

Shire of Campaspe SubmissionAgricultural Competitiveness - Green Paper December 2014







1. INTRODUCTION

The Shire of Campaspe welcomes the opportunity to make a further contribution to the Federal Government's Agricultural Competitiveness review. Council lodged a submission to the stage 1 'Agricultural Competitiveness Issues Paper' in April 2014, and provides this second stage submission to the 'Green Paper' in recognition of the importance of agricultural production and processing to our local and regional economy.

By way of background, the Shire of Campaspe submission to the Issues Paper (submission #294) affirmed this Council's strong interest in advocating on matters affecting the local agricultural industry, referencing contributions made towards a variety of recent issues such as the Murray Darling Basin Plan, the National Food Plan, and the Processed Tomato Safeguard's Inquiry amongst others. Much effort has been applied over the past year towards advocacy and building local business capacity for high speed broadband in the rural areas of the municipality, which Council considers to be essential infrastructure for any modern agricultural business to remain competitive.

Through the development of the stage 1 'Issues Paper' process, Council was fortunate to gain important learnings from local stakeholders as to the range of issues and challenges facing the contemporary agricultural business and our local processing sector. Through this second stage process, stakeholders have assisted Council to recognise that the majority of the key challenges - including costs of inputs, inequities with overseas competitors, issues of labour, and regulatory



compliance – can all be assisted to varying degrees through government action, whether through modification to legislation and policy, funding of programs and support structures, or infrastructure development.

This submission will provide an overview of the local response to the ideas for reform identified by the Green Paper.

2. CONTEXT

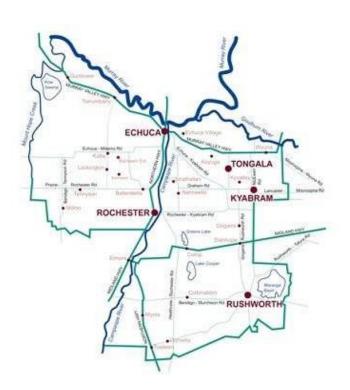
Municipal profile

The Shire of Campaspe is a large rural municipality located in northern Victoria, approximately 180 kilometres north of Melbourne with the Murray River forming its northern boundary. The Shire encompasses a total land area of approximately 4,200 square kilometres with generally flat terrain used for a variety of agricultural and rural pursuits, also benefiting from a diverse environment that includes RAMSAR listed wetlands.

Overall, the Shire continues to enjoy positive population growth, although growth is centred on the larger towns with some smaller towns and rural communities experiencing a level of population decline. One third of the population – approximately 12,000 people - live in non-urban areas.



| Communities | Population (approx.) |
|---------------|----------------------|
| Echuca | 13,500 |
| Kyabram | 6,000 |
| Rochester | 2,000 |
| Rushworth | 2,000 |
| Tongala | 1,500 |
| Small towns / | 12,000 |
| rural areas | |
| SHIRE | 37,000 |



The Agricultural Competitiveness review being undertaken by the Federal Government is of significant interest to Council and its agricultural businesses. Located in the heart of one of the richest and most diverse agriculture and food processing areas in Victoria, agricultural production and its associated processing and servicing industry remain the municipality's



single largest area of economic output and source of local jobs. This diversity is seen through dryland grazing and cropping taking place in the west and south of the Shire complemented by irrigated farming in the north and east, with water sourced through the extensive Goulburn Murray Irrigation District (GMID).

Key agricultural industries include dairy farming, meat production (beef and sheep), and cereal and grain production, with continued growth observed in traditionally smaller-scale industries such as viticulture and – increasingly tomato production.

The availability of raw product, land and workforce has made Campaspe a 'hub' for a number of international and national food processors, including Murray Goulburn (Rochester), Nestle (Tongala), SPC Ardmona (Kyabram), Kagome (Echuca), Fonterra (Echuca and Stanhope) and Heinz (Echuca).

Shire of Campaspe Economic Development Strategy

It is of relevance to the issues raised in this submission that Council is currently in the process of finalising its Economic Development Strategy, in which opportunities for the continued growth and development of the municipality's agriculture and processing sector hold a central place.

The draft strategy has identified a range of macro trends influencing the local economy and hence the relative competitiveness of individual businesses and sectors. These influences share strong similarities to those identified in the Agricultural Competitiveness Issues Paper. **Table 1** (over page) provides an overview of these macro trends.

