



Agricultural Competitiveness Green Paper

Submission by Cotton Australia

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Introduction

Cotton Australia welcomes the opportunity to comment on the Agricultural Competitiveness Green Paper. Cotton Australia is the key representative body for Australia's cotton growing industry. The cotton industry is an integral part of the regional Australian economy, worth over \$2 billion in export earnings. The industry is made up of approximately 1 200 cotton farms and employs over 10 000 people.

The industry's vision is: Australian cotton, carefully grown, naturally world's best. Cotton Australia works with industry to achieve this vision by providing a policy and advocacy role, research direction, stewardship and building our farmer's capacity in their own communities. We are proud of our efforts to ensure an efficient and sustainable cotton industry. Our 'myBMP' is a voluntary farm and environmental management system which provides self-assessment mechanisms, practical tools and auditing processes to ensure that Australian cotton is produced with in line with best practice.

In addition to our submission, Cotton Australia supports the submissions to this process made by the Cotton Research and Development Corporation (CRDC), the National Farmers' Federation (NFF), NSW Irrigators' Council, the National Irrigators' Council and the Queensland Farmers' Federation (QFF).

Summary

Cotton Australia is fully supportive of the key objective of the White Paper – to achieve a better return at the farm gate to ensure a sustainable and competitive Australian agricultural sector. The Government should test each and every proposal against this objective.

The Green Paper outlines many important policy ideas that will assist cotton producers to remain financially viable and competitive in international markets. They do however need to be refined against a more financially achievable target.

It will be important for this White Paper and the policy platforms set out in this White Paper to coordinate well with other relevant Federal Government initiatives (including the Energy Green Paper and the Competition Policy Review).

We have limited our comments to the areas of the Green Paper that are of most relevance to our growers. In developing this response, Cotton Australia surveyed growers and also broader industry representatives in our network to verify and prioritise key areas of importance. This process confirmed that the following are most critical to the competitiveness of the cotton industry:

- Improving water infrastructure and markets
- Protecting the resource base
- Strengthening farm businesses (including drought preparedness)
- Strengthening the RD&E system
- Strengthening Australia's overseas market efforts
- Strengthening agricultural education



Cotton Australia has provided a number of recommendations and responses to the policy ideas presented against these categories. At a summary level, the priority, short term outcomes that we believe the government needs to focus are:

- Ensure water access and security through providing more water to areas already serviced by irrigated agriculture infrastructure. In areas where water availability is constrained (e.g. in the MDB), the focus needs to be on increasing water productivity through maximising the efficiency of water delivery infrastructure and on-farm water use.
- Ensure protection of the resource base on which agriculture depends, especially from the impacts of mining and CSG, through: ensuring the impacts of CSG and large mining proposals are systematically assessed at the national level; supporting the data collection needed to monitor impacts and underpin regulation and policy, and ensuring adequate compensation.
- Strengthening farm businesses, particularly through addressing high input costs, the cost of energy being an urgent item which has not been given enough recognition in the Green Paper. The approach needs both pricing reform as well as energy efficiency.
- Maintain and strengthen the current model for rural R&D in Australia through administrative adjustments to the existing system (rather than system overhaul or major changes) to ensure it is high performing and delivers on government and industry needs.
- Focused, informed and coordinated education, skills and training, and labour strategies for the agriculture sector to ensure a skilled workforce for the future but to ensure our regions remain vibrant places that retain and attract people. Approaches should strengthen and sustain labour from both local Australian sources, as well as overseas.



Infrastructure

Almost 99% of Australian cotton is exported via the ports in Brisbane (44%), Sydney (34%) and Melbourne (22%). Cotton and cotton seed is the number one containerized commodity leaving both the Port of Brisbane and Port Botany (Sydney). Getting the cotton to port via rail and road is becoming increasingly difficult for growers.

Investment in infrastructure is required to alleviate the transport bottlenecks which occur across every commodity, in every region and every mode of agricultural freight (road, rail and port).

We are supportive of the government's efforts to identify policy ideas to improve infrastructure to support the agriculture sector. As a general principle on infrastructure, we believe the government should focus on maximising production in areas already serviced by infrastructure, prior to seeking "greenfield" opportunities, (recognising it is not entirely an either/or situation).

We support the idea of linking public and private freight lines and port infrastructure and all weather access rural roads. As part of this, we maintain that the government should investigate the reliability of rail freight to agricultural centres, such as Griffith, Narrabri, Goondiwindi, Dalby and Toowoomba.

