therefore identifies a number of issues that impact on the sector's contribution and growth. These include the development of new technologies through research and development (R&D), education, skills and access to information,

regulatory efficiency and impediments to enhanced export opportunities. Developing a shared understanding of their relative importance and focusing on key constraints and opportunities for coordinated action would be a valuable policy framework from the White Paper process that would maximise sector growth opportunities.

Relevant initiatives of the NSW Government are described as an indication of current work to address these issues and further strategic opportunities for collaboration between governments and between government and industry are outlined.

## Agriculture in NSW

The agriculture sector plays a critical role in the social, economic and environmental prosperity of NSW, particularly when considered in the context of regional NSW. There are over 42,000 agriculture, grazing and aquaculture businesses in NSW, with approximately 73,000 people directly employed in the agricultural sector. The majority of these businesses and jobs are regionally based, resulting in support for 34 per cent of the State's regional population, and 2 per cent of the total population of NSW. The sector generates 2.4 per cent of the State's GSP and accounts for 14 per cent of exports.

In addition to its financial contribution, agriculture underpins much of the social and community fabric of the State and provides responsible stewardship of many of the State's environmental assets. The sector has entitlements to over 65 per cent of the State's water supplies and manages 74 per cent of the State's land area. More profile information about the agriculture industry in NSW is provided at attachment A.

Any changes to the agricultural sector will therefore have significant economic, social and environmental impacts, and as such each of these areas must be considered in any analysis of proposed activities.

A key example of this is drought. The provision of appropriate government support for farm families, businesses and rural communities affected by severe drought has been an area of robust debate and substantial policy development in recent years. Drought has obvious and significant impacts on agricultural productivity, and no less significant impacts on the social fabric of regional communities and condition of environmental assets and communities. Given this, it is critical that government policy and programs in this area promote and protect the resilience and long-term sustainability of farming-dependent communities, competitive resource allocation between industry sectors and efficient resource use within agriculture. The importance of research and development in this area should not be overlooked, with improved technologies and practices such as minimum tillage in broadacre agriculture, drought tolerant crop and pasture varieties, irrigation scheduling and soil moisture monitoring among a range of tools developed to support agricultural communities through drought.

Any consideration of the agricultural sector should also be mindful of the international commitments on food security made by Australia as part of the G20, including commitments under the "AgResults" initiative to encourage increased investment in innovation through research and development.

- *The social, economic and environmental impacts of any proposal should be considered.*
- *International commitments on food security should be taken into account.*

## Key costs and constraints

Agriculture in NSW has and will continue to be subject to continuous change and adjustment in response to changing input and output market pressures and opportunities. These include the potential to access new and emerging markets and increasing resource access pressures associated with the growing State population and increasing energy demands.

To compete both domestically and on the world stage, the agriculture sector, both pre and post farm-gate, therefore needs to remain highly competitive. It follows that there is a clear need for government to fully understand the range of ways it influences the sector's production and marketing costs.

The NSW Government has recognised this challenge and appointed an industry led taskforce to develop an Agriculture Industry Action Plan (IAP) to implement an integrated, comprehensive and cost effective strategy that will fully realise the development position of this valuable industry over the next decade. Development of the IAP has been overseen by the Agriculture Industry Action Plan Taskforce comprising nine industry leaders, and has included the release of an issues paper for consultation and direct consultation with stakeholders. The IAP Issues Paper is provided at Attachment B.

### Cotton Industry Workforce Development Project

*Tocal College, in partnership with Cotton Australia and Agrifood Skills Australia, has been successful in gaining funding for the delivery of an innovative training program for cotton industry workers. This project is funded by the National Workforce Development Fund and will deliver training to 60 cotton industry workers in three cotton growing regions – Goondiwindi, Narrabri and the Western Riverina. The key aspects of this training program are:*

*- regional delivery by Tocal College trainers using local resources and facilities.*

*- seasonal structuring with off-the-job training concentrated into the quieter periods of the year when workers are available.*

*- completion of a comprehensive industry skills audit to inform and shape the training delivered in the three regions and ensure the specific workforce development needs are being met.*

The draft Taskforce Recommendations to Government (see Attachment C) contains over 40 recommendations that address key issues for the industry in the areas of productivity, innovation, labour, education, regulation, markets and community trust. It is intended that the Plan will guide both government and industry in a collaborative approach towards an informed, sustainable sector.

