



Australian Chicken Meat
Federation (ACMF) Inc

11 December 2014

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

Dear Sir/Madam

ACMF Supplementary Submission

The Australian Chicken Meat Federation (ACMF) is pleased to provide the Taskforce with a supplementary submission in response to the Agricultural Competitiveness Green Paper.

As stated in our submission lodged with the Taskforce in April this year the Federation believes that the outlook for Australian agriculture is positive, but capturing the opportunities is not assured without a strategic and co-ordinated response by industry and government.

As such, we welcome and support the nine principles detailed on the Green Paper that will underpin the development of the policy framework required to ensure the sustainable development of agriculture and food processing in Australia.

The chicken meat industry has achieved strong and sustained productivity growth over several decades, placing it at the forefront of Australian consumer preference relative to other meats.

The Federation considers that the industry is well-positioned to make a continued and vital contribution to economic growth, innovation, productivity and food security. It will also continue to underpin many regional economies and communities.

We would welcome the opportunity to work closely with the Taskforce, and the Government, to build and implement the policy framework that will ensure that agriculture and food processing is placed on a long term economic and environmentally sustainable growth path.

Yours sincerely

Dr Andreas Dubs
Executive Director

Summary

The Australian Chicken Meat Federation (ACMF) believes the key focus of the Agricultural Competitiveness Taskforce must be the development of a policy framework that promotes lower production costs, builds profitability and increases the international competitiveness of both Australian agriculture and food processing as identified in principle one.

The ACMF strongly supports principle three in the Green Paper which commits the Government to investing in transport and communications infrastructure to improve access to both domestic and international markets and drive down input costs.

Continued growth in food processing requires a more efficient labour market across the value chain, through increased flexibility and better access to skills. This goes to the issue of production costs and therefore the affordability of food in Australia and competitiveness of agricultural and food products in the international market place.

The ACMF strongly supports the Federal government's commitment to cutting red tape; principle five in the Green Paper. As stated in our first submission the chicken meat industry operates in all states and therefore is required to comply with a large number of often complex regulations administered by local, state and federal governments.

We believe the best means, and most effective way, of cutting red tape is through a program that prioritises those regulations that place the great impost on the agriculture and food processing sectors.

The chicken meat industry supports a policy focus on growing export markets as stated in principle six. We are committed to building exports via a niche strategy that leverages Australia's distinctive health status and the integrity of its production systems.

The chicken meat industry enjoys a strong competitive advantage (principle seven) over other sources of protein as a result of a long term commitment to investing in research and development, mechanisation and the application of technology to increase efficiency and reduce costs as well as a focus on meeting consumer demand. We are using this model that had delivered the industry a comparative advantage in the domestic market to exploit international opportunities.

The Federation believes that meeting the policy objectives identified in principles one, three, five, six and seven will deliver to the government, the economy and the community the objectives of sustaining family farms (principle two), creating well-paying jobs (principle four), supporting regional communities (principle eight) and delivering high quality and affordable food (principle nine).

More detailed comments are offered in the following pages under headings that relate directly to some of the Principles enunciated in the Green Paper. For ease of reference, the nine principles are included as an attachment.

Industry costs, productivity and profitability (Principle 1)

The ACMF believes that the key focus of the Taskforce, and the Government, in the preparation of the Agricultural Competitiveness White Paper must be the development of a policy framework that promotes the lowering of production costs, builds profitability and increases the international competitiveness of both Australian agriculture and food processing as identified in principle one.

This can be achieved through cutting unnecessary regulation, strategic investment in infrastructure and investment in training to lift skill levels and improve productivity across the agriculture and food processing sectors.

Reducing inefficient regulations

As stated in our first submission the chicken meat industry operates in all states and therefore is required to comply with a large number of regulations administered by local, state and federal governments.

The Federal Government recognised the challenges faced by Australian agriculture in dealing with local, state and federal governments in its election policies.

The Government's commitment to a collaborative approach with the States and territories on program delivery should be extended to its commitment to cut red and green tape.

As a starting point, a clear picture of the regulatory costs placed on chicken meat industry businesses by all governments would provide valuable insights for the policy development and collaborative action required to facilitate continued industry growth.

Critically, it would also facilitate the Government quantifying red and green tape costs, as well as assisting in the design, implementation and performance measurement of the deregulation reform agenda.

However, investment by government and industry in understanding regulatory imposts is only of value if this reform initiative is tightly focused and the findings are prioritised and implemented systematically.

