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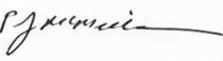
Agricultural Competitiveness Taskforce
Department of Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

SUBMISSION – AGRICULTURAL COMPETITIVENESS GREEN PAPER

Regional Development Australia Central West (RDA Central West) is pleased to provide the attached submission in relation to various policy ideas detailed in the Agricultural Competitiveness Green Paper.

We trust our feedback will be of assistance and look forward to release of the White Paper.

Yours faithfully,



Peter McMillan
Executive Officer

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Agricultural Competitiveness Green Paper – Submission from RDA Central West

Opening Remarks

As noted in the Green Paper, the agriculture sector's contribution to Australia's economy, livelihood and future prospects is significant. While the contribution to the nation's Gross Domestic Product, export earnings and employment is significant, it is a significantly higher proportion of income and prosperity in regional Australia.

The NSW Central West region comprises 11 Local Government Areas from Lithgow in the east to Lachlan in the west, covering 63,000 km² and a population of 177,000. In 2012-13, agriculture accounted for 7.7% of Gross Regional Product and has been the economic backbone of a number of many communities within the broader region¹. In terms of employment, the sector employs 9.5% of all workers across the region². Agriculture is consistently within the top 3 sectors in terms of both employment and GRP contribution for the 11 LGAs within the Central West region.

These figures, in themselves, don't fully capture the actual contribution of farming to regional Australia. Small towns across the Central West are dependent on a productive and profitable agriculture sector to generate income, support local business and maintain a sustainable population base.

To that extent, policy measures that enhance competitiveness of the agriculture sector are strongly supported. Moreover, the focus on ensuring that our farmers are better positioned with the skills, experience and opportunity to produce a better quality, cost competitive product is vitally important.

RDA Central West, in collaboration with Charles Sturt University, recently held our annual Agribusiness Today forum. We asked the 200 producer participants to rate the event and indicate what they saw as priorities and opportunities for future forum topics:

- 57% indicated that what they had learnt on the day would influence their future production and management practices;
- There was a high degree of interest in learning more about markets, policy settings, benchmarking against global competitors, reproductive efficiency, genomics, herd nutritional supplements and biosecurity,

- 98% of attendees had a very positive view of the importance of education and networking forums such as this,
- There were 77 suggestions for future topics around beef production alone and 41 suggestions for other workshops, seminars or field days.

These statistics are very encouraging. It is clear to us that there is a very strong interest for opportunities to network with other producers, learn from experts in their respective fields, and apply new and improved farming system practices back at the farm.

In short, many farmers across the region are seeking to become more competitive in domestic and international markets with quality products. Now is the time for a supportive policy and legislative framework that will enable growth and innovation in the agricultural industry in Australia.

There is a real opportunity to leverage a number of the policy initiatives around agricultural competitiveness through an effective and comprehensive farm extension program. Some policy ideas suggest a “one stop shop” for farmers that are seeking information and advice on how to improve their practices on the farm. We believe there is considerable merit in this approach. Areas that we consider would be well served through effective extension measures include, but are not limited to:

- Business planning
- Occupational Health and Safety
- Farm energy efficiency measures
- Education around debt management
- How to work through the development applications process
- Opportunities for farm business coordination through cooperatives
- Commercial arrangements permitted by legislation such as collective bargaining with suppliers and customers
- Access to export market opportunities
- Understanding farm finance and debt
- Increased access to, and involvement in, research and development (inclusive of production and new technology trials and feasibility studies)

Competitive farm gate costs driven by more productive farms, coupled with lower freight, handling and distribution costs will support new opportunities for value added agricultural enterprises.

With over 1,700 full time equivalent job losses across the NSW Central West announced for the next two years, there is an urgency to provide the right environment for investment, business growth and development, and new industry opportunities. It is essential that this region leverages its current strengths and assets to ensure the long term sustainability of food and fibre in this region.