The final IAP will include recommendations for both government and industry across the following key themes:

- profitability, productivity and innovation
- workforce skills
- business and regulatory environment;
- investment and ownership
- markets and exports and
- connecting with community.

Whilst the IAP is focused on NSW, it is anticipated that many of the issues raised are of relevance to development of the Agricultural Competitiveness White Paper.

## Current initiatives to address key constraints

### Competitiveness Initiatives

Recognising the importance of the agricultural sector to the economic, social and environmental health of NSW, the NSW Government is undertaking a range of initiatives to improve the competitiveness of the industry

and a range of initiatives to ensure that the natural resources which agriculture relies upon are not degraded. While a majority of the initiatives are focused on economic matters, improvements in the economic health of the industry can flow on to improvements in social outcomes. Improved economic conditions can also provide the resources required to ensure improved environmental management.

### ***Agriculture Industry Action Plan – Issues 4, 5, 6 and 9***

As noted previously, the NSW Agriculture IAP is in its final stages of preparation (public release is planned for May 2014) and is aimed at strengthening the role of the industry as a driver of sustainable economic growth, based on a coordinated and cooperative effort from industry and the State Government. Driven by a growing urgency to address the opportunities and challenges, community concerns around agricultural production systems, food safety and security, resource use, climate change, and animal welfare, the Agriculture IAP takes a holistic approach to strategic planning for NSW Agriculture.

The NSW Agriculture IAP provides an example of cooperation between government and industry to increase the competitiveness of the agriculture sector. The Australian Government should look to this example in addressing issues 4, 5, 6 and 9 identified in the Agricultural Competitiveness Issues Paper.

### ***Education and Training – issues 5 and 9.***

The NSW Government recognises the importance of education and training in improving the competitiveness of agricultural industries. The NSW DPI Education Delivery program produced 298 graduates in 2013 and a further 301 industry skills sets (part qualifications) to meet the workforce needs of industry. In a changing operating environment, Tocal College delivered 261 short courses to 1,917 participants. Key initiatives for cotton, poultry, and the seed processing industry were undertaken in collaboration with industry, ensuring a close connection between industry needs and training outcomes.

The low numbers of students entering vocational and university programs in agriculture have been addressed by NSW DPI through strong support for youth education at Tocal College and support for a national approach to encouraging greater learning about food and fibre production in schools through the Primary Industries Education Foundation.

A Review into Agricultural Education and Training in New South Wales, commissioned by the Minister for Education and the Minister for Primary Industries, was released at the end of 2013. The review considered the appropriateness of agricultural education and training programs in the NSW school and tertiary sectors, the promotion of career opportunities and workforce needs in the agricultural sector, and how NSW government-owned agricultural education, training and research institutions and other facilities can be best positioned to meet future industry needs. The NSW Government's response positions government education, training and research institutions to more readily respond to developments in the industry. Both the review and government response are available at <http://www.dec.nsw.gov.au/about-us/statistics-and-research/public-reviews-and-enquiries/agricultural-education-review>.

The NSW Government's response to the inquiry notes the importance of collaborating with the Australian Government and other jurisdictions through COAG processes to develop and meet the training and education needs of a competitive agricultural sector.