The Green Paper highlights the increased demands on the transport system over the last four decades (noting "strong growth in mining related rail freight volumes"), and projected increases. Cotton Australia is supportive of the work underway to construct the Inland Rail. We support the comment on page 10: "Agriculture can be a beneficiary of these rail investments where capacity is available". CA seeks commitment from the Commonwealth to bring agriculture and mining representatives together to establish priorities and strategies under this policy idea. The government should engage directly with key stakeholders in the cotton supply chain to get their input regarding priorities for linking public and private freight lines. Within cotton the appropriate group is the Australian Cotton Shippers' Association.

We support the current work underway to ensure a strategic approach to infrastructure improvements, including reviews and audits into Australia's infrastructure. Undertaking of an agricultural infrastructure audit should be fast-tracked.

We note the major reforms that have been implemented to improve national heavy vehicle access, including the establishment of the National Heavy Vehicle Regulator, which we are supportive of. We are aware that the establishment of the NHVR has been somewhat troublesome, moving forward however, industry is eager to see it establish and function well. All jurisdictions need to engage in good faith to facilitate safer and more productive heavy vehicle operations, and deliver consistencies and efficiencies.

Cotton Australia is supportive of the ideas detailed in Policy idea 2 (improving existing infrastructure and transport regulation), and further submit that the government investigate options for accelerating the WestConnex, Northconnex and the intermodal freight hub developments in Sydney.



Enhancing communications (policy idea 3)

Cotton Australia is supportive of the need for our members, based in rural and regional Australia, to have access to reliable and affordable communication systems. Poor mobile coverage and inadequate internet speeds plague many on a day to day basis. Poor communication infrastructure limits uptake and application of new technologies and potentially transformational improvements to enhance agricultural competitiveness.

There are valuable ideas, underpinning R&D as well as interest in utilizing technology to support on-farm decision making, in extension programs, R&D and provision of general agronomic information. In addition, adequate communication infrastructure helps government, industry organizations and customers/consumers interact better.

We therefore support the government in improving the standard and use of existing communications infrastructure to support the agriculture sector.

Working with the States and Territories

Cotton Australia appreciates that some areas raised through the Issues Paper response are the responsibilities of the States and Territories. We value the work that the government is doing reducing red and green tape as an ongoing priority.

Further issues of importance to the cotton industry noted in the Green Paper in this section fall under environment: water, environmental approvals in relation to mining and CSG projects and also energy (energy efficiency audits specifically). We are broadly supportive of what has been put forward as policy ideas (a number being principles), though have the following specific comments:

Protecting the resource base (policy idea 5a)

We strongly support efforts to limit adverse impacts and broadly the concepts put forward in this idea align with our policy direction. However note the following specific comments:

- That landholders receive “a share of royalties”: this is important however needs to be on top of other heads of compensation. In the case where the overall gas contract is a low price, or it is an oil linked contract, the royalty payable may be very low and what is offered by gas companies is likely only to be a small proportion of what is paid to State governments.
- “Access to freehold land be granted with the agreement of the landholder”. This would be difficult to obtain and is the subject of various State based legislation. However the MOU between gas companies Santos and AGL and peak agricultural organisations in NSW, and the Queensland Regional Planning Interest Act, are examples where significant progress in this area has been achieved.
- “Ensuring that no long term damage is done to aquifers so as to change the agricultural capacity of the district as a result of extraction activities” - Cotton Australia wants to see the government ensure that the impacts of CSG and large mining proposals are systematically assessed at the national level, by retaining environmental approval of CSG projects under the federal *Environment Protection and Biodiversity Conservation Act 1999* ‘water trigger’. We note, however, that the ‘Water Trigger’ under the EPBC Act is still before the Senate to



be devolved to the States to administer and the Commonwealth's Bioregional Assessments, which are not expected to be finalised until 2016.

Quarantining prime agricultural land from mining activity (Policy idea 5d)

This would be a major step forward however we note that it depends on the States and also heavily on Commonwealth support for broad regional scientific studies of groundwater and soils on top of the Bioregional Assessments.

Strengthening farm businesses (policy idea 6a)

“Implementing a nationally consistent and mandatory approach to farm debt mediation”: Cotton Australia understands that the basis of this was a scheme established in QLD (the Queensland Farm Finance Strategy) which also incorporates the involvement of financial counselling earlier, helping to prevent the need to go to full mediation.

A mandatory approach may have some benefits however this needs to be fully investigated with all relevant parties (e.g. banks) to also understand what the implications and potential risks may be. Cotton Australia asks that the Government undertake full consideration of the benefits of the QLD scheme, with the view of incorporating key elements into the mandatory scheme. The Taskforce should formally invite the QLD Farmers' Federation – who are the custodians of the QLD Farm Finance Strategy - to present on this.