For the Shire of Campaspe, there is a recognition that local government has little if any influence over these macro trends. Local government may have discrete opportunities to respond through levers such as rural land use policy, advocacy to government and local economic development policy. However broadly speaking, local government must look to State and Federal governments for more effectual responses, such as legislative and regulatory solutions, and major investment such as for infrastructure development or national programs.

KEY STATISTICS: CAMPASPE AGRICULTURE

In 2012/13 the agriculture, forestry and fishing sector remained the leading sector in the region, representing almost **20%** of local Gross Value Add (or **\$327.5** million).

The agriculture, forestry and fishing sector has expanded by **4.2%** in its contribution to total local Gross Value Add since 2007/08.

Food manufacturing represents over **two thirds** of the local manufacturing sector.

Agriculture, forestry and fishing and manufacturing sectors account for the highest employment of local residents (28.1%)

Dairy remains the single-greatest influence on the agricultural sector, with dairy production and processing accounting for 43% of all agricultural jobs and 10% of all jobs in the area.



Table 1 – Macro-economic trends and implications for Campaspe Shire – Draft Economic Development Strategy

| Trend | Implications for Campaspe Shire |
|--|---|
| The world is changing - growth in Asian markets through increased wealth and changing consumer patterns | Long term opportunities for Campaspe's key agricultural crops Potential for new niche crops and value added product markets Potential new sources of investment capital |
| High Australian Dollar high value of currency reducing competitiveness for goods and services, placing pressure on a range of export-oriented sectors | Decreased competitiveness of the Shire's agricultural and manufacturing exports Reduced costs for imported goods |
| more variable weather patterns and increased uncertainty around longer term temperature and weather | Increased risk for local agricultural production: Changes in longer term rainfall and temperature conditions Increased risk of extreme weather events |
| - internet transforming a range of business operations and consumer behaviour | Increased opportunity for local businesses to expand through online business models Increased competition from businesses servicing the region remotely |
| global population increases and diversion of food to non-food uses making food security a global concern and key driver of agricultural production and investment. | Strong longer term demand for new and existing agricultural crops Potential new sources of investment in agriculture |
| continuation of trend towards more intensive farming through use of intensive production systems and techniques | Availability of water and investments in irrigation modernisation makes Campaspe competitive in the market place Potential for high intensity agricultural practices across a range of crops |



Issues Paper - Key themes

In Council's submission to the Issues Paper, a number of key local themes emerged as being fundamental to driving competitiveness. A brief summary is provided below, which assists in framing Council's response to the Green Paper.

| Competitiveness issues – Campaspe Shire | How it impacts |
|---|---|
| The need for a 'level playing field' | Product labelling – confusing to the consumer; lack of 'national brand' Inequity of standards – imported products not subjected to Australian standards Product dumping High speed broadband – Australia's telecommunications cannot compete |
| Costs of inputs | Water – access to affordable water supply for irrigation Energy costs Wages and penalties – high costs for employers |
| Access to finance | Accessing finance a barrier to new entryCost of borrowing |
| Access to skilled labour | Competition for skilled labour Administration costs Lack of education and skill development opportunities |
| Research and development | Increased investment in R&D vital to improve competitiveness Lack of recognition of R&D value by governments Better targeted R&D needed with wider benefits |
| Value-adding and vertical integration | Australia seen as poor at development of vertically integrated business models |
| Other regulatory impacts | Cross border impacts: duplication of administrative processes; inconsistent regulations |

Consultation

Similar to the process carried out by Council in the development of its response to the Issues Paper, a round table discussion was held with a range of stakeholders from the local agricultural sector which included representation from local producers, processors, peak-bodies and government agencies. The ideas contained within the Green Paper were discussed to ascertain those that would likely make the greatest contribution towards improving the sector's competitiveness and those that might not be of sufficient value to pursue. This session was beneficial to Council to understand the advantages and implications of particular ideas and government responses, if pursued.