Our regional strengths and assets include:

- (a) high quality agricultural land
- (b) proximity to markets

- (c) a diverse climate, well suited to niche products and markets
- (d) infrastructure that is in generally good condition, with all-weather access
- (e) food processors and associated technology already located here
- (f) innovation, entrepreneurial skills and capacity of our people
- (g) a strong educational industry skills footprint, with institutions and structures to support an effective extension network

The agriculture sector has significant opportunity and capacity for growth. The Central West region has the natural resources, manufacturing capability and skills to produce quality food and fibre products and make an important contribution to regional food security. The Agricultural Competitiveness Green Paper is necessary, important and timely.

Infrastructure

Policy Idea 1 – Building new Transport Infrastructure

RDA Central West has just launched a comprehensive freight study of the NSW Central West region³. The study examined the current and future freight task across the region, identified the key freight networks, and analysed opportunities to improve freight efficiency.

A number of key issues have been identified from that study and several candidate projects were found to have significant potential for meeting the future freight challenges. It should be noted that the size of the freight task is expected to increase by 80% on current volumes by 2034⁴.

New transport infrastructure is essential to support the future freight task.

The proposed **Melbourne to Brisbane Inland Rail** is a major nation building infrastructure project in its own right but will have particular implications and opportunities for agriculture.

Interstate rail freight's modal share of the eastern seaborne freight task has been stubbornly flat despite significant investment since 2004 by ARTC in rail projects in and around Sydney. With approximately 2 million tonnes of Melbourne to Brisbane freight travelling through Sydney that can be diverted inland and relieve pressure from the congested Sydney network, there is a strong argument that investment in the Inland Rail will be more effective in achieving a greater share of the Melbourne to Brisbane freight task⁵.

The Inland Rail project would not only take a greater share of the interstate Melbourne to Brisbane freight but would provide cost effective, reliable and faster rail access for Central West agricultural producers to markets in Brisbane and Melbourne.

It is not difficult to envisage how the commissioning of an inland rail route through towns such as Parkes would create enormous potential for new business creation in line-side

businesses such as freight, logistics, and other enterprises that would have cost effective access to warehousing and a truly national rail and road network.

The resulting increase in employment, import substitution and local spending on goods and services would have a very positive impact on Gross Regional Product for the Central West region and, consequently, on Gross Domestic Product.

Similar new infrastructure candidate projects such as the **Maldon to Dombarton** rail line and the Blayney to Demondrille branch line, are considered to have considerable merit by providing alternate rail routes into Sydney and Port Kembla for agricultural products. Access to Port Botany and Port Kembla is considerably constrained at the present time from the main west line into the Sydney metropolitan network and via the Illawarra line to Port Kembla. The Maldon to Dombarton rail line would significantly alleviate this constraint.

Reopening the **Blayney to Demondrille branch line** supports the export of locally produced agriculture, provides an additional north-south transport corridor for through freight in the Central West and offers an alternative access to Port Kembla via the existing Moss Vale to Unanderra rail line⁶.

New transport infrastructure not only improves efficiency and reduces the supply chain costs of freight for producers (and ultimately consumers) but it opens up opportunities for new distribution channels and markets for the sector as well as potential new industry entrants with access to that infrastructure. It is a positive enabler for improving the profitability of the sector and provides economic development opportunities for value added agriculture and vertical integration. These are important and exciting prospects for the Central West region.

Regional proximity and connectivity to metropolitan areas is a key factor in assessing the greatest benefit for infrastructure spend, particularly in relation to transport infrastructure.

Most freight originating in the Central West region is destined for Sydney, and freight and passenger transport from other regions also uses Central West transport infrastructure such as the Great Western Highway, Newell Highway, and Mid-Western Highways. Investment in the Central West region will benefit users not only in this region but also those further west.

For example, it is estimated that 80% of all road freight generated in the Central West travels through Lithgow⁷. Upgrades to the Great Western Highway in the eastern part of the region such as realignments or additional overtaking lanes will not only deliver improved freight and transport efficiency for businesses and residents in Bathurst and Lithgow LGAs but also for all others further west (or “upstream”) that transport freight or travel through the region to or from Sydney.

In relation to **air freight hubs** in regional Australia, The Green Paper notes that given the cost of both airport infrastructure and air freight, it may not be economically viable to use

air freight in many regions. It should be noted, though, that air freight per capita in the Central West region is only 10% of the volume of air freight in metropolitan areas⁸.