- *Improve accessibility of training places through funded training places under the AHC10 national training package.*
- *Commonwealth VET Reform Taskforce Review should consider the need to support training in rural and regional communities.*

## Research and Development (R&D) Strategy – issues 1, 4 and 6.

The NSW Government encourages the Australian Government to continue investment into primary production (agriculture, fisheries and forestry) R&D. In NSW, Mullen (2007) estimated that almost half of the value of agricultural output can be attributed to new technology generated by domestic research since 1953 and that the compound value of the stream of benefits from this domestic R&D is \$878 billion in 2004 dollars.

Since their inception, the Rural Research and Development Corporations (RDCs) have provided a mechanism that has long been the envy of Australia's international partners in assisting a small nation R&D provider to innovate above its weight. Whilst the vast majority of primary

### Net Feed Efficiency in Beef Cattle

*NSW DPI has been involved in net feed efficiency research in beef cattle in partnership with the Commonwealth and industry for more than 40 years. This work was initially focused on raising productivity in the beef industry but the outcomes of the research are likely to play a key role in reducing greenhouse emissions from livestock.*

*The total estimated benefits from the adoption of the NFE technology were calculated to be \$158.0 million over the period 2003-2020. The more significant aspect of long-term research of this kind is that it provides a knowledge stock and options that future generations may benefit from in ways we cannot yet imagine.*

industries R&D will always be conducted outside Australia, local applied R&D is needed to adapt agricultural innovations to local conditions. Regular evaluations conducted by the RDCs have shown benefit cost ratios in the order of 5-10:1.

The case for public investment in R&D hinges on the fragmented nature of primary industries making returns on private investment difficult to capture (market failure) as well as assisting in meeting policy objectives where privately funded research is not likely to produce the same or similar outcomes (additionality).

In addition to the Australian Government matching producer levies for national R&D, the NSW Government also recognises the need for a vibrant primary industry within the State. The NSW Government remains committed to providing ongoing R&D support for its primary industries.

The role of agricultural exports in meeting the needs of the Asian Century are clear and ensuring food security for Asia and beyond requires that the industry remain at the forefront of innovation. It is arguable that without ongoing Government investment to support primary industries innovation, many of these opportunities will be lost or at least become highly fragmented.

Any additional agricultural R&D funding announced by the Commonwealth should complement existing programs and should continue to be directed to a portfolio of both basic and applied research. An investment in basic research recognises legitimate market failures in the provision of R&D and helps to underpin more applied research efforts that are jointly funded with industry.

- *Research and Development funding should complement existing programs and include a portfolio of both basic and applied research.*

## Water Infrastructure – issues 5 and 6.

Water availability is vital to the agriculture sector. The Commonwealth's Basin Plan has instituted significant reductions in water extraction of 2,750 GL and potentially more across the Basin, with the impact falling on the irrigation industry. The NSW Government position remains that in order to ensure a viable irrigation industry and associated regional businesses, the focus of the Commonwealth's water recovery investment under the Basin Plan must be on achieving

### ***Sustaining the Basin: Integrated Farm Modernisation***

*This program is being delivered by NSW DPI under the Australian Government 'Water for the Future' Initiative. It aims to improve long term sustainability by allowing irrigators to maintain or improve productivity, adapt to reduced water availability and provide water for the environment through upgrading water infrastructure, improving on-farm water efficiency, across a number of catchment areas in NSW. To date 76 on farm water saving projects have been recommended for funding under the program.*

water savings through improved infrastructure for water delivery and use, not on the buyback of irrigation licences.

Further it is important that the Commonwealth pursue relativity between the states in aspects such as water pricing, to ensure the proper operation of the water market in supporting the most efficient, productive water industries and those that are adaptable to varying natural water availability.

- *Water recovery investment should focus on improved infrastructure for water delivery and use*

### ***Supply Chain Accelerator Pilot Program – issues 4, 6 and 8.***

A key activity in improving competitiveness is a strong understanding of markets and supply chain opportunities for growing a business. The NSW Government (NSW Trade & Investment) has developed the Supply Chain

Accelerator (SCA) pilot program to support this process. The SCA will leverage existing industry networks in regional and metropolitan areas and look to build more effective supply chain relationships by providing support relevant to specific projects. Key activities to be supported include those that:

- address information gaps in local and global supply chain opportunities
- facilitate supply chain collaboration and innovation
- identify gaps and build capabilities in SMEs required for participation in procurement processes and
- communicate knowledge gained from established supply chain programs and SCA demonstration projects for application across other sectors.