Subsidising farm energy audits (policy idea 6b)

We strongly support the proposition to provide further funding for on-farm energy efficiency work. This is, however, a minimal response to the critical issue of escalating energy costs. Irrigated agriculture needs a more wide-scale policy change that will ensure that energy (in form of electricity or otherwise) is accessible, reliable and affordable in the future, and the Federal Government can play a key leadership role in championing this reform and encouraging full participation by the States.

The cotton industry has a strong focus on energy use efficiency currently, and has commenced energy efficiency extension projects across the industry with federal and state government support. This includes:

- Carbon and energy extension provision, to extend industry R&D findings and also undertake energy efficiency audits across the industry
- Cotton Australia, in collaboration with NSW Irrigators' Council and the NSW Office of the Environment and Heritage (through the Energy Saver program) has embarked on a program of on-farm energy audits and communication and training. Initial estimates suggest savings of over \$1 million per year are achievable from the 11 pilot participants alone.

Australian Government support for energy efficiency should include rebates for on farm energy efficiency audits, the development of online farm energy use calculators as well as including funding or accelerated depreciation for any capital upgrades to on-farm equipment that will result in energy efficiency savings. Reform of the Clean Energy Finance Corporation could make funding more accessible for smaller projects.



In addition to driving energy efficiency improvements on farm, Cotton Australia and the broader irrigated agriculture sector are deeply concerned about the impact of increasing electricity prices on farm profitability. Water efficient irrigation systems are more energy intensive, which when coupled with relatively inelastic demand for electricity (because of the needs of the crop, or to comply with water licence conditions on timing of extractions) means that cotton farmers are highly exposed to price rises.

The recent electricity price rises are largely due to increases in network costs, which comprise 55–65% of a cotton grower's electricity bill (over \$100,000 per year). The network tariffs that are currently available do not suit farm businesses. Tariffs must be designed to provide flexibility (peak versus non-peak and shoulder charges) and offer a reduction in the network demand charge, with an option for all irrigators to be able to access volume rather than demand based tariffs. Our specific recommendations in relation to addressing electricity price concerns for the cotton and irrigated agriculture industries are contained within our submission on the Energy Green Paper. We urge this Taskforce to review those given the relevance of this issue to agricultural competitiveness in Australia.

In addition, we believe the Australian Government could do more to help provide energy from other sources in regional areas. A lack of access to reliable energy sources in regional remote Australia can dampen investment. Yet supplying grid electricity to regional and remote towns can be inefficient and expensive. These regions can be readily supplied with renewable energy, particularly solar and wind which while having large land-mass footprints, have little impact on the productive capacity of farms. As was submitted in our response to the Issues Paper, the Government should consider preparing demand and transmission line modelling of the regional National Electricity Market (NEM) network that considers options for investing in renewables, rather than grid supplied electricity.

Competition and Regulation

Competition

Cost of production in the cotton industry has increased substantially over time, with cotton prices remaining relatively steady over the past 20 years.

As highlighted in our Issues Paper response, we are very concerned that Australian cotton growers face higher prices for biotechnology than our global competitors because of the concentrated and monopolistic-like nature of the Australian biotechnology market.

Over 98% of Australian cotton is grown using Office of the Gene Technology Regulator (OGTR) and Australian Pesticides and Veterinary Medicines Authority (APVMA) approved and licenced genetically modified crops. The use of these crops has reduced pesticide use by around 95% over the last 15 years. Cotton growers in the USA are already heavily supported by their Government (up to \$US820 million in the past decade), in addition to having access to cheaper input prices.



We reiterate the need for a thorough review to be conducted, by the Productivity Commission, on the cost drivers of agricultural inputs, particularly biotechnology and machinery.

Regulation

In our response to the Issues Paper, CA highlighted the burden of red and green tape on cotton businesses. The analysis by Holmes and Sackett on farm business financial, taxation and compliance costs provides specific data on the extent of this (the cost was found to be between \$24,000 and \$43,000 per year, with farmers spending on average 20.6 days per year consumed by this work). We support the Australian Government in their aims to ensure regulation is effective and efficient and note the processes underway to ensure this.

We reiterate that this could be further strengthened by introducing an agricultural impact statement for new regulations which tests the benefits of regulation in terms of improvements to sustainability and profitability of Australian agriculture.

In regards to specific areas of regulation:

- CA support the priorities identified for improving agricultural and veterinary chemical regulation.
- **GM technology:** Significant gains in relation to productivity and environmental outcomes have been achieved in the cotton industry as a result of adopting the use of GM technology. We recognise that there are community concerns surrounding the topic, and that there are some marketing advantages in having GM-free status. However, Australia has a strong regulatory framework to manage any risks to human health and safety or the environment from GM technology. There continue to be limitations imposed by some States and Territories on growing GM crops for marketing reasons. Cotton Australia believes there needs to be national consistency and agricultural industries should be able to choose to use GM technologies. The existence of limitations creates barriers to investment, particularly from overseas.

