Victorian Farmers Federation

Submission to the Agricultural Competitiveness Green Paper

December 2014

Foreword

The Victorian Farmers Federation is Australia's largest state farmer organisation, and the only recognised, consistent voice on issues affecting rural Victoria.

The VFF consists of an elected Board of Directors, a member representative Policy Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based staff.

Each VFF member is represented locally by one of the 230 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views at many industry and government forums.

Peter Tuohey

President

Victorian Farmers Federation
Farrer House
24 Collins Street
Melbourne 3000
p 1300 882 833 f 03 9207 5500
www.vff.org.au

Contact: Jacob McElwee
Policy Manager

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Introduction

The Victorian Farmers Federation (VFF) welcomes the opportunity to comment on the Agricultural Competitiveness Green Paper (the Green Paper). The Green Paper covers a large amount of ground, and discusses numerous 'Policy Ideas' targeted at improving agricultural competitiveness.

The VFF's submission is focussed on selectively responding to the Policy Ideas set out in the Green Paper. In addition to these responses the VFF proposes a series of 'Additional Policy Ideas' where we believe there are issues or options not canvassed in the Green Paper.

The VFF is strongly supportive of the majority of Policy Ideas contained in the Green Paper. We believe that the correct implementation of many of these ideas and the additional ideas we have put forward could have a significant positive impact on agricultural competitiveness.

The VFF looks forward to future dialogue on and input into policies targeted at improving Agricultural Competitiveness.

Executive Summary

The Victorian Farmers Federation (VFF) welcomes the opportunity to comment on the Agricultural Competitiveness Green Paper (the Green Paper). The Green Paper covers a large amount of ground, and discusses numerous 'Policy Ideas' targeted at improving agricultural competitiveness.

The VFF is strongly supportive of the majority of Policy Ideas contained in the Green Paper. We believe that the correct implementation of many of these ideas and the additional ideas we have put forward could have a significant positive impact on agricultural competitiveness.

The VFF makes the following recommendations to increase Agricultural Competitiveness in Australia:

Infrastructure

Recommendation 1: The Victorian and Federal Governments co-invest in the North East Link.

Recommendation 2: The Federal Government commit funding to standardise the rail freight network in Victoria, in order to provide increased supply chain efficiencies and improved interstate access from the north-western network to the South Australian ports.

Recommendation 3: The Federal and Victorian Governments co-invest in standardising Victoria's rail network – delivering benefits for inter and intra state rail freight.

Recommendation 4: Permanently shift the administration of over-size and over-mass permits and heavy vehicle registration to State-based regulators such as VicRoads.

Recommendation 5: Provide targeted funding to address mobile phone black spots in rural areas.

Working with the State and Territories

Recommendation 6: Implement 'One-stop-shop' model for approvals under the EPBC Act at State level.

Recommendation 7: State exemptions for clearing native vegetation should apply consistently across all local government areas and not be overridden by local rules and overlays.

Recommendation 8: Native vegetation rules must give equal weight to economic, social and environmental factors. Any proposal for regulation should only be implemented if it results in a positive cost-benefit outcome.

Recommendation 9: Incorporate economic considerations into permit applications for clearing native vegetation, particularly the costs of retaining paddock trees in the cropping zone.

Recommendation 10: Any improvements to native vegetation quality or quantity desired by the community must be achieved through market based approaches/incentives.

Recommendation 11: Governments transition away from a regulatory approach to biodiversity outcomes on private land, toward a more comprehensive set of incentives to encourage voluntary management of native vegetation.

Recommendation 12: Ensure there are no barriers to landholders being both buyers and sellers of offsets, including over-the-counter.

Recommendation 13: The VFF does not support harmonisation of OH & S regulations if it will result in additional costs for farmers.

Recommendation 14: The Federal Government should support the review of WorkCover insurance thresholds given increases in wage rates.

Recommendation 15: The Federal and state governments should adopt policy to give effect to the following principles:

1) Farmers should hold the right of veto over mining and petroleum activities on their land.

2) Landowners must receive appropriate commercial payments for all mining and petroleum activities on their land.

3) There must be no long-term adverse off-site impacts from mining and petroleum developments. For example on water supply or quality.

4) Farmland must be rehabilitated to its previous productive use at the end of the life of a mining or petroleum development.

5) Information on mining and petroleum issues must be made available to VFF members.

6) The rights of landholders must be protected in minerals and petroleum legislation.

7) Baseline information must be collected prior to the development of mineral or petroleum resources and independent monitoring must be undertaken during the development.

8) In the case of land, air, or water contamination the onus should be on the mining or gas company to prove their activities are not causing the impacts.

Recommendation 16: That the government co-invest $9 million over 3 years in on-farm energy efficiency infrastructure.

Recommendation 17: The VFF urges the Federal Government put the issue of national animal welfare standards and guidelines back on the AGMIN agenda. But we must have a consistent national approach to the issue.

Recommendation 18: The Federal Government work with the states to establish legislation that protects farmers' livestock from the biosecurity risks posed by animal activist invasions.

Competition and regulation

Recommendation 19: Establish an independent body, such as an Ombudsman, or give extended powers to the ACCC to enforce greater price transparency in the domestic supply chain.

Recommendation 20: The VFF urges the federal Government to investigate the Victorian Food & Fibre Marketing Co-operative Grants program and its potential to be amended and rolled out nationally.

Recommendation 21: Work with industry to develop a way forward in moving permits across to labels.

Recommendation 22: Review legislation that currently provides a disincentive for chemical companies to list uses on labels when they bring a new product into the country.

Recommendation 23: The VFF supports the improved regulation of Country of Origin Labelling – Policy Idea 9b

Finance, business structures and taxation

Recommendation 24: Clear guidelines that specify the key ingredient(s) should be Australian grown in order for 'Made in' to be applicable. This should not include any packaging, water, or additives.

Recommendation 25: Implement a national co-financing model to assist new farmers enter and progress in the agricultural industry. The co-financing model should include the following elements:

- Available to new entrants, not just young farmers;
- A net worth test;
- An assessment of the farmer's business and training plan;
- An incentive scheme;
- Two methods of financing the scheme; and
- Controlled by farmers, supported by government and managed by existing lending institutions

Recommendation 26: Implement improvements to the Farm Management Deposit scheme as a priority.

Recommendation 27: Adopt depreciation schedules that match the period of usage for infrastructure, except where risk mitigation is the primary purpose of the infrastructure.

Recommendation 28: Implement improvements to the income tax averaging as a priority.

Foreign investment

Recommendation 29: Establish a register of water interests in its foreign ownership register, given it is Australia's most valuable resource. Market dominance is far easier to achieve in catchment and groundwater systems.

Education, skills and training, and labour

Recommendation 30: The Government support the States and Territories to include agricultural education at primary, secondary and tertiary levels.

Recommendation 31: Expand the Working Holiday Maker visa to include all primary producers as defined by the Australian Tax Office.

Recommendation 32: Make substantial changes to the seasonal worker programme, including reducing high upfront costs, increasing flexibility for employers, removing onerous and expensive market testing, and streamlining the approval process for employers.

Recommendation 33: Allow visa holders to apply for a TFN prior to arriving in the country.

Recommendation 34: When considering changes to employment conditions the competitiveness of agricultural industry must be factored in

Recommendation 35: Increase the Superannuation Guarantee threshold of $450 per month to reflect increases in wage rates since the 1992 introduction, and change the threshold to an hourly basis not a dollar figure.

Recommendation 36: Allow individual flexibility agreements as a condition of employment

Drought

Recommendation 37: Introduce accelerated depreciation for risk mitigating infrastructure (not just for drought preparedness).

Recommendation 38: Introduce a permanent investment allowance of 25% to stimulate investment in risk mitigating infrastructure.

Recommendation 39: The VFF recommends Government commit funding to the research and development of a multi-peril crop insurance product, with the objective of establishing a commercially sustainable multi-peril product comprising either Government underwriting or matched contributions from Government and farmers, as part of a long-term structural drought package.

Recommendation 40: Work with the National Centre for Farmer Health in designing the delivery of additional mental health support during times of drought.

Recommendation 41: Undertake periodic ground truthing of rainfall deficiency modelling to ensure it matches on-ground conditions.

Water and natural resource management

Recommendation 42: The Victorian and Federal Governments co-invest in the construction of the Southern Tinamba Pipeline.

Recommendation 43: Further investigate the development of infrastructure to capture water for farmers in the Lindenow Valley.

Recommendation 44: Further investigate the development of the Bunyip Irrigated Agriculture Project.

Recommendation 45: Introduce an investment allowance, alongside existing accelerated depreciation provisions, to encourage investment in more efficient water infrastructure.

Recommendation 46: Allow the Commonwealth Environmental Water Holder to trade on a temporary basis only.

Recommendation 47: Count a proportion of spills and pre-releases against the entitlements held by environmental water holders.

Recommendation 48: Continue and expand on-Farm Irrigation Efficiency Programs for access by all farmers.

Recommendation 49: Investigate other funding models for water infrastructure capital investment where risks and costs are managed.

Recommendation 50: Ensure any involvement by the Commonwealth in water infrastructure planning does not duplicate the role of state governments.

Recommendation 51: Increase investment for research into irrigation water to protect our food security.

Recommendation 52: The VFF supports increased legislative obligations on public land managers to take responsibility for weed and pest control.

Recommendation 53: Weed and pest control is a shared community and farmer responsibility given its impact on agricultural production and the environment. Therefore the VFF calls for increased government funding and engagement with farmers to manage targeted pest and weed control.

Recommendation 54: Federal Government supports joint farmer and community initiatives such as Landcare.

Research, development and extension

Recommendation 55: Any efforts to update the priorities of rural RDCs must continue to be driven by producers and benefit producers.

Recommendation 56: The Council of RDC chairs should report to levy payers each year on the activities and the outcomes of efforts to prevent duplication and coordinate research efforts.

Biosecurity

Recommendation 57: The Federal Government must put more resources into biosecurity.

Recommendation 58: Train agriprofessionals, such as veterinary students, to act as a future reserve force to deliver the surge capacity the government needs to deal with emergency disease outbreaks.

Recommendation 59: Utilise Landcare volunteers and farmers to more effectively detect exotic weed and pest invasions.

Recommendation 60: The Federal Government must develop a national strategy to put an end to the swill feeding of pigs, given the $52 billion risk to the livestock industry.

Accessing international markets

Recommendation 61: Invest in market research that considers current and emerging trends in markets, to assist farmers make appropriate decisions about their resource allocation.

Recommendation 62: Deliver industry specific export resources so farmers can increase their understanding of overseas markets and how to gain access.

Recommendation 63: Invest in export readiness training and utilise State Farming Organisations to deliver training at a grassroots level.

Recommendation 64: Invest in the development of a unified, national brand through extensive consultation with industry.

Recommendation 65: Ensure that export systems do not impose an unnecessary burden on farmers by simplifying certification systems and investing in ICT to improve access to information on international markets.

Recommendation 66: Increase Australian Government positions overseas, with an increased focus on agricultural market access.

Infrastructure

Policy Idea 1 — Building new transport infrastructure

The VFF supports Policy Idea 1 – Building new transport infrastructure

Recommendation 1: The Victorian and Federal Governments co-invest in the North East Link.

Victoria's agricultural supply chain currently suffers poor connectivity between the North and South East/East of the State. Road freight between these two regions is effectively channelled through Melbourne because of a missing link in the road network – the North East Link.

The VFF has identified the North East Link as being a critical piece of new infrastructure to support increased agricultural production in Victoria. The North East Link, connecting the M80 Ring Road at Greensborough and the Eastern Freeway, would be expected to carry around 100,000 vehicles a day, providing quicker and easier access for freight operators. The Link would provide major benefits to horticulture producers and flower growers transporting fresh produce to the Melbourne wholesale market and improve the efficiency of feed transport for dairy, pork, and poultry farms east of Melbourne.

The VFF supports Policy Idea 1a – Improving links between public and private freight lines and port infrastructure

Recommendation 2: The Federal Government commit funding to standardise the rail freight network in Victoria, in order to provide increased supply chain efficiencies and improved interstate access from the north-western network to the South Australian ports.

The VFF supports the policy idea expressed in the Agricultural Competitiveness Green Paper to improve the links between public and private freight lines and port infrastructure, and consider that this could be achieved through the standardisation of the Victorian freight rail network, which would provide significant cross-sectoral benefits by improving efficiencies across the interstate rail network in south-eastern Australia. The rail freight network across South Australia, Victoria and New South Wales currently uses 100 year old infrastructure with differing gauges and low axle load. This results in huge inefficiencies, as multiple train sets of different gauge must be duplicated and trains must run with a low axle loads and low track speeds. In a number of cases this lack of investment has led to the closure of lines, further contributing to the mode shift from rail to road. Improved connections and standardisation across this network would allow freight to be carried more efficiently and more competitively, with greater access to port infrastructure.

The lack of investment in the rail network is in contrast to the huge increases in investment in infrastructure and productivity by both the farm sector and broader industry over the last 100 years. Exports continue to grow across sectors including grains, general freight and mineral sands: as noted in the *Green Paper*, the national freight task is estimated to increase by 80 percent from 2010 to 2030.[1] The lack of adequate rail infrastructure has caused significant flow-on effects to road infrastructure requiring ever increasing investment in less efficient road transport, which cannot keep pace with the demands or aspirations of the nation's export and agricultural competitiveness plans.