Specific program components would include:

- domestic and global supply chain opportunities - identification and business matching to promote small and medium enterprises (SME) access to enterprises and projects including large corporate purchasers both locally and internationally
- building capability for collaboration and innovation by
  - facilitating demonstration projects that create new supply chain collaborations with broader industry development outcomes and
  - delivering workshops and diagnostics to build specific skills and address identified knowledge gaps in SMEs
- supporting regional and virtual networks by disseminating knowledge and connecting support mechanisms from peak bodies and government agencies and
- communication and knowledge management to ensure the project lessons and outcomes from SCA and other relevant programs are made available to the wider industry.

### **Regional Infrastructure – issue 6.**

In NSW, 67 billion tonne kilometres of freight is moved annually and the value of the products carried exceeds \$200 billion. Transport of freight is critical to the State economy and the efficiency of the transport network contributes to the success and growth of NSW. Conversely, inefficiencies, friction and capacity constraints in the transport network add costs for manufacturers, producers and consumers.

An efficient transport network is a basic requirement for economic growth. Regardless of the commodity or industry, the ability to get goods to market at the right time and sell them at the right price is a cornerstone of a free market economy.

NSW released a State Infrastructure Strategy in late 2012 that identified the following infrastructure priorities for regional NSW:

- improve access to employment and to connect people and communities
- improve local transport networks
- efficient access to markets, particularly mining and agriculture products to domestic and international markets and
- improve water quality and security.

The Strategy can be found at <https://www.nsw.gov.au/sites/default/files/state-infrastructure-strategy.pdf>.

Further work has been done in the NSW Freight & Ports Strategy (<http://freight.transport.nsw.gov.au/strategy/index.html>) released in 2013 that has Strategic Action Programs on areas of particular relevance to agribusiness competitiveness, including:

- improving the productivity of the road and rail freight network
- improving the efficiency of landside cargo transport in regional and urban areas
- development of effective port growth plans to meet freight volume growth
- supporting the operation of regional intermodal terminals
- coordinating regional infrastructure and service provision and
- adopting a best practice reform model for regional infrastructure.

Through the establishment of Infrastructure NSW (<http://www.infrastructure.nsw.gov.au>) and investment in the Restart NSW fund (<http://www.infrastructure.nsw.gov.au/projects/restart-nsw>), the NSW Government has committed to investing in regional infrastructure vital to agribusiness competitiveness, including:

- Bridges for the Bush - \$135 million for regional bridges and
- Water Security for Regions - \$40 million
- In addition to these programs, the Restart NSW Fund has provided \$28 million towards the Bells Line of Road Corridor Improvement Program.

NSW welcomes this Issues Paper as an opportunity to continue dialogue with the Australian Government regarding collaborative investment into key infrastructure to improve the competitiveness of the NSW agribusiness sector.

## Agriculture and Communities

As a key employer and major industry in regional NSW, the connection between agriculture and regional communities is significant. The NSW Government has recognised this connection and is working to ensure that future activity in regional NSW adequately addresses community requirements for productive businesses, resilient communities and sustainable use of resources.

Rural communities, because of lower population levels, greater distances and reliance on primary industries, can be vulnerable to economic and climatic downturns as well as social and health issues. The NSW Government is building rural and farm sector resilience in social and economic terms so that communities are self-reliant and better prepared in the case of adverse events. Programs are being implemented which improve skills and knowledge and foster networks and relationships such as: leadership initiatives, men's health, suicide prevention, interagency partnerships and community capacity activities to more proactively embrace opportunities and strengthen networks.