3. DISCUSSION

Each of the 11 policy idea areas of the Green Paper will be discussed below in the order presented in the paper. Council has sought to focus on areas where there is seen to be the greatest opportunity for reform or benefit, also taking into account the level of specific knowledge on an issue. Natural Resource Management and Drought, for example, are universal topic areas for northern Victoria where many forms of agriculture are sustained by irrigation. However, *Finance, Business Structures and Taxation* (policy area 4) is a topic area specific to the needs of individual businesses and is best responded to by affected businesses or sectors. This topic, along with Biosecurity (policy area 10), will not be discussed as part of this submission.

Policy area 1 - Infrastructure

The Shire of Campaspe strongly supports the development of rural transport infrastructure that can bring about efficiencies in travel times and handling costs. This is inclusive of road, rail and air freight infrastructure, in no particular order of priority. Council is acutely aware of the challenges of inadequate investment in infrastructure, with the second river crossing in Echuca Moama a prime example of where costs are incurred by agricultural businesses by virtue of existing infrastructure that no longer meets the needs of growing communities and businesses.

In principle, all options within Policy Ideas 1 and 2 are considered worthy of further exploration, although some areas – such as a major national investment in a third east-west continental road link – would require more information before being able to properly consider the merits. Policy Idea 2 – Improving existing infrastructure and transport regulation – is of particular interest to this region as it is a transport connection point between northern Victoria and the NSW Riverina. Council's submission to the Issues Paper discussed the challenges encountered by businesses through non-standardised transport regulations either side of the border.

Policy idea 3 – Enhancing Communications – is considered a priority area for infrastructure investment by this Council. The Shire of Campaspe and the Loddon Mallee region endure some of the lowest bandwidths in Victoria and Council is aware of many agricultural businesses attempting to conduct business on traditional dial-up (modem). Council has been a strong advocate for rollout of the NBN in recognition of the need for improved telecommunications in our communities and the efficiency dividends that will arise from this investment. While rollout of the fixed-wireless component of the NBN has recently commenced in part of Campaspe, this program in particular must continue apace so as to address the pressing need of our local agricultural businesses. The optic fibre program has not yet commenced in Campaspe, and this is of major concern to our major food processors and ancillary industries located in the main towns. The Shire of Campaspe will continue to advocate for priority rollout of the NBN to these industries, with poor telecommunications a distinct impediment to competitiveness.

Mobile telephone communications is another infrastructure area requiring investment. While Council has welcomed the federal government's \$100 million Mobile Coverage Program and its intention to address critical black spots, it is unlikely



that this is going to be sufficient investment to meet the needs of regional communities. This is an area that will likely require sustained investment as well as a review of inhibitors to a more efficient and effective network, such as sharing arrangements between telecommunications providers (or lack thereof). Council also maintains concerns with the criteria that will likely be applied to qualify as a black spot for funding under the Mobile Coverage Program and has written separately to the Department of Communications on this issue.

What local stakeholders said:

- ✓ Ongoing enhancement of transport links to ports and hubs is vital
- ✓ Support for the concept of air freight hubs to access new markets (Policy Idea 1b) eg. Toowoomba (private airport) 'test case' access to Asian markets for fresh foods
- ✓ Policy Idea 2: Support for standardisation of road regulations between states to provide 'freedom of movement' reaffirmed frustrations with existing discrepancies with load capacities and regulations
- ✓ Enhancing telecommunications very important (Policy Idea 3) affirmed NBN is vital infrastructure for regional Australia and agricultural businesses.

Policy area 2 – Working with the States and Territories

Council recognises that the successful implementation of many policy initiatives will be dependent upon the support of the States and Territories, who are in fact the legislators or responsible level of government for many of the nominated areas for action under the Green Paper. That, in turn, will need to translate into an effective working relationship with local government who is responsible for administration and compliance of many of the nominated areas, depending on the State or Territory.

While Council agrees at a high level that reduction in red-tape is a positive step forward, care needs to be taken to ensure that the appropriate balance remains between private land rights and 'greater public good'. For example, the 'removal of excessive native vegetation laws' (Policy Idea 4) must take into account the benefits provided by native vegetation on agricultural production systems. Victoria is the most cleared state in Australia, and given the issues of salinity and erosion caused by land clearing in past times, Victoria's native vegetation controls have an important role to play in the effective and sustainable development of rural areas. However Council notes that capacity for improvement remains, and the removal or modification of duplicated or confusing native vegetation controls may be beneficial. Misinformation around native vegetation controls is the other side to this issue and more work could be done to assist the public to understand when and how native vegetation controls apply.