There is significant upside potential of air freight from reliable, quick access to markets (especially international export markets). Produce with short shelf life and high value, low volume commodities and time sensitive freight is well suited to air freight.

A number of Councils in the region are already exploring this opportunity. For example, plans are under way to enable wide bodied aircraft to land and take off at Parkes airport. Given its positioning at the centre of both east-west and north-south road and rail networks, Parkes is an example of a potential air freight hub for inland NSW. Inland Rail and future development of the existing National Logistics hub in Parkes, along with airfreight expansion, will generate significant economic activity and opportunities.

The NSW Central West Freight Study noted that there is strategic merit in the development of **intermodal terminals** where they are likely to be economically viable and sustainable.

These decisions should not be taken lightly and should be underpinned by a sound evidence base. There are a number of existing sites that are operational and others that are under consideration in the Central West. There is undoubtedly potential for significant reductions in transport and handling costs through a well-coordinated agricultural supply chain network that minimises travel distances, rehandling, efficient vehicle loading and harmonised rail and road transport schedules.

Policy Idea 2 – Improving existing infrastructure and transport regulation

RDA Central West supports this policy idea and believes there is significant latent value in the agriculture supply chain to be realised. There are many opportunities where existing infrastructure needs to be improved to ensure logistics costs do not escalate as a proportion of the costs of doing business and that unintended consequences do not materialise.

The reduction in receival points for barley in the region during 2014, for example, has increased road haulage distances and journey times. These closures have had the effect of transferring freight tonne-kilometres from rail to road.

The increased costs of freight to receival sites and the increased risks to road users are absorbed by our farmers and farming communities. The broader implications are more tonne-kilometres of trucks on rural roads, increasing local road maintenance costs and the risks associated with increased interactions with local traffic.

A significant number of local and regional roads do not have appropriate pavement width or the necessary quality for the efficient and safe management of the freight task. Heavy vehicle usage of such roads combined with passenger vehicles results in traffic conflicts and the extent of these conflicts will only increase as the freight task grows. Any reduction of

rail's modal share of the freight task, by line closure or downgrading, will consequently mean more freight travelling by road. Current road infrastructure requires significant investment to meet the current freight task to increase pavement width, alignment and sufficient overtaking opportunities.

According to GrainCorp, rail's share of bulk export grain volumes has fallen by 2 million tonnes in the period 2004-06 to 2012-13. This equates to a modal share decrease from 90% to 50%⁹. We note this trend with concern and the implications it has for additional trucks on local and regional roads.

To this extent, it is important that not only is existing infrastructure improved but that existing infrastructure is **maintained**. A further loss of branch rail lines will have a significantly unfavourable impact on local communities through more heavy vehicles hauling freight in and around towns. Current Government policy favours a modal shift from road to rail. This is at risk if rail costs continue to remain uncompetitive compared to road freight costs, especially for short to medium haul distances¹⁰.

"The movement of lower volume agricultural freight by rail is generally uncompetitive in the Central West compared to road freight for short haul into the greater Sydney region and NSW ports. **This is due primarily to the extent to which costs are recovered through user pay arrangements. Above and below rail costs are generally recovered through the cost of freight whereas road freight costs are not recovered to the same extent. Rail is however the most efficient method of transporting bulk goods at high volume**" (*Lycopodium, NSW Central West Freight Study, 2014*). It is important, in our view, to consider all costs of road and rail, including externalities such as safety and environmental impact, when assessing the merits of one freight mode compared to the other.

There is a growing concern that some agricultural commodities traditionally hauled by rail are at threat of being lost to road as road freight rates reduce through competition and road vehicles become more efficient. Existing rail users have also expressed the need for greater **rail capacity** through the Central West for rail to remain competitive. A number of these issues within the NSW Central West have been identified by Infrastructure NSW in the update of the State Infrastructure Strategy, such as 1,800 and 1,500 metre passing loops in the Georges Plains and Tarana areas. The benefits of upgrades on the Main West Corridor to provide more reliable, greater capacity train paths through to the Sydney network have also been highlighted for prioritisation¹¹.