As stated in our first submission ACMF recommends the Government prioritise the work program of the Department of Agriculture special deregulation taskforce to ensure its focus is on those industries, such as the chicken meat industry, where the greatest returns can be realised from the Government's strategy.

The chicken meat industry stands ready to participate and contribute to this process.

The taskforce should take a value chain approach starting from the market (export and domestic) all the way back to the farm gate and suppliers to chicken farming businesses.

The taskforce should focus on those areas where removal of red and green tape would have the greatest impact.

The task force findings would provide a benchmark against which the industry could invest in annual evaluation and reporting on progress.

High priority targets for reform should include those state and local government regulations that vary across jurisdictions, thereby imposing additional cost burdens on the industry. The development of a nationally consistent regulatory regime that reflects the cross-jurisdictional nature of the chicken meat industry would be a key objective.

Further, a collective approach by governments to regulatory reform and administration could deliver further efficiencies through better service delivery regimes.

One area, mentioned in our initial submission, and now being tackled by the Australian Building Codes Board is the classification that applies to farm buildings used for housing chickens, noting that recent practice puts unreasonable compliance demands on these structures, increasing the time and cost involved in obtaining approval as well as substantially increasing building costs. This is a most welcome development and has the full support of our industry.

However there remain a multitude of similar regulatory impediments with other crucial areas relating to land use, planning and environmental regulations.

These represent significant impediments to continuing industry expansion—indeed their impact is limiting the ability of the chicken industry to bring on line new capacity, particularly for free-range chicken meat, to keep up with growth in consumer demand.

Input costs

The chicken meat industry has been very effective in competing for resources, as reflected in its high rates of productivity growth and the systematic development of a dominant share of domestic meat consumption, over the past five decades.

However, the establishment of the right economic environment is necessary to further promote the efficient resource allocation essential if this growth is to continue and the increasing contribution to national food security by the chicken industry is to be sustained.

A key to achieving this objective is a fully transparent feed grain market. Feed grain is a major input, accounting for some 60 per cent of on-farm production costs. The more informed a market the more efficiently it operates.

Transparency in the feed grain market can be delivered through a comprehensive reporting system of production and relevant grain stores which will facilitate the efficient allocation of this key input to chicken meat production.

Depreciation

The rate of depreciation of assets also has an important impact of the cost of doing business.

ACMF proposes that the White Paper Taskforce recommend a review of the current depreciation regime with the objective of facilitating a more efficient use of capital in the chicken meat

industry, as well as other intensive livestock industries, which better reflects the pace of technological progress in these industries.

Infrastructure

The ACMF strongly supports principle three in the Green Paper which commits the Government to building a 21st Century transport and communications network.

The importance of a modern and efficient transport system not only relates to improved access to both domestic and international markets, it is fundamental in driving down the cost of inputs in the production process.

Targeted investment in transport infrastructure must therefore be an essential feature of the White Paper given the size of the freight task, the cost of transporting production inputs and the cost of getting goods to market.

Skills and labour flexibility

The delivery of well paid jobs in the agriculture and food processing (Principle four) is dependent directly on growing input productivity. Further, the growth in food processing in particular requires a more efficient labour market across the value chain, through increased flexibility and better access to skills, including complementing the domestic skills base through mechanisms such as 457 visas.

This goes to the issue of production costs and therefore the competitiveness of agricultural and food products in the international market place.

Market Access (Principle 3)

The chicken meat industry is committed to building exports via a niche strategy that leverages Australia's distinctive health status and the integrity of its production systems.

In particular, the industry considers that opportunities exist in South East Asia and China for high quality products for affluent consumers.

Securing a key aspect of this nation's competitive advantage—overseas recognition of Australia's high quality and disease free status—is essential to underpin the chicken meat industry's expansion into export markets.

Strengthening biosecurity measures to reduce the risk of incursions of infectious diseases or other agents is vital to protect our health and quality status in the international market place.

Chicken meat exporting companies value the on-going close working relationships and support provided by government entities—principally, the Australian Department of Foreign Affairs and Trade, Austrade and the Department of Agriculture.

The industry wishes to continue developing these working relationships, including through its participation in high level Australian government trade delegations to the priority markets of China and South East Asia.

The industry would also welcome the opportunity to develop a closer relationship with the Federal Government to enable resolution of priority technical market access issues.

Competitive advantage (Principle 7)

The chicken industry is committed to increasing its competitiveness through ongoing investment in research and development, mechanisation and the application of technology in order to increase efficiency and reduce costs at all stages of production.