These comments could equally apply to the removal of excessive work health and safety requirements (Policy Idea 4b). Occupational health and safety is an issue of serious concern to this Council to ensure that members of our community working in the agricultural sector return home safely at the end of each work day. As an industry, Agriculture, Forestry and Fishing carries the highest rate of claim for serious injury out of all industries, followed by the related Transport industry



and Manufacturing industry¹. In this light, caution should be exercised. The focus for reductions in red-tape should again be where there is duplication of regulations, inconsistent regulations or requirements (such as between states), or excessive administrative tasks with limited value. Model WHS for national application laws should continue to be progressed through COAG.

Policy idea 6c – Streamlining development application processes – would require further information before a proper assessment could be made as to the effectiveness of such a model. It is also unclear which types of proposals this would apply to, noting that multi-layered approvals are applicable to only a relatively small proportion of activities. Maintaining a strong level of local input is also important, such as through the planning ('DA') process currently administered by local government in most States and Territories.

What local stakeholders said:

- ✓ Removal of excessive OH&S requirements (Policy idea 4b):
 - Agree with idea of National Standards
 - Cost of compliance is a challenge for businesses a range of duplicated or low-value compliance requirements could be removed.
 - Also needs to be a focus on assisting businesses with employees not complying with OH&S (difficult to dismiss at present)
- ✓ Agreed with concern about mining and its impacts on agriculture (Policy Idea 5a) eg. coal seam gas and its effect on aguifers

Policy area 3 – Competition and regulation

In its submission to the Issues Paper in April 2014, Council highlighted a number of areas of concern to local stakeholders in this sphere. Product labelling was one key issue, coupled with inequity of standards between nationally produced and imported products.

The Green Paper suggests improvements to Country of Origin labelling (Policy Idea 9c) to ensure that consumers clearly understand the origin of their food. Council supports this initiative, understanding that while the majority of Australian consumers wish to support Australian producers and invest in locally produced food, this aim is not facilitated by existing Country of Origin labelling requirements. Council acknowledges the release of the Inquiry into this issue by the House of Representatives Committee on Agriculture and Industry, and while not wishing to comment on the specifics of that review, would encourage the government's attention to timely action on this issue for the benefit of Australian producers and consumers alike.

¹ Safe Work Australia: Work health and safety statistics: Incidence rates of serious claims by industry 2012–13



The second issue mentioned above – inequity of standards – has not been detailed by the Green Paper. Concerns raised by stakeholders were that imported food products are not always subjected to the same production or regulatory standards as the same Australian product, thus there is a natural advantage afforded to the imported product. This is a clear example of where the competitiveness of Australian producers is affected. Council would encourage further consideration of this issue in the development of the White Paper.

What local stakeholders said:

- ✓ Policy Idea 7c Support for facilitating greater use of co-operative structures (Murray Goulburn and Waterpool as local examples)
- ✓ Affirmed need for ombudsman type role for supermarkets (Policy Idea 8d)
- ✓ Policy Idea 9b: Country of origin labelling (House of Representatives Paper) same standard for imports is required.
 - Needs to sit alongside marketing to promote 'local' story / product origin (capitalise on clean / green image of Australian agriculture) – support for 'National Brand' concept

Policy area 5 – Foreign investment

The single recommendation of the Green Paper (Policy idea 13) is to improve the transparency of foreign investment through expanding the coverage of the register of foreign ownership to water and agribusiness investment. This is considered to have some merit, if only to provide a benchmark point from which further evaluation can take place of the benefits or challenges posed by the levels of foreign investment in different commodities or geographical regions.

The need for foreign investment in a relatively small nation like Australia is well recognised and processes should not seek to discourage investment in Australian businesses. It is important, however, that this be measurable against the principle of 'national interest', such that particular commodity markets or geographical regions are not unduly dominated by international interests to the detriment of local interests or communities.

What local stakeholders said:

- A range of opinions regarding the effectiveness of expanding the register of foreign ownership:
 - Concern about the register appearing to discourage investment
 - Critical to 'embrace foreign investment'
 - Other opinions expressing concern about levels of foreign ownership of land or particular commodity chains.