The VFF has called for both the Federal Government and the Victorian Government to provide matching funding to the Murray Basin Rail Project, a proposal to standardise the freight rail network in north-west Victoria. This would lead to efficiencies and improve connections to the interstate rail networks in NSW and South Australia. It would also improve access to South Australian ports, increasing supply chain competitiveness. This investment requires both state and federal funding as it will provide significant industry benefits and supply chain efficiencies for exports across the south-east, not just in Victoria. As highlighted in the recent report into the project from GHD, "gauge standardisation of rail lines in the Murray Basin region would provide a significant efficiency increase and lead to a mode shift to rail because of more flexible arrangements for rolling stock, lower costs, and access to the interstate rail network."[2]

The VFF considers that the implementation of Option 4 of the Murray Basin Rail Project[3] would be an important way to achieve policy idea 1a. The upgrades to existing rail infrastructure proposed in Option 4 would provide regional producers with significantly improved access to port terminals at bothGeelong and Portland, as well as improving interstate transport efficiencies for other exports and general freight from the north-western network to the South Australian ports. This investment is well aligned with the Government's stated interest in "identifying mechanisms to maximise the number of ports accessible to agricultural producers in regional areas and improve access to through existing rail infrastructure."[4]

Improving freight efficiency for Australian produce is particularly important in the current international market. Over the past decade, the rate of Australian on-farm productivity growth has been slowing, and international competition is increasing.[5] To maintain the strong position of the agricultural sector, which is currently one of Australia's most competitive sectors, and to capitalise on future opportunities – such as rising demand from Asia – it is essential to invest now in long-term infrastructure, and to improve the links between public and private freight lines and port infrastructure.[6]

The initial investment in Australia's railway infrastructure, in the nineteenth century, created a legacy that has lasted for more than 100 years. The scale and significance of the industries and communities relying on this rail freight network means that it is critical for future investment to be 'done once and done right,' with a view to the long-term. We cannot afford another century of reliance on inefficient and outdated freight networks, if we are to remain globally competitive and capitalise on the opportunities that the 'Asian Century' presents.

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[1] Department of Agriculture, 2014. *Agricultural Competitiveness Green Paper*, p.9.
[2] GHD, 2014. *Murray Basin Region Freight Demand & Infrastructure Study*, project report, p.9.
[3] GHD, 2014. *Murray Basin Region Freight Demand & Infrastructure Study*, project report, p.66.
[4] Department of Agriculture, 2014. *Agricultural Competitiveness Green Paper*, p.16.
[5] Juturna Infrastructure, April 2014. *Good Instincts*, market briefing paper.
[6] Business Council of Australia, July 2014. *Building Australia's Comparative Advantages*, discussion paper.

Policy Idea 2 – Improving existing infrastructure and transport regulation

The VFF supports Policy Idea 2 – Improving existing infrastructure and transport regulation.

Recommendation 3: The Federal and Victorian Governments co-invest in standardising Victoria's rail network – delivering benefits for inter and intra state rail freight.

Recommendation 4: Permanently shift the administration of over-size and over-mass permits and heavy vehicle registration to State-based regulators such as VicRoads.

Currently the agricultural supply chain in Victoria suffers inefficiency and high costs due to limited B double access in some regions, low mass restrictions on B doubles, and poorly integrated rail freight networks. Major productivity and efficiency gains can be made in Victoria through improvements to existing infrastructure and transport regulation.

The VFF has identified a number of key initiatives that can improve agricultural supply chain efficiency, which are outlined below.

Staged standardisation of Victoria's rail network on an industry needs basis

The standardisation and upgrade of the Victorian regional rail freight network must be prioritised to improve port access and reduce rail transport costs. An efficient rail freight network within Victoria is critical to enabling increased exports and should be prioritised ahead of other inter-state projects such as the proposed Melbourne to Brisbane Inland Railway.

The VFF has identified that at least $250m needs to be invested to standardise and upgrade the Mildura line and build a new link from Donald to Murtoa. This investment will open up and improve access for the North West freight corridor to Portland and Geelong. Standardisation of the Mildura line and the Murtoa link creates opportunities for the bulk trade in grains and mining as well as the intermodal trade in horticultural produce from North West Victoria. However, this is just the first stage.

In addition to the container and bulk freight currently being moved on rail in the North West of the state, there are strong indications that there is the potential for guaranteed mineral sands freight from southern NSW if the standardisation of the Robinvale and Kulwin lines were completed by 2015.

A key part of the rail upgrades should be standardisation of the Victorian regional freight rail network, which will reduce the complexity and cost of transporting freight both within the state and nationally. Standardisation will provide vastly improved flexibility of the use of rolling stock and therefore make it easier for new entrants to enter the market.

Standardisation of the freight lines should include connecting the South Australian line between Murrayville and Port Adelaide, via Pinnaroo. There are significant efficiency gains with this connection as Murrayville is 248km closer to Pt. Adelaide than Port of Geelong.7 A standard gauge rail line from Murrayville to Adelaide could translate to significant supply chain savings for the farmers in that area.

Administration of heavy vehicle registration and over-size and over-mass permits

In February 2014 the National Heavy Vehicle Regulator took control of heavy vehicle registration and issuing permits for over-size and over-mass vehicles. During the first weeks of the NHVR's operation, Victorian farmers and other users of oversized and over-mass vehicles experienced major delays to these permits.

Within the first month of the NHVR's operation the administration of heavy vehicle registration and permits for over-size and over-mass permits was temporarily returned to VicRoads.

For intrastate operators there is little or no value in NHVR involvement in administering permits or vehicle registration. As a result the VFF recommends the transfer of these responsibilities back to VicRoads on a permanent basis.

Policy Idea 3 – Enhancing communications

The VFF supports Policy Idea 3 – Enhancing communications.

Recommendation 5: Provide targeted funding to address mobile phone black spots in rural areas.

Farmers and their support services are reliant on mobile communications for the day-to-day operation of their businesses. However, many parts of rural Victoria suffer from poor to non-existent mobile coverage which hampers communication and productivity. The Agricultural Green Paper correctly identifies communications infrastructure as an area needing investment.

The development of the National Broadband Network and the launch of the NBN long-term satellite are expected to improve data connectivity for regional and rural areas. It is critical the NBN is rolled out to rural and regional areas as a priority. This will allow farmers access to technology, advanced weather forecasting systems, improved health and safety, farm maintenance, access to online education, and allows improved market access as you can have direct contact with buyers and suppliers.

Once the NBN is completed and the satellite service is launched the critical remaining issue for rural Victoria will be mobile phone black spots. The $100 million commitment from the Federal Government to address mobile black spots is a welcome step. However, in gaining access to this funding the Victorian Government has largely ignored agriculture.

To ensure improved mobile coverage is provided for farmers the VFF is calling for dedicated funding to address black spots in rural areas.Working with States and territories

[7] *Switchpoint: The template for Rail freight to revive and thrive!*, pg.64

Working with the States and Territories

Policy idea 4 – State Government deregulation

The VFF supports Policy Idea 4a – Removing excessive native vegetation laws.

Recommendation 6: Implement 'One-stop-shop' model for approvals under the EPBC Act at State level.

Recommendation 7: State exemptions for clearing native vegetation should apply consistently across all local government areas and not be overridden by local rules and overlays.

Recommendation 8: Native vegetation rules must give equal weight to economic, social and environmental factors. Any proposal for regulation should only be implemented if it results in a positive cost-benefit outcome.

Recommendation 9: Incorporate economic considerations into permit applications for clearing native vegetation, particularly the costs of retaining paddock trees in the cropping zone.

Recommendation 10: Any improvements to native vegetation quality or quantity desired by the community must be achieved through market based approaches/incentives.

Recommendation 11: Governments transition away from a regulatory approach to biodiversity outcomes on private land, toward a more comprehensive set of incentives to encourage voluntary management of native vegetation.

Recommendation 12: Ensure there are no barriers to landholders being both buyers and sellers of offsets, including over-the-counter.

Regulation for the protection of native species runs through all layers of government: Federal, state and local, creating major overlaps. Differences in approval processes across regions and levels of government create confusion for farmers regarding their obligations under both planning and environmental law.

The VFF supports reforms to native vegetation regulations to ensure administrative and cost burden on farming enterprise is minimised.

The VFF believes that biodiversity conservation should be driven by market-based incentives rather than regulation. This approach could result in more practical and effective outcomes and give farmers the flexibility they need to run their business.

Any Commonwealth, State or local government regulation should only be implemented if strategically justified, has been proven effective and is supported by a positive cost benefit outcome.

Implementing bilateral agreements that allow State regulators to make decisions over nationally protected species under EPBC Act would reduce regulatory burden and confusion among farmers regarding their environmental law obligations. That is, the 'One-stop-shop' model that was considered in Parliament in September 2014. This model reduces regulatory burden for farming enterprise in understanding obligations under both State and Federal environmental laws. It streamlines the assessment and approval by delegating responsibilities to the one authority.

State governments are in a stronger position than the Commonwealth to administer the EPBC Act because:

- They have greater experience with administering environmental regulation and native vegetation rules through State planning systems
- There is a higher level of recognition by farmers of the existence of state based environmental and planning regulation
- The State government is more able to recognise the geographic and biodiversity differences within their jurisdiction

If a regulatory approach to native vegetation is continued, the system has to work for farmers, not against them.

State Regulation

Currently the Victorian Planning Provisions allow farmers to clear native vegetation under the following scenarios:

> *Tonable the construction of a building or works used for Agricultural production, including a dam, utility service, bore and accessway, in the Farming Zone or the Rural Activity Zone.*
>
> *The maximum extent of native vegetation removed, destroyed or lopped under this exemption on contiguous land in the same ownership in a five year period must not exceed any of the following:*
>
> - *1 hectare of native vegetation which does not include a tree.*
> - *15 native trees if each tree has a trunk diameter of less than 40 centimetres at a height of 1.3 metres above ground level.*
> - *5 native trees if each tree has a trunk diameter of 40 centimetres or more at a height of 1.3 metres above ground level.*
>
> *This exemption does not apply:*
>
> *To the construction or operation of a pivot irrigation system or horticultural trellising.*

However these planning provisions can be overridden by local government planning schemes. The power of local councils to apply additional native vegetation requirements erodes the benefit of having consistent exemptions for common practice agricultural production purposes.

The VFF believes this is a significant flaw in the planning system in Victoria, that permit requirements can be imposed on farmers through the local planning schemes without a rigorous cost benefit analysis process. Therefore requirements are often applied to farmers that have a disproportionate cost impact given the benefit of the regulation.

The VFF supports Policy Idea 4b – Removing excessive work health and safety requirements – provided the measures actually reduce costs.

Recommendation 13: The VFF does not support harmonisation of OH & S regulations if it will result in additional costs for farmers.

Recommendation 14: The Federal Government should support the review of WorkCover insurance thresholds given increases in wage rates.

Deregulation and harmonisation

The VFF supports deregulation if it reduces cost and red tape. The Victorian Coalition government was active in trying to reduce red tape and costs in relation to premiums in Victoria. Moreover, one of the objectives of the Victorian Work Cover Authority (the Authority) was to provide reasonably priced workplace injury insurance for employers. The Authority has removed unnecessary regulatory burdens without comprising safety outcomes, providing an estimated $31 million of annual savings for Victorian businesses. Also in the Coalition's term it stopped Victoria signing up to the national harmonisation of the Occupational Health and Safety legislation. The reason for not signing up was because of the cost to small and medium sized employers. A cost analysis was done and it was found that employers would have a significant amount of extra costs. The Victorian Farmers Federation supported this stance.

The Authority has implemented improvements in relation to simplify the premium process. It was announced by the outgoing government that the 2014/15 average premium rate will be 1.272 per cent- a reduction of two per cent from 2013/14 and the lowest rate in the scheme's history. Victoria has the lowest premiums as compared to other jurisdictions throughout Australia because of the constant desire to do better. Also to assist in streamlining the legislation in this area, two acts were combined into one Act namely the Workplace Injury Rehabilitation and Compensation Act 2013.

The VFF supports continued red tape reduction and more is required in this area. However, VFF does not want to inherit other States and Territories O H & S legislation which can be more onerous for no apparent benefit in relation to employer premiums or with safety.

Workcover Premium Thresholds

The system of determining WorkCover premiums is based on a percentage of Total rateable remuneration. Our concern is that the thresholds for determining the level of insurance have not changed since the mid-1990s, whereas wage rates have increased substantially. The State Government should review and update the thresholds for workers compensation taking into account increases to wage rates.

Policy idea 5 – Protecting the resource base

The VFF supports Policy Idea 5a – Limiting the adverse impacts of mining on the agriculture sector

Recommendation 15: The Victorian government should adopt policy to give effect to the following principles:

1) Farmers should hold the right of veto over mining and petroleum activities on their land.

2) Landowners must receive appropriate commercial payments for all mining and petroleum activities on their land.

3) There must be no long-term adverse off-site impacts from mining and petroleum developments. For example on water supply or quality.

4) Farmland must be rehabilitated to its previous productive use at the end of the life of a mining or petroleum development.

5) Information on mining and petroleum issues must be made available to VFF members.

6) The rights of landholders must be protected in minerals and petroleum legislation.

7) Baseline information must be collected prior to the development of mineral or petroleum resources and independent monitoring must be undertaken during the development.

8) In the case of land, air, or water contamination the onus should be on the mining or gas company to prove their activities are not causing the impacts.

The VFF has been very active over many years in contributing to policy on the mining and resource industries. In the mining area, our principal objective is to provide information to farmers covering property rights, payment/compensation and rehabilitation. We also have a strong focus on ensuring that the State legislation adequately addresses the same issues.

Critical for the VFF is ensuring the rights of farmers are protected particularly in relation to engagement by explorers and miners with landholders, opportunities to oppose exploration and mining licences, property access for exploration, property acquisition for mining and compensation.

The VFF strongly supports a market based approach to compensation, which provides the landowner with negotiation rights on equal or greater terms. Issues with compensation are usually resolved between the mining company and the property owner, with limited need for third party involvement.

Victoria is different to other states and territories as unconventional gas is regulated under two pieces of legislation. In other states it is regulated under Petroleum legislation.