These initiatives are strongly supported. Rail needs to play a more significant part in the total freight task than it currently does.

The cycle times for grain services to port has been identified as an issue for the industry. Additional capacity, reduced journey times and increased reliability would be the result of further capacity enhancements of the existing network, predominantly on the Country Regional Network.

Reductions in the rail freight cycle time can be achieved through additional long passing loops on single line sections, targeted track upgrades to increase axle loadings and speed, and signalling and network control improvements. Satellite based in-cab signalling to reduce section lengths and increase train capacity is emerging as a possible solution¹².

RDA Central West supports the development of a targeted program of local, regional and state road “pinch point” upgrades, with a view to overcoming access constraints on high productivity vehicles and high mass limit vehicles.

RDA Central West supports any initiatives that address the “**last mile**” issues in the Central West. Regulations and inconsistencies with approved road train and B Double routes should be streamlined and applied consistently, with a view to enabling farmers greater access to more productive vehicles with better load capacity and utilisation.

Farmers and agricultural businesses require institutional arrangements that strip away “red tape” and promote alignment of adjacent network owners all leading to a reduction in the total cost of transport, which is a major cost of doing business.

There are currently 3 **separate rail network managers** in the NSW Central West which adds complexity and costs for generators of freight that need to negotiate separate access arrangements and pricing structures. Current “open access” regulated financial and safety regimes result in inflexible infrastructure and operational standards, and a complex array of rules and standards.

This is a good example of a “red tape” reduction initiative that can benefit generators and users of freight.

Finally, RDA Central West is supportive of proposed road and rail freight capacity upgrade projects in the Sydney network that will demonstrably improve road and rail freight access from the Central West.

Policy Idea 3 – Enhancing communications

Telecommunications infrastructure, which enables new types of jobs and services to be undertaken in regional areas, a number of which will support the agricultural sector, contributes positively to the productive capacity of the region and is essential.

The provision of higher speed, reliable and affordable broadband services and “blackspot free” mobile coverage could arguably be seen in the same light as the provision of road infrastructure in remote and regional Australia – that is, as a community service obligation.

Mobile phone and data services in rural areas are prone to monopolistic characteristics due to limited available service providers. Regional Australians can pay significantly more for data and voice quotas than metropolitan areas.

RDA Central West recognises that providing FTTN broadband services to communities with small population centres in regional Australia is cost prohibitive, and that alternatives such as NBN Fixed Wireless or Satellite services will be provided at comparable pricing to similar services in urban areas.

In addition, greater **4G mobile coverage** in regional communities through spectrum allocation will contribute to services comparable to those already enjoyed in metropolitan areas.

Telecommunications service restrictions and failures reduce the capacity of regional farmers to compete with overseas farmers and those closer to metropolitan areas as new farming equipment and management tools rely on data technologies such as GPS. Yields and productivity are increasingly being improved through yield mapping, stock tracking, and automated plough and harvest operations technologies reliant on telecommunications services & infrastructure.

The importance of high speed broadband and mobile telecommunications connectivity to rural communities, inclusive of the agriculture sector, is vital to support remote community health through the provision of digital health services. It is also increasingly important for export market e-commerce which utilises online transactions.

There are also other, broader social and economic considerations. A lack of satisfactory mobile coverage and high speed internet provides a significant disincentive for professionals and non-professionals relocating to the bush. This results in skill shortages in key occupations in regional towns, a number of which would provide key support for the agriculture sector.

In the NSW Central West, there is a significant net import of professional and technical services as well as financial and insurance services. Imports in the Central West in 2009-10 of professional, scientific and technical services were \$358 million alone¹³. This represents the region's highest value category of imports.

There are many towns in the NSW Central West that have stable or marginally declining population forecasts for the next 15 years¹⁴. These towns have considerable heritage and charm but are at risk of further decline through ageing population and structural changes to the local employment base.

There is a particularly pressing need to create the right amenity and opportunities in these rural communities to encourage new residents relocating from coastal cities, several of whom would bring an online or home based business with them. Improved telecommunications connectivity is a high priority criteria for many considering this option.