The NSW Government also acknowledges and supports the important role women play in rural communities as key connectors and leaders of change and innovation through Rural Women's Network initiatives such as the RIRDC Rural Women's Award and annual community driven Women's Gatherings. It is well documented that involving women in management and leadership results in improved economic outcome for business (and therefore our communities). In response to drought, the NSW Government has also ensured that officers are working closely with affected rural communities to ensure they are aware of and have access to appropriate support.

### *Regional Economic Development Strategy / Regional Action Plan – issues 5 and 6.*

#### **Regional Economic Development Strategy**

The NSW Government (NSW Trade & Investment) is developing a Regional Economic Development Strategy as part of the 2014 priorities under the NSW Economic Development Framework. The aim is to:

- position regional NSW for long term growth
- enhance the effectiveness of government by maximising program synergies and partnering with business
- support / grow regional employment and
- deliver critical infrastructure.

#### **Regional Action Plans**

The NSW Government has developed 19 Regional Action Plans. The plans focus on immediate actions the NSW Government will take to improve outcomes in each region. During extensive consultation community members and stakeholders raised their top priorities. Overwhelmingly, the key themes raised across the State were transport, economic growth and local jobs, and land use planning to protect both the local environment and prime agricultural land.

The actions in each plan represent the NSW Government's initial response to the priorities raised by communities. These two year plans will complement longer term strategies for the region and the whole of State, to deliver improvements the community expects. The Regional Action Plans provide a valuable input into the broader Regional Economic Development Strategy.

## ***Strategic Regional Land Use Plans / Biodiversity and Native Vegetation Review – issues 2 and 7.***

### **Strategic Regional Land Use Plans**

In 2012, the NSW Government announced the Strategic Regional Land Use Policy Package, which sets out a range of initiatives to better balance growth in the mining and coal seam gas (CSG) industries with the need to protect important agricultural land and water resources.

The policy includes the following measures:

- Introduction of a Gateway process to add an extra level of scrutiny to new State significant mining and CSG proposals on biophysical strategic agricultural land (BSAL) and the Upper Hunter equine and viticulture critical industry clusters (CICs).
- Establishment of the Mining and Petroleum Gateway Panel (Gateway Panel) to oversee the Gateway process.
- Introduction of CSG exclusion zones to existing residential areas in all 152 councils in NSW and the North West and South West Growth Centres in Sydney.

Further detail is available online at <http://www.planning.nsw.gov.au/srlup>.

### **Biodiversity and Native Vegetation Review**

The NSW Government revised the regulations governing native vegetation in July 2013, achieving a better balance between conservation and efficient agricultural management. The NSW Government has recognised that the laws governing land use, biodiversity conservation and development must go hand-in-hand.

The revised regulations maintain environment protection standards while removing unnecessary red tape. The government is further committed to reform the legislative and regulatory framework governing native vegetation and biodiversity management, to develop a modern legislative regime that delivers better environmental protection whilst facilitating sustainable economic and agricultural development.

The objective of an announced review in this area is to identify options to improve the effectiveness and efficiency of the policy and legislative framework, to reduce the complexity and burden on landholders, and to fairly advance desired environmental outcomes. Improvements in management of the state's resources will provide economic, social and environmental benefits.

## ***NSW Local Land Services – issues 2, 4, 5, 6, 7 and 8.***

Improved service delivery through integrated and efficient management is an important theme adopted and promoted by the NSW Government. In January 2014, the NSW Government launched NSW Local Land Services (LLS), a modern and locally responsive regional services and delivery organisation bringing together a range of services and functions into a single, streamlined organisation.

LLS brings together agricultural production advice, biosecurity, natural resource management and emergency management activities, in recognition that these are not mutually exclusive and that significant benefits can be realised from managing these areas in concert. The development of LLS means that there are significant resources and delivery efficiencies, coupled with reduced compliance burden and red tape costs arising from integrated and “fit for purpose” delivery. The ability to streamline provision of extension services and consideration of both production and environmental objectives and values should result in a vastly different and superior delivery organisation combined with measurable improvements in outcomes for both agricultural production and environmental protection.