However, in both sets of legislation in Victoria give greater weight to the miner over the farmer. There is an imbalance in mining rights regarding land access and exploration. If a farmer opposes a mining company entering their property or does not agree with compensation, then they are subject to a determination by the Victorian Civil and Administrative Tribunal direction regarding the minimum compensation amount.

In Victoria, the protection for farmers should not be compromised between two sets of legislation, there should be equal and fair treatment of landholders rights across both Acts regardless of the resource.

The former Victorian Coalition Government imposed a moratorium on the issuing of licences for unconventional gas exploration while it undertook hydrological studies and community consultation.

The VFF has a policy of opposing the lifting of the current moratorium on onshore gas until the next state election in 2018. The recently elected State Labor Government, made an election commitment to "maintain a moratorium into non-conventional gas extraction, until such time as science proves that it's safe and there is broad community support for its application."

Most important to the VFF is to advocate the elevation of the position of farmers in the debate around an unconventional gas issue.

The VFF partially supports Policy Idea 5d – Quarantining prime agricultural land from mining

See Recommendation 15.

The VFF policy for mining calls for farmers to hold the right of veto over mining and petroleum activities on their land.

The VFF believes that quarantining 'defined' prime agricultural land from mining activity may not be the most effective mechanism to preserve productive and profitable agriculture.

Firstly, the measurement of productivity is transient; farmers adapt and change their farming activities over time.

Some land may not fit within the definition of 'prime agricultural land' but may provide for amenity and landscape character values.

There may be some pieces of land that seem 'low-value' because they are not being used for agriculture - but the land may have the potential to be highly productive.

Every geographic area has a different quality and drawing lines on maps or defining productive agriculture in legislation may result in unintended consequences on the farming sector. Farming enterprise need a regulatory environment that is flexible, risk based and allows agriculture to adapt and diversify.

Good agricultural land is a subjective issue as good land in one area may be considered the best quality in another. Technology, climate and economic changes will change some of these factors

The issue of the potential impact of mining activities or exploration on a farm should be addressed on a case by case basis and the right of veto should be available to the farmer.

There are the differing qualities of agricultural land that exist across the state and there is potential for these conditions to change over time.

Land considered productive at the local scale may not fit the definition of 'highly productive' agricultural land at a State or Federal level and may be excluded from the mapping or definition.

The VFF believes that farmers rights should be protected however the quarantining of prime agricultural land through legislation may not be the best solution.

Policy Idea 6 – Strengthening farm businesses

The VFF does not support policy idea 6b – Subsidising farm energy audits

Recommendation 16: That the government co-invest $9 million over 3 years in on-farm energy efficiency infrastructure.

The VFF recognises the support that has already been provided to the farming sector through energy audit grants. For example, under the federal Labor Government $1 million was allocated to Dairy Australia to undertake on-farm energy audits; resulting in a total of 1400 energy audits in the dairy sector alone. There has also been considerable opportunity for agricultural commodities such as horticulture and chicken meat to conduct energy assessments.

It is due to this fact that the VFF does not support further Government subsidies for farm energy audits. The money would be better spent on utilising the data that has been collected to provide subsidies for on-farm energy efficiency infrastructure in areas identified through the energy assessments. Government grants, or co-payments, increase the accessibility of infrastructure upgrades to farmers who often operate under tight margins.

The need for further action is necessary due to the rising cost of electricity that is crippling many farm businesses. Regional areas are faced with a disproportionately higher cost for electricity. In 2012-13 regional business customers were paying over $1000 more in network tariff costs than urban distributors' customers. This is of particular concern to energy intensive operations such as dairy, horticulture, and chicken meat where electricity costs are a high proportion of business costs.

Farming and farm manufacturing are price takers in domestic and international markets and are unable to pass any energy cost further along the supply chain.

With increasing pressure from environmental groups, energy intensive industries must take an innovative approach to manage their carbon emissions whilst maintaining efficient and profitable businesses.

The agricultural industry is committed to increasing environmental sustainability and efficiency on-farm whilst increasing production in line with government projected growth targets.

The dairy, horticulture and chicken meat industries recognise their growth potential may be limited by their power costs and greenhouse emissions. Even with its growth potential, the dairy industry, for example, has an ambitious target to reduce emissions intensity by 30% by 2020. This will be a challenge if the industry is to meet government growth targets, such as the Victorian Government's aim to double agricultural output by 2030.

Significant opportunities exist for on-farm cost and emissions reduction through increasing energy efficiency. For example, if 20% of Victorian dairy farms installed heat recovery units, they collectively would save almost $3 million a year on their electricity costs and 11,420t/CO_2e, or more than 2% of dairy farm energy-related emissions. However, upfront capital costs and payback periods longer than five years are major barriers to farmers investing in energy efficiency equipment.

Farm businesses are the lifeblood of many rural communities. Investment in on-farm infrastructure will not only be a boost to farming operations but will benefit their surrounding communities.

Regional Victoria is faced with increasing costs for essentials such as electricity. Targeted investment in on-farm infrastructure is an excellent way to boost regional business efficiency and to grow food and fibre production.

Energy grants would be of particular benefit to dairy, horticulture and chicken farming operations, all highly productive and energy intensive industries. Each of these commodities is dedicated to increasing food production and farm profitability.

Dairy

Dairy is Victoria's largest agricultural industry, and the powerhouse of Australia's $13 billion dairy farm, manufacturing and export industry. Our State's 2600 dairy farms produce more than six billion litres of milk a year and provide work for 27,000 people on farms and in processing factories. Dairy is the largest container exporter out of the Port of Melbourne; bring in $2.3 billion a year.

Victoria's dairy industry is primed to take advantage of energy saving opportunities; Dairy Australia has completed 900 on-farm energy audits, with another 500 due to be completed by June 2015. The next step is providing the financial assistance they need to cut their power bills.

The timing is ideal to further the actions already taken by the industry. The currently improved trading position has farmers looking to make capital investments on-farm.

Dairy sheds are highly energy intensive; milk cooling, milk harvesting and water heating equipment are the three largest energy users on a dairy farm. Significant opportunity exists for energy savings to be made in the milk harvesting and water heating space.

- A Thermal Heat Recovery Systems can save up to 48,380 kilowatt hours per year and up to $12,528 per year on energy bills.
- A Variable Speed Drive can save up to 23,812 kilowatt hours per year and up to $6,892 per year on electricity costs.

Horticulture

The Victorian horticulture sector has over 3,700 horticultural businesses and a farm gate value of around $2.4billion. The industry employees 50,000 full time employees with numbers increasing significantly during the harvest period. This makes the industry a significant contributor to the Victorian economy particularly in rural and regional areas.

Horticulture is well placed to invest in energy efficiency infrastructure with a round of energy audits recently completed.

Refrigeration is the largest energy cost for fruit production businesses using on average 64% of total energy. Refrigeration costs the average fruit production business $85,000 per year.

There are many opportunities for energy savings in refrigeration.

- Variable head pressure controls can save on average $6,036 per year.
- Variable Speed Drives for evaporative fan motors cost $37,090 on average to install. Farms have a payback period of just 6.2 years, saving on average $6,024 per year.
- Electronic sliding doors are a smaller investment but still save on average $1,624 per year.

Irrigation is a primary user of electricity on orchards. On average 18% of a fruit business's energy use is applied to irrigation. Again this is an area of great possibility for energy efficiency across the whole horticulture industry.

- Variable Speed Drives can be used for pumps and save on average $1,066 per year.

Chicken

The Victorian chicken meat industry produces more than 128 million high quality birds annually, approximately 23 percent of the total Australian production.

Chicken is currently the most popular meat in Australia. Chicken Meat Consumption is now up to 45kgs per head, up 1% over last 18 months with forecast of 47kgs per capita during the next 5 years.

The chicken meat industry is dedicated to providing the highest quality conditions and care to their animals. This is a highly energy intensive process through climate control, ventilation and lighting, producing a high costs to farmers. Fans use between 68% and 88% of the total electrical energy used to run a shed. The next highest energy use is lighting.

Significant savings opportunities exist in fan upgrades.

- The use of Variable Speed Fans save on average 35% on energy usage.
- The installation of a Biogas digester can save on average 35% of electricity and 40% of heating costs.

The VFF recognises the importance of increasing energy efficiency to both reduce emissions and to increase farm profitability. Government assistance is necessary; however this support should build upon the work that has already been done by the industry to collect data on current energy usage through extensive energy audits. The next step is the implementation of energy efficient infrastructure.

The VFF supports Policy Idea 6d – Enforcing animal welfare legislation and strengthening laws to stop trespass on farms.

Recommendation 17: The VFF urges the Federal Government put the issue of national animal welfare standards and guidelines back on the AGMIN agenda. But we must have a consistent national approach to the issue.

Recommendation 18: The Federal Government work with the states to establish legislation that protects farmers' livestock from the biosecurity risks posed by animal activist invasions.

A National Approach to Animal Welfare

The VFF supports nationally consistent animal welfare standards and guidelines. Under the Australian Animal Welfare Strategy (AAWS), Animal Health Australia (AHA) was commissioned to facilitate the development of nationally consistent standards and guidelines for livestock.

The welfare standards and guidelines were based on the revision of the current Model Codes of Practice for the Welfare of Animals (MCOP). Government and industry agreed that national standards and guidelines were needed and worked cooperatively to develop the standards and guidelines under the AAWS. However, once the Standards were complete, it was left to individual state to legislate the Standards. At this stage little progress seems to have been made on state implementation of the standards.

In terms of the Sheep and Cattle Standards, the VFF Livestock Group supports the standards being legislated as part of the Victorian Livestock Management Act 2010. However, we believe the issue needs to be put back on the agenda at the AGMIN forum.

Activists have hijacked the Animal Welfare debate

Farmers have lost their voice in the animal welfare debate, which is dominated by activists pedalling myths that exploit consumer ignorance.

The Federal Government needs to be more proactive in countering these myths and highlight that Australian farmers operate under some of the world's highest animal welfare standards. Without federal support farmers will continue to see animal welfare groups setting the agenda.

Animal welfare groups are exploiting consumer concern, with the RSPCA establishing its own RSPCA Approved Farming Schemes for eggs, pork, chicken and turkey. The RSPCA has teamed up with retailers Coles and Woolworths to set new production standards that impose enormous costs on chicken meat, egg and pig producers. These market dominant retailers are not only demanding their "Home Brand" suppliers meet these standards, but are also moving towards total bans on produce from some farming systems – caged eggs, sow stalls in piggeries and broiler chicken meat from sheds that don't meet costly new RSPCA standards.

The VFF fears that it won't be long before the RSPCA extends this branding strategy to beef and lamb.

Animal Activist Farm Invasions – a Biosecurity Risk

Animal activist invasions are putting the biosecurity of livestock and farmers' livelihoods at risk.

Australian Pork Limited collected metadata, from photographs on the www.aussiepigs.com website, prove activists raided piggeries on consecutive days, putting the health of thousands of pigs at risk.

VFF Egg Group members have also been subject to raids by animal activists, who are 'rescuing' chickens. Once again this activity puts birds at risk of avian influenza or other disease risks.

The former Victorian Coalition Government had been working towards incorporating biosecurity standards for the pig, chicken meat and egg industries into the state's Livestock Management Act. Given the Act only covers those responsible for managing livestock, the Coalition was also developing a separate piece of legislation that would ensure the biosecurity standards also applied to those who entered farms. This was seen as a non-discriminatory process that would apply to all. Penalties would be applied under the legislation to anyone, activist or farmer, who breached the biosecurity standards. The VFF's Pig and Chicken Meat Groups had agreed to the standards just prior to the 2014 Victorian State Election.

The VFF is aware that the NSW Government has been developing a biosecurity framework, which incorporates penalties for breaching biosecurity standards. However the VFF is not aware of any further progress on the framework, since submissions closed in June this year

Ideally the Commonwealth should work with the states and territories to deliver a nationally consistent legislative framework and standards for biosecurity. The VFF believes the Federal Government needs to work with the states to develop legislation that protects farmers' livestock from the biosecurity risks posed by animal activist invasions.

Competition and regulation

Policy Idea 7 – Improving Market Competition

The VFF supports Policy Idea 7a – Introduce options to increase price transparency throughout the domestic supply chain.

Recommendation 19: Establish an independent body, such as an Ombudsman, or give extended powers to the ACCC to enforce greater price transparency in the domestic supply chain.

Price transparency in the domestic supply chain is a major issue for the Victorian chicken meat industry.

Australian consumption of chicken meat now exceeds red meat staples, beef and lamb combined. Over the last decade, the industries production has increased by on average 4 per cent each year. The industry employs approximately 40,000 Australians with a further 100,000 dependent upon its success. The Australian Chicken Meat Federation (ACMF) estimates retail spend on chicken products to now exceed $5.6 billion.

The industry has generated enormous improvements in productivity over the years by investing in the following areas:

- Productivity and production efficiency
- Environmental management
- Market research
- Significant farm capital investment
- Training

Research and Development has seen impressive productivity gains at the farm gate:

	1965	**2013**
Number of days to reach live bird weight of 2kg	65	34
Quantity of feed required (kg)	5.7kg	3.5kg

Source: www.acmf.org.au

The structure of the Victorian chicken meat industry makes farmers particularly impacted by the dominant supermarkets. Grocery supermarkets represent 40 per cent of the distribution channel with wholesalers at 19 per cent and fast food chains 14 per cent. With such a large proportion of chicken meat distributed by Woolworths and Coles, chicken growers are subject to production methods imposed by these supermarkets.

Chicken growers also do not directly supply supermarkets, but instead supply through intermediary processors. This structure reduces the price transparency in the supply chain, which becomes a major issue when supermarkets start enforcing specific production standards. Farmers are not in a position to negotiate directly with supermarkets, and there is a lack of transparency around the price paid to processors.