One way that the Government could acknowledge the importance of communications connectivity to rural Australia could be to elevate regional communities, especially farming communities, in the roll-out schedule of NBN services and other communications infrastructure.

Working with the States and Territories

Policy Idea 4 – State government deregulation

RDA Central West believes that, to the extent possible, harmonisation of rules and regulations across the nation should generally be the desired outcome. For example, and as pointed out in the Green Paper, cross border issues with transport are not insignificant.

In relation to the removal of excessive vegetation laws, assessment processes should generally be consistent across agencies and localities but the inputs and outcomes should be appropriately tailored to take into account local circumstances. To the extent possible, assessment models should include local reference groups that incorporate intergenerational input into native vegetation considerations and not rely solely on desktop analysis and research. It is important that policy makers and staff have an adequate understanding of productive agricultural systems and the impacts of both removal and regrowth of native vegetation on productivity as well as native flora and fauna.

Landscape change should give consideration to the broad range of issues such as pests, weeds, climatic conditions and impacts on indigenous species. The impacts of primary production on land use are important but not the sole determinant.

Options identified in Policy Idea 4 (a) to (c) are supported insofar as they result in genuine reduction in unnecessary red tape and are not detrimental to native vegetation, work health and safety, or indeed native title rights. Although reductions in red tape of themselves are worthy and beneficial by providing simpler and more cost effective processes, a degree of caution should be exercised to ensure that there are no unintended negative consequences that the existing law or regulation would otherwise have prevented. For example, in relation to OH&S, it is important that employers do not circumvent their obligations such as providing a safe place of work, reporting of incidents, investigation of injuries and near misses, rehabilitation of injured employees, maintaining adequate workers compensation insurances etc. Similarly, employees have various obligations of their own to work safely, report injuries etc. Farms should be safe places of work and a safe work culture needs to be strengthened through extension programmes to ensure good practices are instilled.

Policy Idea 5 – Protecting the Resource Base

To safeguard protection of the resource base for future generations, RDA Central West suggests that policy should support a scientific approach to determining how to maximise the land use potential of agricultural land as well as protecting the natural features of the land such as aquifers.

An evidence-based approach should be adopted to facilitate decisions where competing land use options are identified. Decisions should take into account an array of

considerations including, but not necessarily limited to, economic benefits, social benefits, sustainability of the land and accompanying resources, heritage, amenity and environmental factors, and community stakeholder views. In some cases, the “best use” principal may lend support to quarantining certain land from mining activity should the evidence support this.

It is noted that the NSW Government has created a system designed to protect strategic agricultural land and water resources through its Strategic Land Use Policy¹⁵. Consistent with the spirit of Policy Idea 4, the aim should be a consistent, national approach to this issue.

The mining industry contributes 19% of Gross Regional Product in the NSW Central West. The ongoing viability of the mining industry is critical for the region. It can and does co-exist with a successful, viable farming sector. Decisions around new mining activities or expansions of mining activities can be emotive and contentious, even where there is strong local community support. This is further reason why a holistic approach, having high regard to the evidence, is needed for effective decision making.

Many farmers with leasehold land have invested considerable amounts of money for capital improvements to the land, such as fencing, as well as pest and weed control. These costs have been additional to annual lease costs, while the landowner may not have made a financial contribution towards these costs. Costs arising from improvements to the value of the land and property that have been borne by the lessee should be recognised as part consideration in any transfer from leasehold to freehold title. This will enable farmers to secure a reasonable return on their investment.

Policy Idea 6 – Strengthening farm businesses

Moves to implement a nationally consistent and mandatory approach to farm debt mediation are supported.

A consistent approach that provides clarity of purpose and process will assist lenders and farmers alike. Stakeholders need to have a clear understanding around the purpose of mediation with a view to securing realistic, reasonable outcomes around debt management.

The process needs to ensure that the parties participate genuinely in good faith. Restrictions around lender foreclosure may be worth considering based on a post-mediation timeframe of 5 years, allowing a reasonable timeframe for the debt to be cleared. This would be subject to the borrower’s equity not falling below a threshold point such as 20%, determined from an independent valuation.