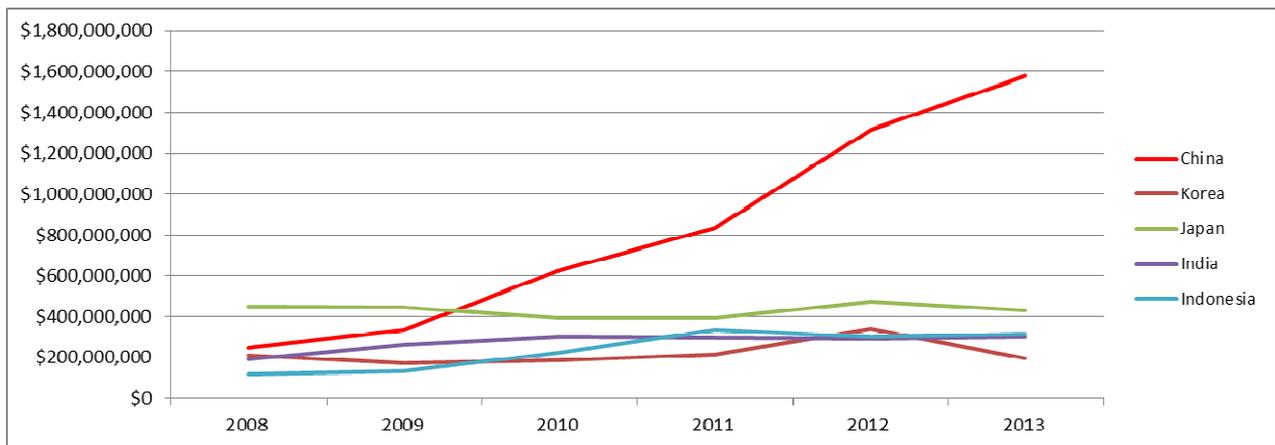
There are eleven LLS regions, managed by 11 Local Boards covering NSW. Each region is accountable for delivering services that add value to local industries, enhance natural resources, protect industries from pests and disease and help communities respond to emergencies like flood, fire and drought. Through devolved arrangements, Local Boards work closely with farmers, landholders and communities. Each region will develop operational management plans that will prioritise service delivery on a regional basis, reflecting regional priorities.

LLS is actively involved in the delivery of related Australian Government Programs like the new National Landcare Program, with the goal of providing integrated services that deliver natural resource management and production goals.

## Agricultural Exports and International Engagement

### *Access to international markets for agrifood exports – issue 8.*

NSW is succeeding in identifying improvements for export of agricultural products to China, with exports from NSW increasing more than four-fold since 2008. Agricultural exports to Indonesia have also tripled over that period, while exports to India have grown by about 30 per cent (see Figure 1, below). The recent free trade agreement with Korea is expected to improve access for export of NSW meat and other agricultural products.



**Figure 1: NSW Export earnings across five key Asian Countries over the past six years**

Whilst NSW is working hard to identify and improve opportunities for export of agricultural products, further improvements through support from and collaboration with the Australian Government will be welcomed.

### **NSW International Engagement Strategy**

The NSW Government has released an International Engagement Strategy to position the State to attract more international investment, facilitate exports, create jobs and grow the economy. The new strategy builds on the strong working relationship between the private sector and the NSW Government, and provides a clear way forward for a centrally coordinated 'whole of government' approach to help the State achieve greater trade and investment outcomes. The strategy identifies agribusiness as a priority sector for key export markets including Japan, China, South Korea and the markets in South East Asia. The plan also includes actions to implement stronger marketing of NSW, its economic strengths, priority sectors and business opportunities in collaboration with key partners such as the Australian Trade Commission (Austrade) and leveraging the opportunities arising from finalisation of Free Trade Agreements with key trading partners.