The lack of price transparency has been a major issue recently when supermarkets made the decision to demand the implementation of RSPCA production methods by farmers, which have seen an increase of 25 per cent in production costs. Farmers have been told by Supermarket executives they will be paid more for the birds but as yet have not been fully compensated by the processors. Rising input and production costs have to be absorbed, while at the same time retail prices have fallen due to price wars between the retail chains. Farmers cannot sustain these cost increases without consumers paying for the complete cost at the farm gate.

The Federal Government should establish an independent body, such as an Ombudsman, or give extended powers to the ACCC to enforce greater price transparency in the domestic supply chain.

The VFF supports Policy Idea 7c – Facilitate greater use of cooperative structures.

Recommendation 20: The VFF urges the federal Government to investigate the Victorian Food & Fibre Marketing Co-operative Grants program and its potential to be amended and rolled out nationally.

Encouraging Co-operative Formation

The former Victorian Coalition Government established a Food & Fibre Marketing Cooperatives Grants program, providing up to $50,000 to farming groups to establish new cooperatives.

Since applications opened in late 2012, about 10 groups have lodged expressions of interest to form co-operatives, with about 6 of those now up and running (The program will now end on June 30, unless the new Labor Government allocates more funding).

While only a relatively small number of co-operatives have been formed, the range of sectors they represent is diverse, including:

- A co-operative based on marketing a new apple variety
- Harcourt apple growers forming a cider co-operative
- East Gippsland Food Cluster
- An Egg producer co-operative, who are building a bio-digester
- Mallee Lamb producer co-opertive
- Mallee Beef co-operative

- South-west Victorian dairy co-operative using the 12 Apostles Brand

The former Coalition Government's original goal was to establish at least 50 co-operatives over the four years of its term under the program. However the launch date was delayed and the length of time it took farmers to form a co-operative was found to be at least 12 months.

The government grants required a 50:50 contribution; 50% from the program and 50% from participants in the collaborative initiative as documented evidence of 'in-kind' and/or cash funds.

A maximum of $15,000 was made available for each of the eligible activities below with the total assistance provided not exceeding $50,000.

- Business plans and feasibility studies
- Legal costs associated with incorporation documentation and formal agreements that underpin the establishment of the cooperative group, such as a constitution and/or shareholder agreement
- Business and technical advice such as business health checks, systems advice, technical market advice, capability and asset audits, financial planning and management or intellectual property advice,
- Market research and intelligence including development of marketing plans and strategies, market surveys and data collection and attendance at trade shows and marketing events
- Capability development and training of members and/or staff in matters such as business management, corporate governance, marketing principles and export procedures and practice.

The VFF would urge the Federal Government to further investigate the Victorian Food & Fibre Marketing Cooperatives Grants program and its potential to be rolled out nationally.

DEPI contacts are:

Southern Victorian Case Manager Mark Hincksman (DEPI Woori Yallock) on 0437 254 913 or email: Mark.Hincksman@depi.vic.gov.au OR Program Manager, Aimee McCutcheon on 03 5833 5308 or email: Aimee.McCutcheon@depi.vic.gov.au

Policy Idea 8 – Strengthening Competition Laws

The National Farmers Federation has provided a detailed submission to the Harper Review of Competition Policy. In addition the National Farmers Federation submission to the Green Paper responds directly to this Policy Idea. The VFF supports these submissions.

Policy Idea 9 – Improved Regulation

The VFF supports Policy Idea 9a – AgVet chemical regulation

Recommendation 21: Work with industry to develop a way forward in moving permits across to labels.

Recommendation 22: Review legislation that currently provides a disincentive for chemical companies to list uses on labels when they bring a new product into the country.

Recommendation 23: The VFF supports the improved regulation of Country of Origin Labelling – Policy Idea 9b

The VFF supports the Federal government's priorities around agriculture and veterinary (agvet) chemicals to avoid unnecessary cost burdens and regulatory impost.

The VFF believes one of the strongest ways for government to meet these priorities is to work with industry to develop a way forward in moving permits across to labels. The VFF believes that if a permit has been issued for a product for more than three years and there have been no adverse reports then the use should be transferred to a label without additional fees.

The VFF also calls on government to review legislation that currently provides a disincentive for chemical companies to list uses on labels when they bring a new product into the country. For example Syngenta's Revus fungicide had one use registered on the label to control downy mildew in grapes in Australia yet in the US it is registered for use on vines, vegetable crops and hops. We operate in a global environment and Australian laws should not make it prohibitive to bring new chemistry onto the Australian market.

While the VFF initially supported the concept of the Australian Pesticide and Veterinary Medicines Authority's (APVMA) shut the gate policy, it is now potentially proving a significant burden on some registrants. The requirement currently stands that if the required data is not received within a specified time the application process must restart. This imposes an added cost to the registrant. The VFF believes there needs to be some flexibility if agreed by both parties.

The VFF supports Policy Idea 9b – Country of Origin Labelling for food.

Recommendation 24: Clear guidelines that specify the key ingredient(s) should be Australian grown in order for 'Made in' to be applicable. This should not include any packaging, water, or additives.

The VFF supports any move that provides consumer confidence they are buying an Australian product when labelled 'Made in' or 'Product of' but does not enforce undue cost burdens on businesses. The VFF has long called for clear guidelines that specify the key ingredient(s) should be Australian grown in order for 'Made in' to be applicable. This should not include any packaging, water or additives. An education program could better inform consumers.

The VFF also supports any move towards greater enforcement of country of origin labelling (CoOL) which has often been low on most governments' agenda.

The NSW model of a Food Authority responsible for the enforcement of CoOL would be welcomed in Victoria. The Victorian government has passed the responsibility of enforcement to local Councils without any resourcing or funding assistance. This provides little incentive for Councils and therefore enforcement is not a high priority.

Finance, business structures and taxation

Policy Idea 10 – Improved access to finance

Additional Policy Idea – Future Farmers Fund

Recommendation 25: Support the establishment of a Future Farmers Fund (as detailed below)

Implement a national co-financing model to assist new farmers enter and progress in the agricultural industry. The co-financing model should include the following elements:

- **Available to new entrants, not just young farmers;**
- **A net worth test;**
- **An assessment of the farmer's business and training plan;**
- **An incentive scheme;**
- **Two methods of financing the scheme; and**
- **Controlled by farmers, supported by government and managed by existing lending institutions**

The agricultural industry needs sustainability and growth to remain competitive in an international market and to do this, it needs regeneration. With the average age of the farmer over the age of 55, a succession fund is needed to enable new entrants to enter the market and older generations to exit the industry, allowing for both intra and inter-family succession. Such a fund will also encourage new entrants with different skill sets to move into agriculture and improve the image of agriculture as a viable career choice.

The VFF proposes the establishment of a 'Future Farmers Fund' (FFF) to enable new entrants to enter and progress in the agricultural industry. The Future Farmers Fund would provide co-financing with a bank to assist new entrants who do not otherwise qualify for a bank loan. The co-finance loan would require a lesser deposit and provide a concessional interest rate.

The aim of the scheme is to fill the gap in seeking finance. For example, under the scheme a new entrant seeks finance from a traditional lending service (bank) but does not meet the security requirements or is seen as too high a risk. The lending institution would be able to apply for the FFF on behalf of the farmer for additional security. The bank would have first mortgage and the FFF would take a second mortgage over the asset.

The co-financing model should:

- Be available to new entrants, not just young farmers;
- Include a net worth test;
- Comprise an assessment of the farmer's business and training plan;
- Include an incentive scheme;
- Financed by two methods; and
- Controlled by farmers, supported by government and managed by existing lending institutions.

The flow-on effects of the proposed Future Farmers Fund model are far reaching and easily measured. It allows for succession planning ensuring the fund does not just target new entrants, but enables the transfer of land from older generations. By providing opportunities for up-skilling, it ensures the best practice and use is gained from agricultural land and that we have the best people producing Australia and the world's food and fibre.

Eligibility for the Future Farmers Fund

The scheme should be available to all ages, not just young farmers. It is important that new entrants from other fields who choose farming as a career change later on in life are not precluded from accessing finance should they need it. This ensures people with skills and qualifications from other industries are encouraged to enter into the industry to invigorate and progress the industry.

The VFF submits that new entrants should instead be classified by way of the type of assistance the farmer is seeking. A suggested method is to view it in stages:

Stage 1: New entrant is seeking finance for an agricultural asset that is portable or short term, such as; stock, equipment, crop inputs, land rental or short-term lease. Entrant is usually from a position of low equity or low net worth

Stage 2: New entrant is seeking finance for an agricultural asset that is fixed or long term, such as; land or long-term leases of buildings and infrastructure. Entrant has progressed from Stage 1 or entered the industry with other capital

To ensure that the assistance for Stage 2 farmers is targeted correctly, a net worth test must be established. For example, the Beginning Farmer Centre in Des Moines, Iowa developed guidelines to ensure the scheme was not abused. It includes a net worth test and questions if the applicant has access to adequate working capital, equipment and other items necessary to operate the farm. It also requires that the applicant must materially and substantially participate in the operation of the farm and assume financial risk.8

[8] Damian Murphy, Young Farmer Finance Schemes, (Nuffield Australia Farming Scholars), Pg. 14

Financing mechanisms

The VFF proposes that the FFF can be funded by way of two mechanisms; Farm Management Deposits, or through the establishment an agriculture superannuation fund.

1. *Farm Management Deposits (FMD)*

An established farmer who commits money into a FMD can nominate that part of the money to the FFF is to be used to assist new entrants. They should still be able to gain the same tax advantages as the FMD fund.

At 31 December 2013, the total holdings in the FMD Scheme were $3.22 billion.[9] Thus, if only 1% of this was directed at the FFF it would release $32 million dollars for investment in the FFF.

2. *Superannuation Funds*

Establish an Agricultural Industry Superannuation Fund where farmers put money into this fund (for tax deductions) in the knowledge that this fund then invests in agricultural assets that will assist Stage 1 & 2 farmer's progress in the industry. The government should offer tax concessions to investing farmers so the funds can be made available with a low interest rate to new entrants and to ensure investors in the fund receive a similar return as a conservative fund (5%).

The benefit of providing an Agriculture Superannuation Fund safeguards succession planning is within the industry. It ensures that established farmers can 'give back' to the industry by supporting the next generation of farmers.

Assessment criteria

Applicants would be assessed on their ability to show their likelihood of success and commitment to the industry by providing a farm business and management plan, and possessing the requisite skills and knowledge to be a viable contributor to the industry.

There is a perception in the banking industry that lending to young farmers is high risk because they come from a position of low capital and collateral. Whilst it has been documented that this perception is flawed[10] it is nonetheless a barrier that has to be overcome for a new entrant.

The FFF would lend to farmers on the cost of finance, plus a reduced risk margin. The margin would depend on the level of risk, skill and experience of the farmer and last for five years.

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[9] Department of Agriculture, Farm Management Deposit Statistics, http://www.daff.gov.au/agriculture-food/drought/assistance/fmd/statistics

[10] Damian Murphy, Young Farmer Finance Schemes, (Nuffield Australia Farming Scholars), Pg. 34: "In discussions with Rural Finance, they indicated that in 13 years they have made over 1,900 loans to young farmers and while they have to re-structure and moved to interest-only loans for a period of time, they had not had a single loan default."

Incentives for up-skilling

Skilled and experienced employees increase farm productivity and profitability. Skilled workers increase farmer returns by being trained in agricultural practices such as animal husbandry, feed systems, grazing practices, business management, wealth protection and machinery vital to a profitable business.

In the past, up-and-coming young farmers commonly learnt the skills and practice of farming from their family. However, the need to attract and develop suitably skilled and committed people from outside the family has increased over the past decade as the workload on farms has increased with expanding herd sizes, larger farms, productivity and technological advances.

The VFF proposes, as part of the FFF that new entrants are rewarded for up-skilling and professional development. There should be an incentive via an interest rate reduction to reward skills and knowledge gained prior to the loan and for continued training and up-skilling during the loan.

This not only makes the borrower more attractive to the lender, it also ensures that farmers are continually looking at ways to improve their business and remain competitive.

Control and Administration

The FFF should be controlled by a board that is made up of established and new entrant farmers, banking industry, economists and farmer organisations.

With the banks involved with the application for finance this should minimise administration costs so every advantage can be passed on without the need for excessive fees or loading of interest rates. Lending institutions will also be able to use their usual business processes and disciplines to manage the application process with expertise and due diligence.

Policy Idea 11 - Improving tax system efficiency and equity

The VFF supports Policy Ideas 11b – increasing the thresholds for Farm Management Deposit Schemes

Recommendation 26: Implement improvements to the Farm Management Deposit scheme as a priority.

Agricultural industries are subject to major fluctuations in seasonal conditions, commodity prices, and input costs. As a result the income generated by agricultural businesses can vary greatly.

Farm Management Deposits allow farmers to average their income for tax purposes, however the restrictions currently in place limit the usefulness of the scheme. The VFF supports all the proposed measures to increase the thresholds for farm management deposits:

- Increasing the $400,000 deposit limit

With farm sizes increasing, and increasing numbers of farmers moving into continuous cropping, the potential for income fluctuation has increased. Raising the deposit limit will enable better management of these fluctuations.

- Increasing the off-farm income cap

Farming families should not be penalised for having off-farm income. For some farmers off-farm income is a mechanism to help manage through the often low-margins involved in agriculture.

- Extending the eligibility of the FMD Scheme to companies and trusts

Different ownership structures should not preclude farm businesses from accessing the FMD scheme.

- Re-establishing early access provisions for times of drought.

The VFF supports Policy Ideas 11c – Depreciating farm plant and equipment.

Recommendation 27: Adopt depreciation schedules that match the period of usage for infrastructure, except where risk mitigation is the primary purpose of the infrastructure.