Policy area 6 - Education, skills and training, and labour

Both education and labour were identified by Council and local stakeholders in the Issues Paper submission as key areas posing challenges for business competitiveness.

At all levels of education there needs to be an elevated focus on agriculture as a career path. In broad terms, the ideas posed through Policy Idea 14 are therefore seen to be positive initiatives, with 14a and 14c together providing a clear pathway for agriculture students. Policy Idea 14c (financial support) is also crucial to the success of having a network of agriculturally-focused secondary and tertiary places of education. It is vital that governments at all levels recognise education as an investment in the future rather than a cost impediment.

Labour availability is also an issue at the local and regional level, and the benefits of modifying Visa requirements for temporary and skilled workers is recognised. In implementing such arrangements, some consideration would need to be given to local job security in particular communities noting this as a concern in some regions. Policy Idea 15d (reducing administrative burdens) would be a positive step forward, noting local concerns regarding the period of delay and administrative requirements associated with securing workers on Visas.

What local stakeholders said:

- ✓ Strengthening agricultural education (Policy Idea 14)
 - Expanding education / upskilling opportunities
 - Making education access more affordable for regional students
 - Improving quality of training
 - Mentoring young farmers continuing to subsidise costs for students and promotion of the industry
 - Training needs to be regionally focused and regionally located
 - Important to capitalise on unemployment and re-skill (incentives) apprenticeships and on the job training
- ✓ Labour availability (Policy Idea 15)
 - General support for idea to expand coverage of 417 Visa
 - 457 Visas also need to streamline application requirements
 - Clearer pathways for Visa participants to become residents (Policy Idea 15e)
 - Issue of seasonal worker accommodation requirements also needs to be addressed currently a challenge across a range of sectors.

Policy area 7 - Drought

Policy area 8 - Water and Natural Resource Management

These two policy areas will be discussed together given the strong linkages between these themes. The severity of impact of drought on a community or business sector, for example, is very much linked to the management of water and natural



resources. The Shire of Campaspe has a particularly strong interest in the issue of water management due to the high level of reliance of the local agricultural sector on irrigation.

Stakeholders expressed some concern to Council that the Green Paper Policy Ideas relating to drought were overly focussed on managing the consequences rather than proactively managing preparedness for drought. It was noted that there is little if any mention in the Green Paper of the changing climate. Given that all forecasts predict more frequent and severe droughts for Australia in future years, it would seem appropriate for a discussion on climate change policy and mitigation within the Paper. In this light, the proposals within Policy Idea 16 are not seen to be particularly strong as tools to increase drought preparedness.

The community impact of drought has been seen first-hand by this region, and the proposals within Policy Idea 17 (mental health support; additional assistance for 'unforeseeable' droughts) do have a level of merit although should not be considered exhaustive as support mechanisms for communities under stress.

Some additional consideration needs to be given to encouraging (or discouraging) particular farming models or industries in areas where changing climate factors or increasing susceptibility to drought are likely to challenge viability. Adaptation to drought and permanent shifts in climate are almost undoubtedly going to be key challenges facing agricultural producers across the nation in coming decades.

Council has had considerable interest and input into water policy over many years, in particular in relation to the Murray Darling Basin Plan. Council is aware that Policy Idea 18c (improving the functioning and flexibility of water trading markets) holds some attraction for local stakeholders and irrigators and merits further exploration, in particular the notion of counter-cyclical trade. While acknowledging that the water market must be allowed to operate as a proper-functioning open market system, the Commonwealth Environmental Water Holder due to size has particular influence on the operation of the water market and should therefore be encouraged to operate as a 'fair player' in the market. Council raised in its submission to the Issues Paper the issue of permanent horticultural and viticultural plantings in this region and the need for a reliable and cost-effective water supply during periods of drought.

The initiatives suggested as part of Policy Idea 19b (promoting more targeted approaches to pest and disease management and control) are considered worthy of further investigation and consideration, noting the time and financial cost to rural landholders and all levels of government (including local government) of weed and pest management.