Finance, business structures and taxation and drought preparedness

Cotton Australia is broadly supportive of the policy concepts put forward under Sections 5 and 8 of the Green Paper. A number of points highlighted in our Issues Paper response have been addressed and we look forward to the government progressing these further.

In particular:

- Enhancing access to finance, including through:
 - working with the financial services industry to establish an agricultural superannuation fund that reinvests in agricultural and regional infrastructure
 - policy settings that encourage foreign investment, while ensuring adequate certainty, flexibility and transparency (primarily through the register) and that it provide a positive impact on the agriculture sector.
- Drought preparedness and access to farm specific financial advice:
 - The use of income assistance to assist farmers with preparedness and planning and welcome proposed changes to the Farm Deposits



Management Scheme (FMDS) to increase the non-farm income threshold and permit consolidation of existing accounts.

- Introducing a farm finance education package to build capacity of farmers to make informed business decisions to improve farm-gate returns.
- Further exploring multi peril crop insurance.

Education, skills and training, and labour

The Green Paper captures a number of key issues and areas for attention that Cotton Australia put forth in our Issues Paper in regards to education, skills and training and labour.

First and foremost, an overarching comment on the priority for this area is that there is a real need for an overarching strategy and coordination function to deliver on the education, skills and training, and labour needs of agriculture and to clearly articulate priorities and roles and responsibilities of the various stakeholders. It should include the data requirements and collection processes to drive the strategy (data needs include labour and skills needs by industry and VET participation and satisfaction). This would help to consolidate the considerable effort underway across industry and government in this area, focus effort and identify efficiencies that could be achieved. The Green Paper touches on a number of these points, suggesting that labour and skills could be linked under a broader workforce plan for agriculture.

On a similar note, page 56 states VET reform proposals include the establishment of a single industry led VET advisory body. Cotton Australia seeks clarity on this point and how this would sit alongside Agrifood Skills Australia and their functions.

Page 57 notes that “Stakeholders suggested that Agrifood take a more active role in these areas” (schools and higher education). Should this be progress, the government needs to ensure that their involvement is clearly defined and based around the facilitation and promotion of skills and training through VET (rather than other areas serviced by other organisations such as the promotion of agriculture generically, teacher professional development unrelated to VET or non VET related primary and secondary school resource development). Otherwise there would be a risk of confusion and duplication of effort.

Our comments against the specific policy ideas are provided below:

Strengthening agricultural education (policy idea 14)

- The Australian Government should work with States and Territories to ensure agricultural high schools and colleges have the resources to continue to specialise in agriculture in the future (policy idea 4a). However this effort should not be limited to just schools that identify as agriculture schools. Our experience in the cotton industry through our education program is that there are many schools that fall outside this definition who are very proactive and want to engage with industry to deliver agriculture education. An example being the schools that participate in the Gateway Schools to Agribusiness program in QLD. Support and resources should be available for these schools too.



- Establishing a young farmers' mentoring and networking programme to help new entrants, including offering clear advice and information on education pathways for agricultural careers (policy idea 4b). In progressing this, the Government needs to coordinate with the significant work already done in this area by a number of organizations: Career Harvest (Australian Council of Deans of Agriculture), Primary Industries Centre for Science Education (PICSE) and Ag Futures (QLD based).

As a member of PIEF, Cotton Australia asks the Taskforce to consider their recommendations particularly in relation to embedding agriculture as a core subject. We believe that the place of agriculture through the Design and Technologies Curriculum is currently well represented and should be safeguarded through ensuring that Design and Technologies remains a compulsory curriculum area.

Cotton Australia wishes to clarify that in the cotton industry we have traineeships, not apprenticeships.

Strengthening labour availability (policy idea 15)

Cotton Australia understands that while jobs for Australians are a first priority, there is a need in agriculture for imported labour. Nevertheless, it is disappointing and disheartening to see all of the policy ideas under this section focused only on imported labour and not addressing the need to strengthen or sustain local labour availability. A number of priorities could be addressed in order to strengthen local labour supply, for example through driving demand from employees for trainees and encouraging people from outside regional areas to take up a career in agriculture, especially young Australians and the Indigenous community.

Comments against the specific policy ideas are provided below:

- Broadening the skill coverage of the Temporary Work (Skilled) visa (subclass 457) (15b) – we support expanding the skilled occupation and consolidated skilled occupation lists for 457 visas to include more agricultural occupations. In addition, the training requirements need to allow for recognition of agricultural managers with experience (5 yrs) but no formal degree qualification.
- Expanding the Seasonal Worker Program to all agricultural industries (15c) – this should be extended to cover cotton gins.
- Provision of pathways for agricultural employees on 417 visas to transition to 457 visas should be a priority.