The VFF supports the use of accelerated depreciation for a number of risk mitigating assets. This policy idea is covered in more detail in section 8 of this submission – however the VFF believes the application of accelerated depreciation to infrastructure and assets should not be restricted to drought preparedness. Where risk mitigation is not the purpose of the infrastructure or asset the VFF supports the adoption of depreciation schedules that match the period of usage.

The VFF supports Policy Ideas 11f – Income tax averaging.

Recommendation 28: Implement improvements to the income tax averaging as a priority.

As with Farm Management Deposits, income tax averaging allows farmers to manage the variability of farm income and smooth out their taxable income. The VFF supports the proposal to allow farmers to opt back into income tax averaging. As outlined in the Green Paper, farm circumstances can change over time, and farmers should have the opportunity to respond to these changing circumstances.

Foreign Investment

Policy Idea 13 - Improving the transparency of foreign investment

The VFF supports Policy Idea 13 – improving the transparency of foreign investment.

Recommendation 29: Establish a register of water interests in its foreign ownership register, given it is Australia's most valuable resource. Market dominance is far easier to achieve in catchment and groundwater systems.

The VFF's policy on the FIRB threshold and foreign investment registry is:

1. *The threshold trigger for assessment (by the Foreign Investment Review Board) of a purchase of agricultural land or water by foreign persons or enterprises should be reduced to $5m.*
2. *There should also be a comprehensive registry developed of all agricultural land and water assets owned by foreign persons or enterprises.*

Foreign Investment

The VFF is aware the FIRB review threshold for the purchase of agricultural land has been set at $15m in recent FTAs. However as mentioned the VFF's policy is for this threshold to be lowered even further to $5m.

Foreign ownership register

The VFF welcomes the Federal Coalition Government's commitment to establish a register of foreign ownership of agricultural land to improve transparency.

The VFF believes the register should show:

- Land area under foreign ownership (by municipal council)
- Water volume under foreign ownership (by river or groundwater basins)
- The level of sovereign ownership/control

The details of specific organisations do not have to be released. However, information should be made available on the cumulative interests in land and water and the level of sovereign ownership/control of individual organisations. This could be achieved using unique codes or identifiers for anonymous organisations.

After the initial stocktake, which will be largest piece of work associated with this register, the subsequent changes to the register can be done through the process of the sale of land. There could be an obligation of the purchaser to forward the proper paperwork to the federal agency responsible within the agreed timeframe after a land transaction.

Importance of including water

The VFF has long advocated for the extension of the register of foreign ownership of agricultural land to be extended to water.

Our water resources are critical to agriculture and our urban communities, yet so far our repeated calls for the register to be extended to water have been ignored.

During the 2002 to 2009 drought we witnessed billions of dollars of water being traded across the Murray Darling Basin. Parcels of water were traded by foreign companies and brokers promoted the investment in water internationally.

The VFF believes Australian Governments need a register of foreign water interests, to ensure we can monitor foreign ownership and help reassure farmers and irrigation communities that those interests are not building to the point of regional dominance.

Education, skills and training, and labour

Policy Idea 14 – Strengthening agricultural education

The VFF supports Policy Idea 14 – Strengtheing agricultural education.

Recommendation 30: The Government support the States and Territories to include agricultural education at primary, secondary and tertiary levels.

The VFF agrees that education in agriculture should be strengthened and that a comprehensive policy approach is needed.

Whilst recognising that education is within the jurisdiction of the States, the Commonwealth should encourage States to provide learning in agriculture at primary, secondary and tertiary levels of education.

Importance of agriculture in schools

Every single person consumes products of agriculture on a daily basis, therefore, education in agriculture is relevant to everyone. Such education does not to be exclusive to agriculture, rather it can be applied across all subjects, including science, business, technology, geography and health. This holistic approach will help students and teachers alike understand that careers in agriculture are diverse and that the industry leads to an array of career paths.

Australian schools do not need to identify as agricultural schools in order to deliver agricultural education. There are many schools in Victoria that are currently delivering an outstanding agricultural education but do not specialise as agricultural schools. By delivering agriculture in mainstream education, you lower barriers to new entrants and capture students that would otherwise not be exposed to agriculture.

There is currently a vast array of agricultural education resources available. However, there is a need for an overarching facilitator to connect them to the education institutions. Such a facilitator would be able to advise on how to implement appropriate resources and connect them between areas of study; link the institutions with industry; and provide activities for students to engage with agriculture, such as excursions and mentors.

Teachers play an enormous role in a student's career selection. Teachers and career officers, often lack knowledge in the vast range of careers in agriculture and horticulture that can be offered to attract student's interest. Even in rural areas where agriculture is the major industry in the region, schools do not promote agriculture. Closer collaboration between education departments and the agricultural industry are required to overcome these sorts of difficulties.

It is important to highlight exposure to agriculture must occur in primary school, as emerging research acknowledges that the formation of education aspirations occurs from as young as three years of age (Regional Policy advisory Committee, Research into education aspirations for regional Victoria). This exposure is important if youth are to consider agriculture as a viable career path.

Agriculture in secondary schools

Additionally, the availability and quality of subjects at secondary level play an important role in considering agriculture in a young persons' career path. Many secondary schools do not consider offering agricultural and horticultural units because they are perceived as less important as other academic units, impractical or too costly to implement. The continuation and resourcing of agriculture and horticulture curriculums in both VCE and VCAL is important to ensure that young people with an interest in agriculture are able to pursue a career path through education, and also to maximise the opportunity to attract new people with the appropriate skills into these fields.

Schools based apprenticeships provide an excellent pathway into agricultural careers. The success of these programmes is however reliant on a facilitator, who must co-ordinate employment contracts. This can be timely and costly for schools, and therefore deter schools from implementing an apprenticeship programme. Additionally, changes to funding in Victoria will see a doubling in the cost of Certificate II costs. This will prohibit many students from engaging in the programme. The Government should therefore encourage the States to provide additional support for school based agricultural apprenticeships.

Linking education to industry

It is paramount that funding to industry programmes remain available. For instance, the Primary Industry Centre for Science Education will not be funded next year, which presents a devastating blow to the link between science careers link, primary industries and tertiary education. There are several other industry based programs that are under threat due to lack of funding and industry support.

In regards to Vocational Education and Training, VFF currently has representatives on the AgriFood Skills Australia committee, however it is felt that the volume of work far out ways the resources available to ensure quality VET training and education is being delivered.

The VFF strongly supports the development of specialised agricultural secondary schools or tertiary institutions. However, it is also important to highlight that the modern agriculture workforce must possess a sophisticated repertoire of skills and capabilities. Our producers and agribusiness professionals must be so much more than just 'farmers'. They need to be savvy business managers, technology gurus, science and sustainability specialists, and economists able to read and adapt to changing markets and consumer preferences. Consequently, it is important that higher education pathways for agriculture are blended with other degrees, such as information technology, or business degrees, to create professionals that are equipped with the necessary skills.

It is important to also note the increasing importance of effective ICT in the availability of education and training. Without access to stable internet or telephone the online learning environment is severely compromised. As the training sector evolves to deliver more content online, stable, reliable communications system are imperative.

Mentoring and networking for young farmers

The VFF strongly supports the creation of a young farmer mentoring and networking programme. Mentors are a very effective learning tool for young people in the industry. Additionally, networks are essential in an industry characterised by isolation. These networks not only satisfy the social and professional needs of young people, but also ensure youth remain connected and engaged**.**

Such a programme could be implemented through the State Farming Organisations. For instance, the VFF already has established a small mentoring and network programme through Young Agribusiness Professionals, it's 18-35 year old membership branch.

Policy Idea 15 – Strengthening labour availability

The VFF supports Policy Idea 15a – Expand the Working Holiday Maker (417) visa.

Recommendation 31: Expand the Working Holiday Maker visa to include all primary producers as defined by the Australian Tax Office.

VFF Horticulture believes the Working Holiday Maker (417) visa should be expanded to allow eligibility for all primary producers. Currently the employer eligibility is defined by the State governments, who in Victoria have determined eligibility by postcode. VFF believes the employer eligibility should be defined as anyone who is an Australian Tax Office registered primary producer. It should not be defined by their postcode. This provides a disincentive for visa holders to work in key peri-urban regions such as the Yarra Valley where there is an increasing need for seasonal labour.

The VFF does not support extending the option of a second year on the WHM Visa to any industries, such as hospitality, that would impact on the ability of growers to entice visa holders to agricultural work.

The VFF supports Policy Idea 15b – Broaden skills coverage of the Temporary Work (Skilled) visa (subclass 457)

The National Farmers Federation summed up the issue facing farmers regarding the skills coverage of the Temporary Work (Skilled visa (subclass 457) in their submission of October 16, 2014 to the *Review of Skilled Migration and 400 Series Visa Programs*.

> *The agriculture sector has experienced many variations in skill base as new processes and requirements bring new technical and specific roles across the*

industry. New roles and the qualifications that match them are currently not captured or recognised within ANZSCO…… (provides the agriculture industry with) a lack of capacity to respond to the changing needs of industry.

Workers with relevant skills are ineligible for 457 visas… leaving farmers frustrated at the amount of time and money spent trying to sponsor skilled workers.

Key skilled agricultural occupations that should be eligible for 457 visas, but are not, include Farmhand/Senior Farmhand, Farm Overseer, Farm Production Manager, Senior Stock person and Irrigation Supervisor.

The VFF supports Policy Idea 15c – Expand the Seasonal Worker Program (SWP)

Recommendation 32: Make substantial changes to the seasonal worker programme, including reducing high upfront costs, increasing flexibility for employers, removing onerous and expensive market testing, and streamlining the approval process for employers.

The Seasonal Worker Program assists the horticulture industry access a reliable and productive workforce throughout the year. The VFF believes there are changes necessary that will increase the up-take of workers:

1. There are up-front costs of around $2000 per worker ($500 of which is not recoverable) that are proving cost prohibitive to growers. While the ability is there for growers to pay a higher hourly rate if employing a seasonal worker through a third party Approved Employer, this can still be considered cost prohibitive.
2. There is very little flexibility for employers should they suffer a natural disaster or other extreme weather event.
3. There is onerous and expensive market testing requirements when it has already been proven that the industry does indeed have a labour shortage issue. The VFF will always support the use of Australian labour first but a need for an overseas seasonal labour force has already been well demonstrated.
4. The turn-around time to become an Approved Employer is long and drawn out and needs to be shortened from application to approval.

Essentially the establishment of this program was driven by the horticulture industry yet all signals from government are that the program is an aid program to Pacific Nations first and assisting the horticulture industry meet its labour needs a distant second.

The VFF supports Policy Idea 15d – Streamline application processes

Recommendation 33: Allow visa holders to apply for a TFN prior to arriving in the country.

Streamlining application processes could be assisted by visa holders being able to apply for a Tax File Number while outside the country. It is difficult for the employer when a visa holder cannot apply for a TFN until they arrive in the country. To receive a TFN can take up to 28 days which in some cases means the employee has moved on forcing the employer to chase the employee to comply with wages and superannuation requirements. It would be much simpler if visa holders entered Australia with all the relevant information required by employers to comply with their employment obligations.

Additional Policy Idea: Keep labour costs down

Recommendation 34: When considering changes to employment conditions the competitiveness of agricultural industry must be factored in

Labour costs are a major input cost for Australian Farmers. In the recent National Farmers Federation's submission to the Fair Work Commission for the annual Wage Review 2013-14 it urged the Fair Work Commission to be conservative in its decision to increase wages. Australian farmers compete in a global market place and wages are a significant cost. In comparison with one of Australia's competitors, the United States, wages are well below Australia's. This year, President Obama was lobbying to raise the federal minimum wage to $10.10 an hour from the current rate of $7.25. The highest state wage level is in Washington State is $9.32. The minimum wage in Australia is $16.87 per hour and the casual rate is $21.09 per hour. While the wage is $16.87, there are other costs the employer must pay. They include the superannuation charge of 9.5%, the associated payroll tax and the mandatory WorkCover premiums. All of these expenses compound the rate per hour to well over $19.00 per hour.

Additional Policy Idea: Raise the Superannuation Guarantee threshold

Recommendation 35: Increase the Superannuation Guarantee threshold of $450 per month to reflect increases in wage rates since the 1992 introduction, and change the threshold to an hourly basis not a dollar figure.

The Superannuation Guarantee threshold of $450 per month has been in place since the inception of the Superannuation Guarantee in 1992. This requires employers to pay superannuation to all eligible employees who are paid $450 (before tax) per month.
This threshold has remained the same even though wages and the rate of contribution have increased significantly over these years.

The horticulture industry is very labour intensive and wages and on-costs account for a significant amount of input costs. The industry also has a large proportion of itinerant labour which stays on one property for a short period of time.

Under the current minimum wage within the Horticulture Award 2010 for a casual ($21.09) it would mean that an employee that works more than 21 hours per month within one business would require the payment of superannuation.

In 1992 the weekly minimum wage was approximately $315 for a 38 hour week, requiring an employee to work approximately 54 hours in the month before superannuation was payable.

The low threshold for superannuation places a costly and time consuming burden on growers to pay superannuation for employees that remain on the farm for a short period of time.

The VFF believes the rate should reflect a minimum number of hours worked in a calendar month, rather than a dollar value. This approach would mean the threshold is not steadily reduced in real terms as wage rates increase over time. The VFF also believes the same rules should apply for overseas residents – superannuation should only be accessed under the same age/illness policies as apply to Australian residents.

Additional Policy Idea: Increase flexibility of employment

Recommendation 36: Allow individual flexibility agreements as a condition of employment

The ability to offer individual flexibility agreements for all modern award employees only after commencement is regulation at its worst. If an individual flexibility agreement has conditions that are above the conditions provided in an award, employers should be able to offer those terms at commencement of employment. It is ridiculous that individual flexibility agreements cannot be offer as a condition of employment, yet it can be offered after starting employment. This current law is not easily understood by employers and employees and creates an administrative burden.