What local stakeholders said:

- ✓ Communities still need a safety net through drought (Policy Ideas 16 & 17). It is a reality, however, that some businesses should not be propped up in the long term
 - Need to consider appropriate farming how do we encourage most suitable use of land?
- ✓ Need to consider drought preparation
 - Working strategically (business management, risk management as opposed to be reactive)
- ✓ Water infrastructure (Policy Ideas 18)
 - Increasing capacity of particular dams through deepening should be further explored
 - On farm efficiencies improve efficiencies, encourage investments and promote the irrigation modernisation program (GMID)
- Policy Idea 19a of only limited benefit and not a priority to pursue (eg. EPBC Act rarely invoked)

Policy area 9 - Research, Development and Extension

Council does not have any particular views on the specifics of Policy Ideas 20 and 21 presented in the Green Paper, noting that research agencies and peak bodies are likely to be better placed to contribute to this topic. This said, research and development has been identified by contributors to Council's background investigations as a critical area for driving competitiveness in the agricultural sector. Australia is fortunate to have a strong foundation in this area through its internationally reputable universities and established large-scale research bodies (such as CSIRO), where advances in agricultural research can take place if properly funded and supported. Council notes the 2014/15 federal budget cuts to the CSIRO and is concerned about the impact that this might have to agricultural research and innovation.

Local stakeholders expressed concerns that R&D in Australia was no longer the focus of governments, and that a renewed appreciation for and focus on R&D will be critical to remain competitive over the coming decades.

What local stakeholders said:

- ✓ Increase funding for R&D
- ✓ Examine incentives for private business investment in R&D (Policy Idea 20c)
- ✓ More focus required by governments must be seen as an investment in future wealth creation
- ✓ Greater encouragement of investment by superannuation funds in R&D / Innovation



Policy area 11 - Accessing International Markets

Improving access to international markets is essential to increasing export opportunities for Australian agriculture. International markets provide alternative opportunities to domestic markets, and aside from often yielding higher returns for producers there is national benefit through positive impact on Australia's trade balance.

Many of the ideas presented amongst Policy Idea 24 appear to have merit in principle, however care should be taken to ensure that duplication is minimised with initiatives and programs already underway (such as with the funding of trade positions in foreign missions). Policy Idea 24e ('national brand') is identified as a concept with considerable potential, noting the lack of a coordinated national brand for Australia at present and the success of the New Zealand model (100% Pure). Council has heard this theme consistently from stakeholders. Policy Idea 24g (promote use of international standards in food regulation) is also identified as a common concern from those in the industry, with concerns that Australian products are often at a disadvantage due to the less-stringent food production and quality standards sometimes employed by certain countries. It is in Australia's interest to ensure that its own standards do not drop – rather that the appropriate international forums be used to progressively unify production standards with all of Australia's trading partners. In this context this policy idea (24g) would be supported as an initiative. Policy Idea 25 would appear to also work some way towards addressing concerns on this issue.

What local stakeholders said:

- ✓ Critical to improve the volume of Australia's exports
- ✓ Support for "National Brand" promotion (Policy Idea 24e)
- ✓ Don't duplicate state export efforts (eg. Business Victoria)
- ✓ Work towards international standards
- ✓ Need renewed government focus on supporting Australian agricultural exports

4. CONCLUSION

As a food producing region, the Shire of Campaspe believes in the capacity of agriculture to develop into one of the nation's key areas of future growth. With a number of the world's major growth nations on Australia's doorstep - such as Indonesia, China and India - there is immense opportunity to capitalise on Australia's 'clean green' image and high production standards as a positive marketing tool to these increasingly discerning and broadening markets.

Many local agricultural producers and processors hold a concern that agriculture has taken a 'back seat' in the eyes of successive governments, in particular throughout the past decade as the national focus shifted to mining. In the interim, Australian agriculture has continued to survive in a difficult global market with relatively little assistance and with



international competitors often advantaged by government subsidies and lower cost pressures. The broad scale examination of those policies, structures and other issues affecting the competitiveness of Australian agriculture is well overdue and this current review is therefore welcomed by the Shire of Campaspe.

Council aspires to see a White Paper that presents effective proposals that will yield tangible benefits across the industry, and would encourage the government's timely finalisation of the review and implementation of recommendations. Again the Shire of Campaspe conveys its appreciation for the opportunity to be a contributor to the process.

Could the Taskforce please direct any enquiries on this submission in the first instance to Daniel Strachan, Strategic Initiatives Manager at the Shire of Campaspe at d.strachan@campaspe.vic.gov.au or ph. 5481 2200.