Water and natural resource management

Water

The existence of the industry and a cotton growers' ability to produce is dependent on access to water. Whilst a small portion of the Australian cotton industry is rainfed or dryland, the industry is predominantly reliant on irrigation (95% last season). Water access and security is therefore vital.



Cotton Australia supports the general direction of this chapter, and strongly agrees that there is opportunity to improve both the availability of water for agricultural use, and the efficiency of use.

Cotton Australia has been supportive of Australian agriculture and government turning its eye towards northern Australia, and was an active participant in the Northern Australia Food Futures Conference.

However, Cotton Australia also urges the Australian Government not to ignore opportunities to enhance water availability and efficiencies in established agricultural areas, which often have under-utilised infrastructure, which represents opportunity for regional economic growth. Potential efficiencies could be gained throughout the system and on-farm e.g. to reduce evaporation and seepage and enhance storage capacity.

To use a cotton example, with additional or more reliable water supplies, many of our existing production areas could significantly increase production, without the need of additional infrastructure such as cotton gins, electricity networks, roads and rail linkages.

Cotton Australia congratulates the Government on its initiative in establishing the Ministerial Dams Taskforce, and looks forward to the next stage of that process.

It is noted that a number of the proposed dams fall within the Murray-Darling Basin, and Cotton Australia along with the Government is very aware of the many billions of dollars that have been spent, and/or are committed to be spent on reforming water management in the Basin.

This reform should not exclude sensible further development of water resources in the Basin; however, Cotton Australia recommends that the Government, with appropriate consultation, should develop a clear statement outlining what criteria would have to be met, for a proposal within the Basin to be consistent with the Basin Plan.

In the establishment of new dams, it is important that these have no impact on reliability of existing water users.

Cotton Australia would also like to propose a number of additional projects to those listed for further consideration. These projects are consistent with the concept of optimising production in existing production areas, allowing for greater utilisation of infrastructure. These are detailed below:

1. NuWater – Bringing Brisbane’s Waste Water to the Darling Downs

From the mid-to-late 1990s through to around 2006 an organisation called Darling Downs 2000 invested approximately \$2m of both Australian Government and private funds to investigate the potential to bring approximately 140,000 megalitres per year of Brisbane’s grey-water through the Lockyer Valley and onto the Darling Downs. The project progressed to the stage where Ernst and Young had produced a full business case for the proposal which would be still available for scrutiny.



However, during the drought of the last decade the then Bligh Government in Queensland took the decision to build the Western Corridor Recycled Water Scheme, to supply residential, industrial and agricultural requirements in the Western Corridor of Brisbane with recycled water. The scheme includes collection and delivery pipelines, three water treatment plants, and a pipeline to Wivenhoe Dam (Approx. the first third of the pipeline required by the DDV 2000 proposal).

Total construction cost was approximately \$2.5 billion, with approximately \$500,000,000 provided by the Federal Govt. Construction was rushed, and therefore was subject to huge cost blow-out.

Despite the massive construction costs, the scheme has never operated near its full potential, never supplied water to residential customers during the drought, and has only ever supplied limited water to some power stations. The Newman Government has declared that it is against its policy to use recycled water for Brisbane's supply, and has publicly canvassed closing the scheme, and potentially even dismantling it to save on maintenance and running costs.

The Opportunity

- Up to 140,000 megalitres per year of grey-water could be made available to industry and agriculture in the Lockyer Valley and Darling Downs, currently being wasted by release into Moreton Bay, causing ongoing environmental harm.
- It would reduce nutrient loads currently being released into the Brisbane River and Moreton Bay.
- A saving in treatment cost currently incurred on Brisbane's waste water.
- Approximately 1/3 of the pipeline has been built.
- Lockyer Valley and Darling Downs has existing agriculture related industry, with excess infrastructure, which could be utilised with the addition of new water. The Darling Downs has enough existing on farm storage to accommodate annual take and pay water delivery.
- Highly reliable water (virtually 100%), has the capacity to attract new high return irrigated agriculture.
- Either through direct use or substitution could help make the Murray-Darling Basin Plan targets. A 2001 CSIRO study indicated significant additional stream flow from the additional irrigated area and occupied space in storages not being available to overland flow harvesting.
- Construction of the Second Range Crossing provides an alternative pipeline path, which could help to significantly reduce pumping costs.
- Intensive industries such as chicken/poultry have indicated a desire to move to Darling Downs, but require a high reliability water source.