VFF requests the Federal Government reinstate the NFF Immigration Liaison Officer. The Department of Immigration and Border Protection (DIBP) Outreach Officer programme provided a valuable resource to farmers gathering immigration information, and VFF was disappointed by the closure of the programme on 30th July 2012. The programme provided a dedicated officer from the DIBP to respond to farmers' enquiries on migration matters and provide general information on visas and visa requirements.

Immigration staff dedicated to the agricultural industry are vital for farmers who employ foreign workers. As farmers are irregular employers, they need access to consistent information on the different visas available to sponsor staff. Without this service, farmers are at risk of receiving information which is not tailored to the agricultural industry which has specific needs and requirements.

The outreach officer was also of great benefit to the United Dairyfarmers of Victoria (UDV), the dairy arm of the VFF, when liaising with the Department on permanent residency matters. The outreach officer seconded to NFF was the first point of contact for UDV when it was seeking immigration information. UDV has been liaising with DIBP (then DIAC) since 2012, to help navigate a pathway for New Zealand citizens who now own dairy farms in Victoria, to gain permanent residency.

On 1 July 2012, Immigration Laws were changed to create the Business Innovation and Investment (Permanent) (subclass 888) visa. On this same date, the Immigration Department made it possible for subclass 444 visa holders to apply directly for an 888 visa, with fewer requirements than other visa holders.

The UDV believes this may be the most appropriate path for New Zealanders who have bought dairy farms in the regions, as it is 'positioned' to target migrants that have demonstrated history of success in innovation and business and are able to make a significant contribution to the national innovation system and to the Australian economy. There are few other options for these New Zealanders to become permanent residents.

Since 2012, the UDV has been liaising with the Immigration Department and Victorian State departments to clarify eligibility.

Since this relationship has been in place, UDV has:

1. Raised awareness within the Department of Immigration and Border Protection of the difficulties facing applicants under the previous immigration requirements.
2. Negotiated to have key assessment criteria changed within the Business Innovation and Investment (Permanent) visa (subclass 888)
3. Gained the support of the Victorian government in providing an alternate pathway for applicants.
4. Worked with the state and federal departments to ensure consistency in requirements, web site information, application processes.
5. Ensured clear 'how to' information has been developed for departmental staff and applicants to use.
6. Clarified terms and assessment criteria.

This work would not have been possible without the assistance of the NFF Immigration Liaison Officer whom we had a healthy and trusting relationship with. We request that this programme be reinstated.

Drought

Following the removal of the Exceptional Circumstances declaration process and the establishment of the Intergovernmental Agreement on National Drought Program Reform there have been major gaps in drought policy. Drought preparedness measures are essentially limited to the Farm Management Deposits Scheme and income averaging. Furthermore in-drought support has so far lagged behind the on-ground need, and is subject to an overly simplistic and unsatisfactory system to determine eligibility.

Policy Idea 16 - Increasing drought preparedness

The VFF supports Policy Idea 16a – Introducing accelerated depreciation for new water and fodder infrastructure - with additional policy measures.

Recommendation 37: Introduce accelerated depreciation for risk mitigating infrastructure (not just for drought preparedness).

The VFF supports accelerated depreciation for risk mitigating infrastructure, including new water and fodder infrastructure. However, accelerated depreciation should be used to encourage farmers to increase business resilience through a variety of risk mitigating investments. This will ultimately reduce the longer-term need for farmers to seek drought support or the farm household allowance.

In addition to new water and fodder infrastructure, an approved depreciation schedule over three years for on-farm weather and protected species mitigation investments would encourage risk mitigation to protect horticultural crops from extreme weather such as (but not limited to) drought, hail, sunburn and wind and species such as Grey Headed Flying Foxes, cockatoos, parrots and lorikeets.

The capacity to depreciate investment over three years will encourage farm businesses not only to reinvest in weather mitigation options but will encourage take-up of new technologies developed through research and development that produce greater productivity and returns.

Currently small business (as defined by the ATO which is an individual, partnership, trust or company with aggregated turnover less than $2 million) has access to depreciation provisions.

- Before the mining tax reforms, the small business instant asset write-off threshold had been increased from $1,000 to $6,500
- Since July 2012 small business can depreciate assets costing $6,500 or more in a single pool (15 per cent in the year they are purchased, 30 per cent in each subsequent year).

An accelerated depreciation option would offer 30% depreciation in the first and subsequent years for all risk mitigation assets and reinstate the existing instant write-off of $6500 which would improve the competitiveness of many Australian farms. Accelerated depreciation should be available to all small and medium farms (as defined by ATO – annual turnover of less than $10m).

Items could include:

- Netting and igloos (permanent and temporary)
- Netting Applicators
- Protective structures (glass houses, etc.)
- Tree trellis structures
- Weed-matting
- Fertigation tanks
- Water efficiency infrastructure, such as Water meters
- Fencing materials
- Other R&D adaption options

Additional Policy Idea: Permanent Investment Allowance

Recommendation 38: Introduce a permanent investment allowance of 25% to stimulate investment in risk mitigating infrastructure.

In addition to accelerated depreciation for risk mitigation infrastructure, the VFF also proposes a permanent 25 per cent investment allowance. Such an investment allowance would further increase the incentive for farmers to improve their drought preparedness and risk management. This 25 per cent investment allowance is also proposed for water infrastructure (see section *Water and Natural Resource Management*).

The VFF supports Policy Idea 16b – Encouraging multi-peril crop insurance as a pre-emptive and commercial means of mitigating drought risk. However, the VFF considers that a commercially sustainable product can only be established with the intervention and assistance of the Federal Government.

Recommendation 39: The VFF recommends Government commit funding to the research and development of a multi-peril crop insurance product, with the objective of establishing a commercially sustainable multi-peril product comprising either Government underwriting or matched contributions from Government and farmers, as part of a long-term structural drought package.

Drought has a devastating and largely unpredictable impact on farmers' production, income and livelihoods, as well as significant multiplier effects on the broader Australian community and economy. Australian grain production was estimated by the ABS to be worth $12.38 billion to the national economy in 2012-13; therefore the impact of drought on production has broad-ranging impacts upon the entire national economy.

There is a significant public benefit argument for reducing the impact of droughts on farm businesses by improving productivity. That is, by mitigating the risk of drought there is a school of thought that farmers will still invest in lower rainfall years to maintain production. Further, that if the 'cost of production' or 'cost of recovery' for farmers is commercially insured (as with multi-peril crop insurance), then farmers are also more readily able to resume production in subsequent to a drought event. This then results in less economic volatility during droughts, and also a more rapid increase in productivity and economic recovery post a drought event.

However, the commercial viability of such an insurance scheme in Australia relies upon widespread uptake by growers (that is, uptake by a certain 'critical mass') to mitigate risk for insurers and underwriters and to reduce premiums. Government assistance is important for providing incentives for such investment by farmers in order to make the value proposition around multi-peril crop insurance such that it becomes a normal business expense.

Multi-peril crop insurance is a proactive and pre-emptive means of assisting farmers to manage their production risk and to mitigate the risk of drought, in contrast to other natural disaster support mechanisms which are seen as more responsive post the event. The VFF agrees in part with the findings from the National Rural Advisory Council, that in Australia "it is unlikely that [multi-peril crop insurance schemes] will be viable in the absence of a high and continuing level of Government subsidies to cover premium costs, administration and operating costs, and reinsurance costs".[11]

The VFF does consider, however, given the increasing commercial activity exploring the potential for multi-peril crop insurance in Australia, that a viable commercial product could be implemented were the Government to commit funding and resources to the research and development of one of a number of potential models, including:

- A mutual fund model – where farmers and Government contribute matching funds into a mutual fund for multi-peril crop insurance. This is in-turn underwritten by Government against a maximum payout value;
- A 'stop loss' model or cost of production insurance model – where Government matches farmers' premiums to insure against loss on the costs of production so that the farmer is guaranteed of recouping production costs;
- A future fund/FMD model – a tax effective scheme comprising Government and farmer matching funds to be invested in a farmer's name and made available when triggered by either exceptional circumstances and/or upon retirement.

These models could comprise matched contributions from Government and farmers with commercial insurance underwritten by the Government against a maximum payout ratio. This underwriting could be similar to that afforded the finance banking sector in the GFC, thus providing the market confidence for insurers to enter the market place and provide commercially sustainable products to farmers.

A form of future fund, similar to superannuation funds, will also provide a commercial incentive for farmers to invest, if the funds are both tax effective and can be drawn down upon retirement. This provides an alternative to the traditional insurance model where premiums may otherwise be seen as a sunk cost or 'dead money'. Traditional models provide limited incentive for farmers to commit unless the premiums are cost effective (unlikely for multi-peril crop insurance in Australia) and can be incorporated into farm

[11] National Rural Advisory Council, 2012. *Feasibility of agricultural insurance products in Australia for weather-related production risks*, p.34.

businesses as a normal operating cost. The objective is that any such fund provides a commercially self-sustaining means of mitigating production risk and is one component of a comprehensive, long-term drought policy. Such a model would provide incentive to farmers to invest to not only mitigate production risk but provide confidence to re-invest in production input costs in subsequent production years increasing productivity and as a result economic recovery.

The VFF reaffirms its support for the comments made in the National Farmers' Federation's response to the 2012 NRAC report, recognising that it is "appropriate that the Government provides drought policy to [farm] businesses in a consistent, structured manner, providing certainty to the businesses impacted by the drought and the taxpayer providing the assistance".[12] The VFF also considers it to be very important that "drought insurance should not be looked at in isolation, but as part of the holistic suite of measures required to deliver the outcomes of drought policy reform".[13]

To this end, the VFF supports the call for a long-term, comprehensive drought policy. Multi-peril crop insurance provides a pre-emptive commercial risk management solution to mitigating the risk of drought, rather than a reactive form of production support.

[12] National Farmers' Federation, 2012. *NFF submission to NRAC assessment of agricultural insurance products including multi-peril crop insurance and its feasibility in Australia*, p.6.
[13] Ibid, p.7.

Policy Idea 17 – In drought support

The VFF supports Policy Idea 17a – Additional mental health support in times of drought.

Recommendation 40: Work with the National Centre for Farmer Health in designing the delivery of additional mental health support during times of drought.

Periods of drought can have major mental health impacts on farmers. Rural areas have disproportionately high suicide rates, and this is partly driven by the isolating and often stressful nature of farming. Periods of drought can represents periods of extreme stress for farmers. The VFF supports the provision of additional mental health support in times of drought. The current use of rainfall deciles to measure drought conditions could similarly be used to determine where additional mental health support is required. However, there are some issues with the use of rainfall deciles which are outlined below.

The National Centre for Farmer Health provides national leadership to improve the health, safety and well-being of farm men and women, farm workers, their families and communities across Australia. The Centre is a partnership between Western District Health Service and Deakin University and is based in Hamilton, Victoria. The Federal Government should consult with the National Centre for Farmer Health when designing the delivery of additional mental health services during times of drought.

The VFF supports Policy Idea 17b – Provision of additional assistance for prolonged and severe drought.

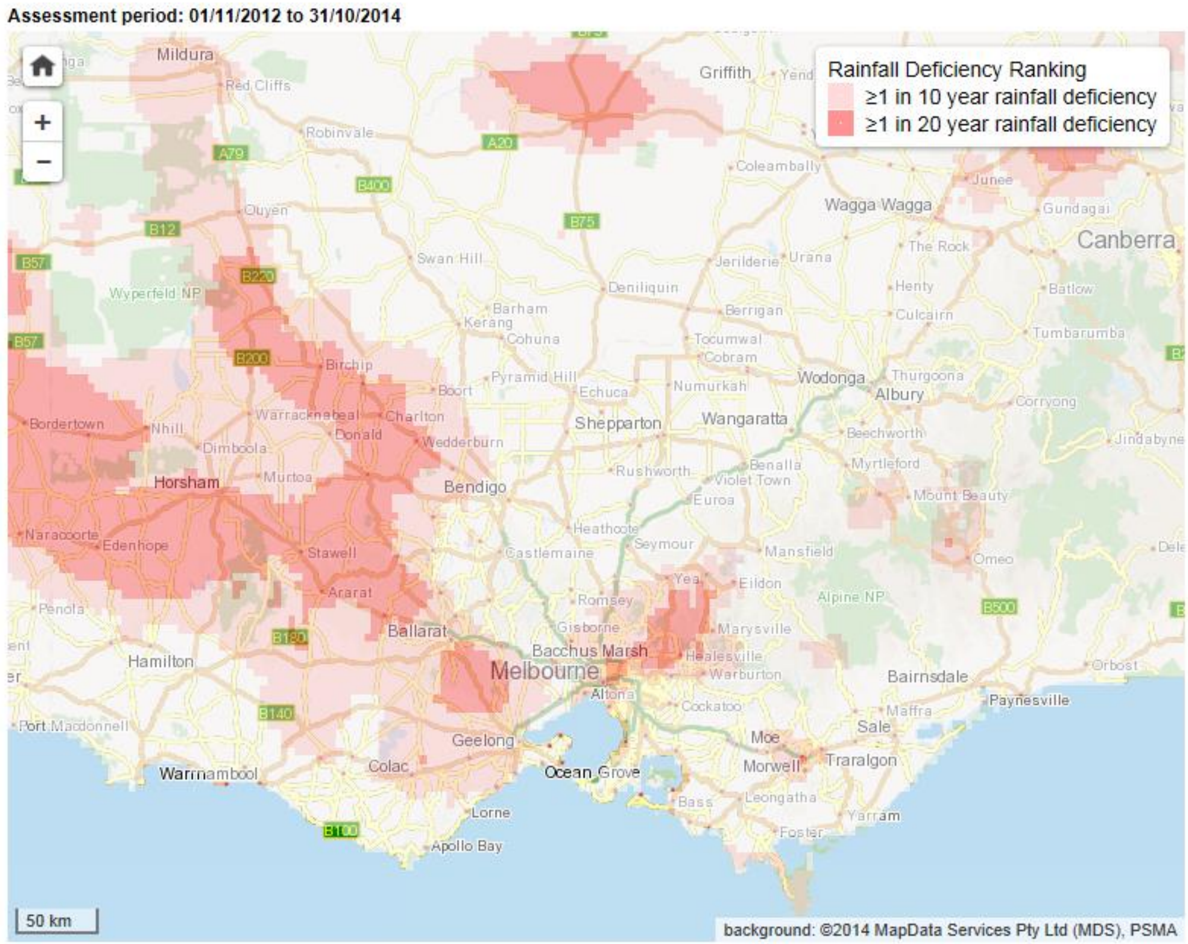
Recommendation 41: Undertake periodic ground truthing of rainfall deficiency modelling to ensure it matches on-ground conditions.