## **NSW Biosecurity Strategy**

The NSW Biosecurity Strategy was released in May 2013. It sets the overall direction for the management of animal and plant pests, diseases and weeds in NSW terrestrial and aquatic environments and is based on the principle that biosecurity is a shared responsibility. The strategy has been prepared to increase awareness about biosecurity issues and provide a framework for biosecurity management in NSW. It aims to highlight why biosecurity is important for NSW and identifies four key goals and a number of outcomes and strategies for implementation to manage risks effectively.

The financial consequences of temporary or prolonged market closures due to pest or disease outbreaks can be very significant and emphasise the need for governments, industry and the community at large to commit to this shared responsibility. For example, it is estimated that a 12-month outbreak of foot and mouth disease would reduce Australia's gross domestic product by between \$10.3 billion and \$16.7 billion over 10 years (equivalent to a one to two per cent reduction in gross domestic product for one year).

Access to domestic and export markets for our food products depends on NSW being able to demonstrate that credible and high quality certification systems and processes are in place to show that our products are free from pests and diseases. Improving the availability and transparency of information on pest and disease status of NSW and Australian components of the agrifood business will provide exporters with a sound base for marketing and export negotiations.

## **Behind-the Border Reforms**

The global population is expected to increase to 9.6 billion by 2050, with much of the growth in Asia. Asia has both a rapidly growing wealthy middle class increasingly demanding quality food and fibre products that can be supplied by the Australian agrifood sector, but also still accounts for more than 60 per cent of the undernourished people in the world. This provides massive potential for new trade opportunities for food and technology exporting countries such as Australia.

Australia should therefore continue to actively explore improved access to international markets for agrifood exports through bi- and multi-lateral trade negotiations and seeking behind-the-border reforms in key markets, such as China and India. Complementary and cooperative initiatives by the NSW and Australian Governments have the potential to yield substantial benefits to the agrifood sectors and the NSW and Australian economies more broadly.

## ***Foreign Investment in the NSW/Australian Agrifood Sector – issues 9.***

Direct foreign investment provides a potential source of capital for agricultural enterprises and agrifood businesses and can therefore contribute to sector growth, competitiveness and profitability. The NSW Government welcomes initiatives by the Australian Government to establish and register foreign ownership of agricultural land and to review the level of investment at which Foreign Investment Review Board consideration is triggered.

The NSW Government will work cooperatively with the Australian Government in promoting and facilitating beneficial business investment flows and opportunities to increase exports to established and emerging markets.

## Strategic Opportunities for Cooperation

The NSW Government considers that the Agricultural Competitiveness White Paper process provides a strategic opportunity for a comprehensive economic analysis of the inter-sector and international competitiveness of the agriculture and agrifood sectors.

A thorough assessment of sector costs and the drivers and enablers of improved competitiveness would identify key constraints on future growth and provide a platform for joint cooperative agricultural policy. The Australian Bureau of Agricultural & Resource Economics & Sciences (ABARES) would be a natural lead for this project, with collaborative support provided by relevant State agencies. More broadly, ABARES could permanently extend its role to include ongoing analysis of industry costs and opportunities for reductions that would enhance industry competitiveness.

The Australian Government must continue to work with states and territories to facilitate market access. Utilising the broad expertise of jurisdictional governments and industry in market access negotiations will achieve more efficient outcomes that better reflect the inherent capacities and capabilities of Australian supply chains. This level of market access negotiations will require the correct resource allocations.

Preventing the entry of biosecurity threats into Australia must remain a key priority for the Australian Government. However, the specific strategies employed in border control and surveillance must be risk based to ensure the most efficient allocation of resources. States and territories, along with their agricultural sectors, can contribute to the quality of these risk assessments and to providing a more seamless transition from threat detection to biosecurity response.