Cotton Australia would strongly support the Dams Infrastructure Taskforce undertaking an urgent update of the Ernest and Young Business Case, and we would welcome the opportunity to provide further detail.



2. Nathan Dam

Cotton Australia welcomes the inclusion of Nathan Dam in Table 4, but suggests that the planning to date has really only focused on the dam providing water to the resource sector.

The Dawson Valley currently has a relatively small, but vibrant irrigation industry upstream and downstream of Theodore, and Cotton Australia believes that agricultural access to additional water from Nathan Dam could lead to an expansion of production which would assist to reaching full utilisation of existing infrastructure.

Cotton Australia and other local Dawson Valley groups have long expressed concern that not only do the current proposal for Nathan Dam does not make any allowance for increase water resource access for agriculture, but in fact threatens the reliability of existing entitlement holders.

Cotton Australia requests that should there be a Federal contribution to the construction of Nathan Dam, a significant proportion of the additional yield be made available to irrigation; and prior to finalisation of planning, all steps be taken to ensure that there are no third party impacts on existing entitlement holders, and if impacts cannot be avoided they are fairly and adequately compensated for.

3. St George Irrigation Scheme Enhancement

The Sunwater channel scheme at St George is serviced by the relatively small Beardmore Dam, on the Balonne River. The Balonne River is normally fed by summer rainfall events, which typically replenishes water supplies during the summer growing season.

Growers normally rely on these flows to ensure enough water is available to finish their crops. However, there have been a number of times when these flows have not eventuated, and planted crops have either been inefficiently irrigated to realise their full yield potential, or abandoned completely. This represents a significant inefficiency, given the very significant investment that has been made in bringing the crop two or past its half-way stage.

An opportunity exists to aggregate through commercial means upstream sleepers and dozer water harvest licences, and store resulting flows in either a new dedicated off-stream storage or make use of existing on-farm infrastructure.

While this proposal is over and above the opportunity to upgrade Sunwater schemes discussed further below, the opportunity to proceed in a timely manner has been enhanced by the recently announced decision by the Queensland government to move to Local Management of the schemes.

4. Refurbishment and expansion of SunWater Schemes at St George, Emerald and Theodore

The Queensland Government's decisions to transition its eight Sunwater Channel Schemes to Local management will open up opportunity for refurbishment and expansion of these schemes, in a manner similar to the work that has been done across



the Murray-Darling Basin in areas such as Narromine, Warren, Griffith, Coleambally and Deniliquin.

Upgrades would allow the diversion of water currently set aside for delivery losses towards productive use, again allowing for the full utilisation of both irrigation assets and the infrastructure that supports agricultural production.

From a cotton perspective, Cotton Australia is particularly supportive of upgrades of the St George, Theodore and Emerald Schemes, and additional information on the opportunities in these areas can be provided.

With regards to Policy idea 18, as outlined above Cotton Australia is supportive of new irrigation development or enhancement of existing infrastructure. As a general rule, new infrastructure should be assessed using the following principles:

- The development should be environmentally sustainable.
- The development should yield water at a price that is affordable to the expected user.

Cotton Australia supports the introduction of a 150% deduction over three years for water reticulation infrastructure, but should also specifically include any energy related expenditure which is related to the reticulation of the water.

With regards to water markets Cotton Australia believes that significant improvements in water markets has occurred over the last decade, and further improvement will occur over future years primarily driven by commercial influences.

Cotton Australia believes Government involvement in this area should focus on the jurisdictions (primarily States), investing in systems to reduce trade processing times. With regards to trade of environmental water, Cotton Australia believes that the Commonwealth Environmental Water Holder should be able to actively and nimbly trade water at his or hers discretion, and the proceeds from these sales must be used to achieve defined environmental outcomes.

Other

We note the Green Paper does not address climatic shocks (nor climate change) and the government's role in helping farmers prepare for and recover from such disaster events. Similarly, there is also insufficient policy detail on climate risk adaptation strategies, and also on the role of farmers to play in helping to reduce greenhouse gas pollution.

With the current work underway by the Department of Environment to develop methods under the ERF targeted at agriculture industries, effective coordination with, and input from, the Department of Agriculture in guiding their development and implementation is essential.

Coal seam gas and coal mining operations

The coal seam gas (CSG) industry is rapidly expanding and its operations overlap with cotton production in many areas of Central and Southern Queensland, the Riverina and



north-western regions of NSW. We remain concerned about the impact on the water resources and production cycles from mining and gas extraction activities.

The concepts presented in the Green Paper largely align with Cotton Australia's policy direction in relation to mining and CSG. However, there are a number of issues to consider should these policy ideas be progressed.