Furthermore, the industry constantly searches overseas for new ideas and world's best practice that can be adopted by businesses in its value chain.

These strategies have underpinned the industry's track record of achieving high and sustained levels of productivity growth for more than five decades, and have resulted in a substantial increase in the affordability of chicken meat by Australian consumers through a long term reduction in the real price of chicken meat.

It is essential that the current rural research and development regime continues to support sustained growth in the medium and long term.

It is also important that a strong emphasis continues to be placed on prioritising the allocation of resources to research projects that deliver productivity gains, commercial returns to the industry and value to consumers.

Enhanced agricultural contribution to regional communities (Principle 8)

A growing chicken meat industry will contribute to healthy regional economies and strong and sustainable regional communities.

The industry is already a significant contributor at the regional level and its contribution will be magnified as the industry develops.

For example, the meat poultry industry in the greater Sydney region contributed 1183 jobs and a gross value of \$297.5 million of greater Sydney's total regional agricultural output of \$748.5 million.

Food security (Principle 9)

The Taskforce rightly highlights food security as a priority.

As stated in our first submission food security is enhanced by greater food production.

At the same time, growing demand and finite natural resources mean that future food production must involve higher productivity, with use of less water and land per unit of output.

A key implication is that agricultural industries face major challenges in making the transition. Further, governments have a critical role in fostering the conditions for business investment and growth and facilitating structural change.

Australian agriculture will need to expand significantly.

The strategy of accelerating development of highly efficient, intensive production systems such as the modern chicken meat industry offers immediate and ongoing benefits for food security.

Australia's chicken meat industry has grown from an extension of egg production in the 1950s to become a major agricultural industry, accounting for almost a quarter of all meat produced in Australia.

Today, 90 per cent of the population eats chicken meat at least once per week and a third of Australians eat it three or more times per week. It is by far the most popular meat in Australia, with per capita consumption now almost 40 per cent more than beef.

Industry success has been underpinned by investment in world's best technology across the value chain and the highly effective conversion of investment in research, development and extension into sustained growth in productivity.

The chicken meat industry is a very efficient user of land and other inputs to production.

As a result, it has achieved sustained growth for five decades with significant and growing contribution to regional incomes, jobs and sustainable regional economies and communities.

The industry is well placed to make an increasing contribution to food security. Its potential to continue to expand production in a cost effective way and its capacity to convert feed into meat protein is unmatched by other agricultural industries.

However, the future economic growth and contribution of the industry is not assured. It will require strategic investment and commitment by both the industry and by the government.

Maintaining strong biosecurity

Australia remains relatively free of serious poultry diseases, in contrast to virtually every other major chicken meat producing country.

The incursion of diseases currently exotic to Australia, such as very virulent infectious bursal disease, would impose a significant burden on the cost of production and undermine product integrity and consumer confidence.

A high priority for both the industry and government must be to defend Australia from both disease and pest incursions. Important benefits arise from protecting animal health and welfare and the integrity of meat produced for domestic consumption.

Furthermore, Australia is well recognised internationally for its high quality product and enviable flock health status, and this can provide the basis of the industry's market positioning as it seeks to grow exports and capture the opportunities offered by increasingly affluent consumers in Asia.

The industry's animal health status is a significant and long term strategic asset.

The Federation welcomes the government's commitment to develop a comprehensive framework for import risk analysis and quarantine arrangements that better integrates science in quarantine decisions and minimises the risk of exotic pests and disease incursions.

It is essential that the Government ensure the integrity of the import risk assessment proposed in the new biosecurity legislation, that is now before the parliament, is strengthened by formalising the role of the Eminent Scientists Group as a vital part of the assessment process.

It is also important that the industry is fully informed and engaged in any intergovernmental negotiations and forums that have implications for the industry's biosecurity status.

The Agricultural Competitiveness Green Paper Principles

Principle one

Increase returns at the farm gate by reducing costs and unnecessary barriers to productivity and profitability.

Principle two

Keeping families as the cornerstone of farming by establishing career paths based on financial stability, training and succession options

Principle three

Building the infrastructure required to improve transport and communication links to domestic and international markets

Principle four

Create well paid jobs in agriculture and the downstream sectors of food manufacturing, food retailing, hotels and restaurants.

Principle five

Reduce unnecessary regulation at all levels of government.

Principle six

Promote access to key export markets.

Principle seven

Focus on Australia's competitive advantages in meeting the growing demand for food in our region.

Principle eight

Support strong and vibrant regional communities

Principle nine

Maintain access for all Australians to high quality and affordable fresh food.