A key aspect of any review should include a determination of the most effective mechanisms for regulation, enforcement and facilitation. The devolution of some programs and enforcement activities may provide a better “fit for purpose” solution, and facilitate the reduction of red tape and administrative burden on agricultural businesses. Regional delivery approaches in partnership with Local Land Services may be one option.

Supporting tools for international engagement of agriculture in NSW require a targeted agrifoods trade show strategy, with consistent Australian branding. Supply capability could be enhanced with such programs as a nationally coordinated Farm Leader program and the development of interactive apps to allow 360 degree feed back on market opportunities and supply chain capabilities.

The White Paper process also provides a valuable opportunity to identify and close the gaps in provision of infrastructure to support food security and the delivery of agricultural commodities. Consideration of infrastructure gaps should also address the importance of water infrastructure and ensure that there is adequate long term planning and development of cooperative approaches to securing water supplies for agricultural sustainability.

- *ABARES should undertake an analysis of sector costs and drivers for improved competitiveness, and is well suited for a long term role in this area.*
- *The Australian Government should continue the drive toward national harmonisation.*
- *There should be a continued focus on biosecurity, with a risk based approach to ensure efficient allocation of resources.*
- *National coordination of agribusiness investment will better capture investment interest.*
- *Determining the most effective mechanisms for regulation, enforcement and facilitation is critical.*

## ATTACHMENT A

### Agriculture in NSW

New South Wales provides a wide range of agricultural environments, cool mountains to hot lowlands, semi-desert to semi-tropical, and consequently produces a wide range of agricultural products. There are 44,000 farms in NSW with an average size of 1,360 hectares. The average is large due to the extensive grazing properties in the far west, where the average size is 43,000 hectares. Coastal farms are only 500 to 1,200 hectares.

Wool and wheat have been the principal agricultural products of NSW since early days. Wool production was at a peak in the 1950s, but is now the fourth most valuable agricultural commodity. Dual purpose sheep production has lifted the value of sheep meat to over \$600 million. The different livestock industries produce 44 per cent of the NSW agricultural product by value, and in 2012 they produced 600'000 tonnes of meat, one billion litres of milk and 100,000 tonnes of wool.

At over \$1.6 billion annually, beef has become one of the most valuable products of NSW agriculture, resting on strong export markets in the US, Japan and Korea. Dairy farming is concentrated on irrigated pasture in the Murray region of NSW, the lower Hunter and on the south coast, and contributes \$500 million in milk sales, for the fresh domestic market and for exports of processed product.

Wheat production has continued to increase from the early days, reaching nine million tonnes in the late nineties. Wheat is grown in the Grain Belt which extends from the margins of the dry western grazing country, eastwards through the slopes as far as the central uplands. This belt in NSW produces on average (1997-2006): 40% of Australia's sorghum crop; 32% of Australia's canola crop; 29% of Australia's wheat crop; and 98% of Australia's rice crop.

Whilst rice is a valuable irrigation crop in southern NSW, cotton is very important in northern NSW where over 50 per cent of Australia's cotton is grown, mainly under irrigation, but also as a dryland crop. The cotton crop is third only to wheat and beef in value, at over \$1.3 billion annually.

Vineyards were first planted commercially in the Hunter Valley in the 1830s and the Riverina in the 1920s for wine production, and in the lower Murray for table grapes and dried fruit before 1900. The grape industry formerly produced a large quantity of dried fruit, but today the main product is wine. NSW produces 30 per cent of the wine produced in Australia. The other important fruit industries of NSW are citrus, apples and stonefruit.

14 per cent of NSW merchandise exports are the direct product of agriculture, and 9 per cent by value are from beef, cotton, wheat and wool alone. As world demand for foodstuffs increases, there will be a growing market particularly for beef and sheep meat from NSW, as well as grain, both for human and for livestock food.

The agriculture sector also supports a large degree of primary processing in wine making, grain milling and refining and meat butchery and packing and cotton ginning, and has been the basis for a fruit and vegetable processing industry which is now incorporating larger proportions of imported raw product into its production.