The Green Paper seeks feedback on a series of questions relating to when additional assistance should be provided. The VFF supports the NFF's submission on these issues.

However, the VFF wishes to raise concerns with the current methodology for determining eligibility of farmers for drought concessional loans. The current use of Bureau of Meteorology rainfall deficiency maps could lead to some farmers missing out on drought support measures when they are impacted.

Figure 1 below shows the computer generated rainfall deficiency for the Nov 2012 to Oct 2014. Under the current arrangements farmers in the area with a 1 in 20 year rainfall deficiency are eligible for drought concessional loans. Meanwhile farmers with a 1 in 10 year rainfall deficiency can still apply for drought concessional loans provided they can demonstrate they have been impacted by drought.

Figure 1: Bureau of Meteorology Rainfall Deficiency Map for Victoria – 01/11/2012 to 31/10/14



There are two main issues with this system:

- The maps are based on BoM modelling, which may not match on ground conditions. Rainfall in Victoria and elsewhere in Australia can be very patchy – with areas only a few km away receiving significantly different levels of rainfall.
- The rainfall deficiency looks at the total rainfall over 24 months, which could mask seasonal variability. For example, rain might fall during the wrong times of year for crop farmers – or the majority of the rain may fall in one or two events, which may not support a good yield.

To address these issues the VFF suggests periodic ground truthing to ensure the rainfall deficiency modelling matches on-ground conditions and crop yields.

Water and Natural Resource Management

Policy Idea 18 – Improving water infrastructure and markets

Water is critical for agriculture. Farmers need access to reliable and secure water. The water needs to be of good quality. It needs to be priced so that farmers are able to remain competitive.

In order to expand agricultural production in the future farmers will need access to more water.

In a capped and fully allocated system this is a challenge. Modernisation of irrigation infrastructure is one option. However farmers are not always the beneficiary. Some of the water savings from the Connections Project are being given to the environment and other users. In contrast, the MID2030 water savings are all being given back to farmers. This reflects the different drivers and funding models of the respective projects.

Building new storage and distribution infrastructure remains an option in river systems which are not fully allocated. In the Southern Murray Darling Basin this is not an option.

A relatively untapped option is to expand the use of high-quality recycled water in agriculture. This renewable resource would require some innovative thinking and substantial investment. Upgrading treatment plants where necessary and connecting pipelines to agricultural areas are priorities.

Modernising on-farm infrastructure is another option. For GMID irrigators who are eligible to access funding under the On-Farm Irrigation Efficiency Program the savings are shared between the environment and the farmer. However the scope and scale of this program is limited. More support is needed to encourage farmers to invest in water efficient infrastructure. This will help farmers prepare for dry and drought conditions in the future.

The VFF supports Policy Idea 18a – Dams and water infrastructure

Recommendation 42: The Victorian and Federal Governments co-invest in the construction of the Southern Tinamba Pipeline.

Recommendation 43: Further investigate the development of infrastructure to capture water for farmers in the Lindenow Valley.

Recommendation 44: Further investigate the development of the Bunyip Irrigated Agriculture Project.

Macalister Irrigation District Southern Tinambra Pipeline

The VFF notes the Macalister Irrigation District Southern Pipeline is included in the list of projects for possible Commonwealth involvement. The Southern Tinamba Pipeline is the next stage of the MID 2030 modernisation project.

Replacing 85kms of old channels with 38km of pressurised pipes and 26km of automated channel will mean quicker, more efficient delivery of water to farms. Currently irrigators need to give 3-days lead time to order water, with the new pipeline this would be cut to 24 hours.

The pipeline is anticipated to deliver water savings of 9,700ML for the district’s dairy farmers and vegetable growers. These savings are expected to generate a further $45 – 50 million each year in regional economic growth through expansion of farm production. This project will enable farmers to expand with confidence and help to secure long term food production in the region.

Lindenow Valley Water Security

The VFF notes the inclusion of the Lindenow Valley Water Security Project in the Green Paper as a less advance project that could warrant capital investment. In dry summers farmers in the Lindenow Valley are subject to bans on watering.

The Victorian Government provided $1 million to investigate options for how to best improve water reliability whilst protecting environmental flows in the Mitchell River. The project is considering how winter-fill extractions can be most effectively stored and identifying potential off-stream sites. It will provide water for farmers, the community and a resource company, as well as secure water for the environment to use in dry seasons.

Improving water security will secure 1,000 jobs in agriculture and is also expected to create 100-150 on-farm jobs in addition to employment in associated industries.

Bunyip Irrigated Agriculture Project

A lack of reliable water has constrained the further development of horticulture production in the Bunyip region, especially in the summer.

The Eastern Treatment Plant was upgraded in 2012 to produce Class A recycled water in order to reduce the environmental impact at the outfall at Boags Rocks. Approximately 100 GL is available for irrigation. A pipeline is needed to connect the treatment plant to the agricultural zone.

The VFF believes that there are many local farmers who are willing to commit to a “take or pay model”, where they pay for a water allocation whether they use it or not. It is similar to the contract growers currently have under the Eastern Irrigation Scheme.

Enhancing water security will enable growers to increase production. This expansion of agriculture will support more local jobs and stimulate the local economy.

The VFF supports Policy Idea 18b – Taxation concession for water infrastructure

Recommendation 45: Introduce an investment allowance, alongside existing accelerated depreciation provisions, to encourage investment in more efficient water infrastructure.

The VFF suggests that a permanent investment allowance of 25% be introduced to stimulate investment in water infrastructure. Coupled with the existing accelerated depreciation over three years this would be a strong incentive for primary producers to invest in more water efficient technology.

The VFF notes that investment allowances have previously been introduced for short periods of time, often with the objective of stimulating the economy. Providing a permanent investment allowance for water infrastructure has the advantage of achieving water use efficiency, enabling farmers to be better prepared for the next drought.

The combination of the investment allowance and the accelerated depreciation would support farmers who may have lumpy cash-flows or high existing levels of debt.

The VFF supports Policy Idea 18c – Water markets – Greater flexibility in water use

Recommendation 46: Allow the Commonwealth Environmental Water Holder to trade on a temporary basis only.

Involvement of the Commonwealth Environmental Water Holder in the Water Market

The VFF remains concerned about the impact of the Commonwealth Environmental Water Holder (CEWH) trading in the water market. As a significant water entitlement holder, any decision the CEWH makes may distort the market.

Any trading by the CEWH needs to be conducted within the objective of managing environmental water, not expanding the size of the environmental entitlements.

Environmental water, like economic water should be used efficiently. Therefore trading water from one catchment to another where the environmental outcomes are expected to be greater in one season is sensible. However, consistent trading from one system to another may be an indication that the environmental water holders' entitlements are unbalanced.

Demand and supply of water for irrigation follows the growing seasons. If large volumes of environmental water are to be offered for trade then it is most useful if it is offered at the beginning of the season. Selling at the end of the season will only benefit entitlement holders who have capacity to carryover. This is counter to the intent to make productive use of the water.

Additional Policy Idea: Management of spills and pre-releases

Recommendation 47: Count a proportion of spills and pre-releases against the entitlements held by environmental water holders.

A spill occurs as a consequence of high in-flows. A decision to pre-release is taken when high in-flows are expected. Currently spills and pre-releases are shared between all entitlement holders. However water from a spill or pre-release provides a benefit for the environment. The CEWH is, in effect, receiving 'free' water. In a capped fully allocated system, a mechanism for accounting for this 'free' water needs to be developed.

One option would be to regulate a proportion of the volume which must be counted against the environment. Alternatively in advance of a pre-release or when a spill is determined to be imminent there could be a requirement for the resource manager to consult with the CEWH and actively discuss the environmental benefits of taking the water.

Additional Policy Idea: On-farm irrigation efficiency

Recommendation 48: Continue and expand on-Farm Irrigation Efficiency Programs for access by all farmers.

Funding for the on-farm efficiency program in the Goulburn-Murray Irrigation District is close to running out. Part of the eligibility criteria is that irrigators are connected to the backbone. At June 2014, 1,975 landowners had signed agreements. There are approximately 6,000 landholders in the project so there is considerable concern and a risk that the program will be closed before they have a chance to apply.

Providing funding to upgrade on-farm irrigation at the same time as major infrastructure projects delivers enhanced value for farmers and a greater return on investment. With large modernisation projects now underway in other regions there is an opportunity to leverage additional benefits on farm for more farmers.

Historically funding for on-farm irrigation works has also been provided to manage salinity and reduce nutrients. These remain ongoing challenges for surface and groundwater irrigators.

Farmers who divert directly from rivers and waterways (and therefore do not use any off-farm irrigation infrastructure) are not eligible for current funding for on-farm irrigation efficiency programs. There are benefits for all farmers using water more efficiently.

Additional Policy Idea: New funding models for water infrastructure

Recommendation 49: Investigate other funding models for water infrastructure capital investment where risks and costs are managed.

The VFF recognises the fiscal imbalance between the Commonwealth and the States/Territories. In this context the States/Territories are unable to wholly fund investment in major water infrastructure. There is still a need for the Commonwealth to provide some direct financial investment in projects.

The VFF notes that the Water Infrastructure Options Paper begins to open a discussion on alternative funding models for financing water infrastructure.

The rural water corporations in Victoria struggle to recover their costs, let alone make a profit. Involving private sector investors who need to make a profit is inevitably going to put pressure on water prices, introduce new risks and potentially reduce the competitiveness of Victorian agriculture.

Under a user pays model the full suite of beneficiaries need to be identified. These include economic users such as farmers, industry and mining, cultural and recreational users and environmental water holders.

There needs to be clarity about ownership of the asset, responsibility and funding for on-going maintenance and liability for asset failure. In Victoria farmers and rural communities are still dealing with legacy issues related to the maintenance of flood levees. Levees may have been built by one authority, allowed to degrade by another and then failed during flood events. The consequences for property owners were significant.

Additional Policy Idea: Water infrastructure planning

Recommendation 50: Ensure any involvement by the Commonwealth in water infrastructure planning does not duplicate the role of state governments.

The VFF believes that there is value in future planning for water infrastructure. Large scale water infrastructure has a long life and needs to be thought through carefully. Water infrastructure projects which will deliver the quickest returns are those where water security is the last piece of the puzzle - in regions where there is already strong demand for commodities, availability of labour and transport connections to domestic and export markets.

If the Commonwealth is to become involved in future planning, then a clear articulation of the additional value needs to be made.

Additional Policy Idea: Water research and innovation

Recommendation 51: Increase investment for research into irrigation water to protect our food security.

The VFF sees value in the Commonwealth supporting research into water used for irrigation.

The Cooperative Research Centre for Irrigation Futures closed in June 2010. The web-site is due to be shut down in June 2015. The current CRC for Water Sensitive Cities focuses on urban water management.

Expanding production with less water and increasing drought resilience to protect food security are the challenges of today and tomorrow. With climate variability expected to increase there is a need to capture water when and where it is available and store and distribute it for use later. Increasing understanding about how the groundwater system works is likely to be vital. Improving the quality and acceptance of recycled water in all types of agricultural production will also be important.

Policy idea 19 - Natural resource management initiatives

The VFF supports Policy Ideas 19a and 19b – Amending the *Environmental Protection and Biodiversity Conservation Act 1999*; and more targeted pest and disease management and control.

See response to Policy Idea 4a.

Recommendation 52: The VFF supports increased legislative obligations on public land managers to take responsibility for weed and pest control.

Recommendation 53: Weed and pest control is a shared community and farmer responsibility given its impact on agricultural production and the environment. Therefore the VFF calls for increased government funding and engagement with farmers to manage targeted pest and weed control.

Recommendation 54: Federal Government supports joint farmer and community initiatives such as Landcare.

In Victoria the management of weeds and pests is a concern for agricultural production and the environment. There is both a community (environmental protection) and private interest (agricultural productivity), in ensuring improved control of invasive species.

Engaging the community through programs such as Landcare helps to share the responsibility of managing weeds and pests. The broader community recognises pests and weeds as a major threat to our native environment and does substantial amounts of work through Landcare and similar groups on public land, along roadsides and on smaller bush blocks.

All these efforts need to be supported and complemented by effective communication and extension programs. Anyone likely to be in a position to spread invasive pests and weeds needs to be educated about proper controls. New landholders also need to be educated regarding local invasive pests and weeds and Landcare Groups can and do assist in that role.

Often Landcare groups are particularly frustrated because they are willing to provide volunteer labour which the public land manager is unwilling to accept, often for insurance or liability reasons.

In Victoria, there was confusion for many years over who has responsibility to prevent the spread of weeds and pests from public land such as roadsides, onto provide land. Victoria now has legislation that requires local councils to prepare and implement approved Roadside Weed and Rabbit Control Plans. There was funding made available to assist councils in this task under the previous State Government however this funding finished December 2014.