We note Figure 21 of the Green Paper presents Principles for CSG. Whilst we acknowledge this intends to be high level, we would make the specific comments that:

- Principle 1: access only with a farmers agreement is a State matter, but is a principle supported by Cotton Australia.
- Principle 2: in establishing further detail around this point, it would be important to state how much is significant and support the principle with some processes for understanding what is appropriate in different contexts (informed by science). Again, these limits are set by State consents.

The production of cotton relies on access to water, and we are particularly concerned that not enough effort has been made to understand the impacts of CSG and mining operations on water balance and quality of both ground and surface water.

We support reviews of the need for regulation of land use to be backed by evidence and science and we see the Commonwealth having a role in funding that science at a regional level. Whilst we support efficiency reviews and improvements to existing legislation such as the EPBC Act, we strongly believe that the approvals process must maintain water assessment at Commonwealth level and the 'water trigger' under the EPBC Act continue to operate without any amendment.

We agree that "Farmers are entitled to a fair return for access to their land" (p78) and support a fair system of compensation. It is worth noting that under the NSW Gas Plan an independent regulator (IPART) will be implementing a review of compensation rates, published annually.

Finally, as we have discussed previously, the energy security and affordability needs of rural and regional Australia need to be addressed as a priority issue. We believe the Government should progress the concept of using a proportion of gas extracted in regional areas for those regions, including power and the use of gas as an input to fertilizer manufacture. This is not to suggest a mandatory domestic reserve policy, but the use of various incentives or concessions which would encourage resource companies to make gas regionally available.

Research, development and extension

A key responsibility for Cotton Australia is advising the Cotton Research and Development Corporation (CRDC) on industry research and development priorities as the Representative Organisation under the PIRD Act (1989). CRDC are providing a submission to this process as well which will expand on this section more fully.

The Australian cotton industry is one of the success stories of Australian agricultural rural R&D. The industry enjoys a global standing, with cotton yields that are world's



best - a key outcome of the most efficient and effective industry research, development and adoption model in the world. The industry would not exist today but for the R&D resulting in the reduction in pesticide use in the 1990's.

Research by the CRDC is critical to the success of the Australian cotton industry. As a result of CRDC's RD&E the industry has made significant improvements in efficiency, sustainability and profitability. In the past 10 to 15 years the Australian cotton industry has:

- improved water use efficiency by 40%
- decreased pesticide use by 95%
- delivered the highest yielding cotton crop in the world.

We are broadly concerned with the impact of cuts to funding of public research provision on the future capacity to service industry RD&E needs including responding to biosecurity issues.

We are grateful that the Australian Government has retained its commitment to jointly funding agricultural and rural research and development and extension under the *Primary Industries Research and Development Act 1989*. It is highly important to the competitiveness of the agriculture sector that Government maintains its support for the model, focusing on build on its strengths. Most recently, Cotton Australia and CRDC have provided detailed comment to inform the Senate Inquiry into R&D levy systems. We ask the Agricultural Competitiveness Taskforce to reference those submissions in considering the response to this section.

Many rigorous and critical assessments of the Australian rural RDC model conducted over the last few years have cemented the view that the model needs to be maintained. These processes have also identified clear areas for improvement, which are being addressed by the RDCs.

Strengthening the RD&E system (policy idea 20)

In regards to the ways in which the RD&E system could be further strengthened (Policy idea 20), we are broadly supportive of a number of the concepts presented, with the exclusion of 20b. Specifically:

- There is value in updating the rural RD&E priorities to provide clear priorities and government expectations for the RDCs. This would help in further identifying points for collaboration.
- In relation to 20b - establishing a new body - we believe this to be a risky idea that could potentially undermine the current system. There are valuable ideas within the RDCs on how to best undertake cross-sector research. Improvements to cross-sectoral collaboration are occurring and the CRDC suggest that a legacy of the Australian Government's \$100 million R&D for Profit program could be the instigation of a Council of Rural RDCs led annual collaborative RD&E co-investment framework. A feature of this process would be that it minimises administrative and governance costs which commonly undermine the benefit of collaboration. This approach also leverages the RDCs strong connections with industry extension. Through this, the RDCs could more effectively identify genuine cross sectoral rural R&D issues.



- We are supportive of the proposition to enhance access to the R&D Tax Incentive. Broadly we believe the Government should enhance taxation policy settings to encourage private and philanthropic investment in research and development. But not at the cost of any diminishment in funding of the RDC model.
- CRDC believes there is a strong role for the rural RDCs in extension, and that delivering research outcomes is a critical part of the RDC process. CRDC have purposely embedded investment in development and extension within their research strategies. The public-private joint venture CottonInfo, which integrates research, development and extension into R&D, could provide a useful model (with adaptations as necessary) for other industries. Cotton Australia is a partner in CottonInfo.

Improving the rural RDCs (policy idea 21)

In regards to the ideas detailed in this idea, we agree that administrative changes to the existing model/system are key to achieving this, namely the clear communication and application of performance measures and reporting requirements. Many are currently undertaken and therefore there are processes in place and improvements being made within RDCs to better deliver on these requirements.

In regards to driving consistency across the RDCs, it is important to note that the overarching legislation and regulatory processes for the RDC model administered by DA operates differently across the agriculture sector and this flexibility enables needs of individual industries to be met most effectively.

Cotton Australia's understanding of the legislative and regulatory framework in which the statutory corporation RDCs operate allows the Department (Agriculture) and Minister (MA) considerable involvement and oversight of the accountability of the RDCs.

Cotton Australia and its representatives have a high level of involvement in CRDCs progress of current research and the procurement of future research.

Cotton Australia considers that the Government through the Department of Agriculture could be more actively engaged with their industry partners (representative organisations) in regards to the industry research and development investment processes, e.g. in determining the direction and balance of RDC R&D and the evaluation framework to assess and report on progress and impact to industries and the community. Cotton Australia always highly values the interaction that we have with DA representatives on these matters and the opportunity to improve their understanding of how the system operates in the cotton industry.

In regards to 21b – increasing the flexibility of levy arrangements – Cotton Australia and CRDC believe this needs to be approached with care and would submit that the current arrangements are sound. In cotton the levies system for R&D is highly efficient, well governed and strongly supported by producers.

An issue requiring attention is the limitations experienced by CRDC of the current RDC model in sustaining RD&E capacity during prolonged drought periods (and other catastrophic events). Past experience has demonstrated that the RDC model does not have an effective way of managing reduced RD&E funding due to lower levy collections in periods of intense and sustained drought, or in response to other catastrophic events



such as floods or major pest damage. An administrative complication is that RDCs that have reserves may be allowed to access them in the immediate forward years, but the current whole of government budgeting process is not conducive to approving use of reserves via loss applications for future years.

Accessing international markets

We are broadly supportive of the policy ideas put forward to address this priority.

Cotton Australia congratulates the Australian Government on their efforts to complete the China Free Trade Agreement (FTA). However we are disappointed that the agreement has not delivered on expectations for the cotton industry. Cotton Australia is keen to work with Government to facilitate better trade arrangements for Australian cotton into China under the newly established FTA.

China is Australia's most important cotton trading partner. Almost 99% of raw Australian cotton is exported, of which approximately 70% is exported to China (which represents approximately 15% of Chinese imports). Cotton exports to China face a range of quotas and tariffs, the highest being 40%.

We are proud of the Australian cotton industry's recent efforts to significantly improve our environmental stewardship and we have recently embarked on our 'Cotton to Market' strategy. 'Cotton to Market' tells the Australian cotton story: responsibly and sustainably produced, high quality cotton from the farm to the port. The strategy comprises our involvement in Cotton LEADS, the Better Cotton Initiative (BCI) as well as a proposed trade mission to China in late 2014. Both Cotton LEADS and BCI provide manufacturers, brands and retailers a reliable cotton supply chain and confidence that their raw material is responsibly produced and identified.

We value government recognition and support of our efforts to maintain and enhance market access, including through promotion of the Australian cotton story. Government efforts to ensure a level playing field for commodities in international markets are also vitally important.

The Government should:

- As a priority, the Government should prioritise achieving further gains for the cotton industry (mainly through the granting of country specific quota for Australian lint) in the China: Australia FTA at the next review opportunity.
- Support Cotton Australia's application under the Export Market Development Grant.

Other: Family and corporate farms

We note the observations and strong sentiments of the Green Paper regarding Australia's 'family farms'; that they represent 'outstanding examples of environmental stewardship', and are a 'cornerstone of Australian agriculture and rural communities'. There are many supportive examples of this in the cotton industry. Whilst we agree with these sentiments, we would also make the point that corporate farms (as well as foreign investment) have an important place and many family farms are taking on a more corporate structure. A number of corporate farms in the cotton industry display



great leadership, implement industry best practice and have long contribute to the broader 'industry good'.

Conclusion

Cotton Australia is fully supportive of the key objective of the White Paper – to achieve a better return at the farm gate to ensure a sustainable and competitive Australian agricultural sector.

The Green Paper outlines many important policy ideas that will assist cotton producers to remain financially viable and competitive. They do however need to be refined against a more financially achievable target.

Cotton Australia looks forward to the release of the White Paper in 2015. We also welcome ongoing discussions with the Taskforce, please do not hesitate to contact us on 02 9669 5222 or angelab@cotton.org.au to discuss our submission in more detail.