It is critical State Government funding for the control of weeds and rabbits on roadsides continues. Effective management of weeds and rabbits requires a nil-tenure approach. As a result all land managers have a responsibility to control invasive plants and animals. The benefit of managing invasive species is shared by the whole community, hence the cost of doing so should also be shared by the whole community.

Research, development, and extension

The VFF supports in principle Policy Idea 20a – Updating the rural RD&E priorities to better align with community needs.

Recommendation 55: Any efforts to update the priorities of rural RDCs must continue to be driven by producers and benefit producers.

The VFF believes that the current RD&E model that is funded by producer levies and matched government contributions has produced excellent results in driving agricultural productivity, environmental outcomes and community benefits.

The VFF believes that the relatively strong performance in global terms, of the Australian Rural R&D sector is in large part due to strong producer engagement in setting research and development priorities. Peak industry bodies provide stable and effective practical direction into identifying RD&E priorities.

Any efforts to update the priorities of rural RDCs must continue to be driven by producers and benefit producers.

The VFF partially supports Policy Idea 20b – Establishing a new body, or tasking existing research bodies to coordinate cross-sector research.

Recommendation 57: The Council of RDC chairs should report to levy payers each year on the activities and the outcomes of efforts to prevent duplication and coordinate research efforts.

The focus on coordination activities between Rural R&D bodies through the council of chairs is a simple and effective means of minimising duplication and subsequent waste across R&D bodies. Rather than establishing a new body, or mandating a level of funding for cross-sectoral research, the Council of chairs should report to the levy payers each year as to activities and the outcomes of efforts to prevent duplication and coordinate research efforts.

The VFF supports Policy Idea 20d – Promoting the development of extension services.

Victoria has seen a substantial reduction in Government involvement in extension activities – particularly in relation to research and development – but also in areas such as biosecurity and animal health. The current model in Victoria is the Government is the wholesaler of research and development, while industry bodies are the retailers. In principle this arrangement reflects the private industry based benefits for the extension of new technology or practices. However, when combined with cuts to other on-ground services previously provided by government, this arrangement has placed a growing burden back on industry levies. The VFF supports involvement of Government in promoting development of extension services.

The VFF supports Policy Idea 20f – Regular five-yearly assessments of the RD&E system.

The VFF supports greater transparency and accountability in the RD&E system. As outlined in the Green Paper, it is critical the RD&E system stays focussed on improving the profitability and competitiveness of the sector. The VFF supports regular assessments of the RD&E system. It is critical RDC's are measured against the objective of increasing the profitability and competitiveness of levy-paying farm businesses.

The VFF supports Policy Idea 21a – Administrative changes to increase transparency and reduce costs, including giving RDCs a targeted set of objectives.

As with Policy Idea 20f, the VFF supports efforts to increase the transparency and accountability in the RD&E system. Measures to improve reporting and ensure RDC activities are directly focussed on delivering increased profitability for farmers are welcomed. It is critical producers are involved in the development of targeted objectives for RDCs.

Biosecurity

The VFF supports Policy Ideas 22 and 23 - Improving legislation and the biosecurity system.

Recommendation 57: The Federal Government must put more resources into biosecurity.

Recommendation 58: Train agriprofessionals, such as veterinary students, to act as a future reserve force to deliver the surge capacity the government needs to deal with emergency disease outbreaks.

Recommendation 59: Utilise Landcare volunteers and farmers to more effectively detect exotic weed and pest invasions.

Recommendation 60: The Federal Government must develop a national strategy to put an end to the swill feeding of pigs, given the $52 billion risk to the livestock industry.

Biosecurity Needs More Resources

One of the greatest challenges the federal and State Governments face is having the resources on hand to detect biosecurity risks as well as the surge capacity to respond to a major exotic disease outbreak or pest infestation. This situation has been exacerbated by federal and state government cutbacks to departmental and agency staff.

The Victorian Department of Environment and Primary Industries own *Animal Health in Victoria* annual reports show its veterinary and animal health officer workforce peaked at 166 in 2010, but has since slumped to 123 in 2013 (See below).

DEPI/DPI *Animal Health in Victoria* annual reports (No report was published in 2011).

Calendar Year	ABW Vets	ABW other	APCO district vets	APCO Animal Health Officers	APCO Other	Total
2009	4	41	33	50	17	**145**
2010	16	50	35	51	14	**166**
2012	15	41	26	36	8	**126**
2013	15	40	24	37	7	**123**

Note: ABW = Animal Biosecurity and Welfare, primarily animal health and welfare policy.
APCO = Animal, Plant and Chemical Operations Branch. It's field staff are the District Veterinary Officers and Animal Health Officers.

With these cuts to staffing the VFF lacks confidence in the ability of government departments and agencies to deliver the resources needed to deal with a major exotic disease outbreak or pest incursion.

While resources to manage biosecurity have been cut, Victoria's Biosecurity Strategy also seems to have stagnated. In 2009 the then Labor Government developed a Biosecurity Strategy for Victoria. Yet this strategy appears to have gone nowhere, apart from being lodged on the DEPI website.

Improving biosecurity in Australia requires effective legislation and strategy, but more importantly it requires more resources at the state and federal level.

Building surge capacity – Training Veterinary Science Undergraduates

One of the greatest challenges Australian agriculture is likely to face is the outbreak of Foot and Mouth Disease or a highly virulent form of avian influenza that infects humans. One of the best qualified resources Australia has at hand to manage such an outbreak is the several hundred veterinary students our Universities train each year.

The Federal Government could call on these universities to incorporate an emergency disease training module into their veterinary courses. Incentives could be created that encourage students to take these courses and even do postgraduate training to update their skills every few years.

This pool of veterinarians would go onto careers in a range of fields, but could be called upon in response to major exotic disease outbreaks, such as FMD or a virulent strain of avian influenza.

Greater Monitoring using Landcare Volunteers & Farmers

Landcare Groups & farmers also offer the Federal Government an opportunity to extend biosecurity monitoring for exotic weeds and pests.

Basic on-line information on identification and potential impact of exotic weed and pests needs to be supplied to these groups as well as alerts on incursions.

Risk Posed by Swill Feeding

Victorian food outlets are supplying pig owners with food waste, putting Australia's livestock industry at risk of contracting Foot & Mouth Disease (FMD). In late 2013 the Department of Environment and Primary Industries found 71 (12 per cent) of the 613 regional Victorian restaurants, hotels and other food outlets it surveyed were supplying food waste to pig owners.

Given 71 food outlets in Victoria are supplying food waste to pig owners, there might be hundreds of food outlets across Australia supplying their waste to pig and other livestock owners. There is a risk that a proportion of this food waste contains meat, which should not be fed to pigs or other livestock. Food waste containing meat is called swill and the fine for feeding it to livestock is $17,280. Considering the DEPI's survey results, this fine is probably not a sufficient deterrent to swill feeding.

ABARES estimates an outbreak of the exotic FMD would cost the livestock industry $52 billion. Australia's livestock and meat exports would come to a grinding halt. Given we export 60 per cent of our livestock, the domestic market would be flooded with meat and prices would collapse.

Potentially thousands of livestock on and around infected properties would have to be slaughtered or vaccinated. Stock movements would be restricted and consumer confidence in meat products would be impacted, despite assurances that the meat was safe to eat.

The risk of FMD contaminated meat or dairy product entering Australia and being fed to livestock is small. However, the risk almost became reality in 2010/11 when consignments of frozen uncooked meat products from FMD-affected South Korea were found on Australian retailers' shelves.

The Australian Quarantine and Inspection Service discovered about 3000 tonnes of illegally imported uncooked and cooked pork, chicken and beef spring rolls and dim-sims had been shipped into Australia from South Korea for at least 12 months. The illegal imports came in at a time when South Korea had just gone through another FMD outbreak. The South Korean imports had already been distributed to food outlets before AQIS discovered the breach.

Pigs are the world's most effective incubator of the FMD virus, spreading it far and wide.
The greatest risk Australia faces is seeing FMD spread into the feral population, where it would be virtually uncontrollable.

The VFF is concerned that much of the effort in educating food outlets and backyard pig producers on the risks of swill feeding have been left to the pig industry and its peak body Australian Pork Limited. Animal Health Australia was meant to have developed a research project on the issue, but the VFF is yet to hear what it is doing.

Ultimately the VFF believes a strategy to stamp out swill feeding should be at the top of the livestock biosecurity agenda. Such a strategy should involve federal and state agriculture ministers as well as all CVOs. The strategy needs to engage the support of state agriculture departments to educate free-range pig producers, stock-feed suppliers, and food service industry training providers on the risks of swill feeding to the Australian livestock industry.

Accessing international markets

Policy Idea 24 – Strengthening Australia's overseas market efforts

The liberalising of trade and creation of export markets opens great opportunity for Australia farmers and their profitability. The Victorian Farmers Federation agrees that to maintain international competitiveness, an ongoing understanding of ever changing international consumers and competitors is required. The VFF therefore supports the strengthening of the nation's overseas market efforts, so that Australian farmers have greater and fairer access to these markets, which will in turn ensure they are more competitive and profitable.

The VFF supports Policy Idea 24 a – Undertaking further trade research.

Recommendation 61: Invest in market research that considers current and emerging trends in markets, to assist farmers make appropriate decisions about their resource allocation.

An improved understanding of consumer and market trends overseas will assist Australian agricultural exporters make decisions about how and what to produce. It is important to consider the time lag between production and sale in agriculture. Often it is difficult to quickly reallocate inputs in the immediate to short term to capitalise on changes in overseas demand or competitors supply. For instance, this year, an unprecedented rise in consumer demand for kale resulted in global seed supply shortages. The deficit could not be redressed immediately and Australian producers were unable to take advantage of increase in demand.

The VFF therefore emphasises that any funds invested in further market research consider not only current trends, but also includes market forecasts, so that farmers can plan ahead and make the best decisions about their products and the markets.

The VFF supports Policy Idea 24 b – Improving exporter services and our understanding of overseas markets.

Recommendation 62: Deliver industry specific export resources so farmers can increase their understanding of overseas markets and how to gain access.

Many farmers have little or no knowledge of export processes and the measures involved in converting their operation from a domestic to an international one. Investments should be made in providing accessible information to farmers to improve their understanding of overseas markets and how to access them.

Such resources should be industry specific, given the complex nature of trading agricultural goods and the level of technical, sanitary and phytosanitary measures that are applied to goods.

The VFF supports Policy Idea 24 c – Providing more exporter readiness training.

Recommendation 63: Invest in export readiness training and utilise State Farming Organisations to deliver training at a grassroots level.

State organisations such as the VFF could be better utilised to provide industry specific export readiness training, so farmers are better equipped to navigate export processes and ensure that their production methods meet international market standards and requirements. This could, for instance, involve the Department of Agriculture collating relevant resources and State Farming Organisations passing the information on at a local level through workshops across the state.

The VFF supports Policy Idea 24 e – Developing national promotion efforts (such as through a national brand).

Recommendation 64: Invest in the development of a unified, national brand through extensive consultation with industry.

The development of a national promotion and brand is supported. A coordinated approach is needed, especially in the face of national competitors, such as New Zealand, which are already capitalising on unified approach, reaping the benefits from a 'clean, green, safe' label.

A national label would ease confusion for overseas consumers, and will help achieve price premiums and farm profitability for farmers nationwide.

To take best advantage of price premiums, the perception of quality of Australian goods must be upheld. A clear set of product quality assurance standards should be maintained, so that brand quality is maintained.

Given the size of the nation and the slight differences in state laws and regulations, if quality of agricultural goods fluctuates between regions, a brand that highlights the region (State) of origin from within Australia may be a suitable.

The VFF agrees that industry buy-in is important when implementing a project such as this. To achieve this, consultations should be held with key industry stakeholders from a number of commodities across the nation, along with marketing and brand experts. A task force could then be utilised to finalise the brand and any quality standards attached to it.

The VFF supports Policy Idea 24 f – Increasing Australian Government positions overseas, and considering options for industry-funded positions to underpin increased focus in agricultural market access.

Recommendation 65: Increase Australian Government positions overseas, with an increased focus on agricultural market access.

On-the-ground presence in import markets is an important component of building and maintaing relationships and access to markets. Such officers have a good understanding of the rules and regulations for market access and are able to assist with lowering barriers to trade, whilst also commentating on current and emerging market trends.

The VFF acknowledges that keeping Australian officials in overseas markets is a costly exercise. Industry-funded positions within Austrade may assist efforts to on agriculture.

The alternative that discusses 'Australian-based technical specialists' to 'respond to critical market incidents' is too reactive. For example, earlier this year, the unforeseen Russian embargo on beef treated with Trenbolone Acetate, had an considerable impact on the livelihood of many Australian beef exporters. The response from Australian officials post the change to the Russian sanitary measures were in vain. Officials need to be working proactively alongside foreign governments, to build and maintain relationships and market access.

Policy Idea 25 – Improving Australia's export and import systems

The VFF supports Policy Idea 25 – Improving Australia's export and import systems.

Recommendation 66: Ensure that export systems do not impose an unnecessary burden on farmers by simplifying certification systems and investing in ICT to improve access to information on international markets.

Access to international markets provides great opportunity for Australian farmers to improve their profitability. However, in the face of increasing competition from world agriculture markets, it is important that Australia's export systems do not impose an unnecessary time or dollar cost burden on exporters.

Export certification systems for Australian farmers must be simple to understand and navigate. The VFF would encourage investment in ICT investments that would enable both existing and potential exporters easier access to information on international market opportunities.

Additionally, the Manual of Importing Country Requirements database should be available to those not yet exporting, to improve comprehension of export markets and provide more information on local regulations. Ultimately, this should encourage more farmers to move towards export and assist them in understanding the requirements to make their operation export ready.