Farm energy costs are a significant portion of total costs of farming. Programs that provide some relief to farmers through subsidising the cost of farm energy audits would be welcomed, particularly in light of rising energy costs. Again, a nationally consistent approach should be taken to initiatives such as this where possible.

While enabling legislation for Cooperatives is in force, knowledge of the potential benefits such as greater economies of scale, reduced compliance costs, marketing, risk mitigation and better access to capital are not particularly well understood by many farmers.

Although some farmers across Australia may be strong advocates of cooperatives, this is arguably not the prevailing culture in Australia compared to, for example, in Canada. We have listed this issue in the opening section as an example of how an effective extension program could mentor farmers interested in exploring opportunities in this area.

Competition and Regulation

Policy Idea 7 – Improving market competition

There is an opportunity to build greater capacity for farmers to identify new market channels, alternate customers, opportunities for collaboration, vertical integration etc. as part of a range of enhanced extension services to farmers.

Additional information, knowledge and greater use of collective bargaining provisions will enhance the prospects of farmers in achieving more favourable commercial outcomes. Farm profitability is dependant not only on control of costs but also from receiving a fair price. A single farmer with limited access to resources and information, and a range of competing demands on their time and skills, is at a considerable disadvantage in negotiating with a major buyer (with dedicated professional staff across a range of operations and skill sets at their disposal).

Strong measures to ensure that farm gate prices are not derived from harsh or unconscionable conduct are required. This includes creating awareness through education as well as providing appropriate mechanisms for monitoring and reporting.

In New South Wales there is an existing network of Business Enterprise Centres that provides business coaching, training and other services to small businesses. A similar service, targeted specifically to farmers, is worth consideration. Such a service could also provide information on cooperative business structures and examples of some of the farming cooperatives that have been set up around Australia. This could assist with promotion and greater take-up.

We want to emphasise the importance of mentoring and coaching farmers. Merely providing an information pack or dataset is not enough by itself. Skills and knowledge transfer through effective, locally provided, mentoring is needed in order to make a substantive difference.

Endeavours to provide farmers with greater access to information relating to prices and volumes throughout the agricultural supply chain are supported. The most effective markets are those where the participants are well informed through effective supply and demand

signals. Additional price and volume transparency will provide farmers with timely information to support business strategy and tactics and, consequently, farm gate profitability. Importantly, this information needs to be meaningful and understandable to farmers and contain appropriate references to seasonal and locational factors.

Policy Idea 9 – Improved regulation

Opportunities for reducing red tape with AgVet chemicals regulation should be pursued provided that changes take into account the potential impacts and implications for Australian conditions and, where appropriate, local conditions. Better use of trusted foreign regulators to streamline chemical assessments is a sensible approach that will reduce lead times and deliver lower input costs.

Country of Origin Labelling regulations are important insofar as they facilitate informed choices by consumers, particularly those who wish to support Australian farmers. However, consumers may not appreciate the distinction between “Made in Australia from local and imported ingredients” as opposed to “Made in Australia from imported and local ingredients” and what this means in terms of the proportion of overseas content. A sensible balance needs to be struck whereby packaging and labelling requirements are not cost prohibitive or unreasonably onerous for manufacturers, especially if an out of season or out of stock ingredient needs to be temporarily sourced from overseas. Ultimately, though, there needs to be clear and unambiguous CoOL guidelines for producers, manufacturers, retailers and consumers that are revised, well understood and regulated.

Another issue that we believe warrants consideration under the heading of improved regulation is boundary alignment. Alignment between Local, State and Commonwealth Government boundaries will provide significantly greater cohesion and efficiency in program and funding delivery. Communities that are on regional boundaries have an array of different regional department areas to contend with. Even at State level, different departments have their own catchment areas and borders. The problem is not just one of cohesion but also the lack of presence of Department staff on the ground who are readily available for local farming communities. The “spoke and hub” model is increasingly seen as an effective approach to decentralised Government service delivery. Unfortunately, though, too many times it is difficult to get staff on the ground across the districts, other than in the major regional hubs. There is an argument that a contingent of staff should be based in the smaller centres to provide extension services and work closely with local farmers who, ultimately, are the target customers. This issue should be also be examined under the *Reform of the Federation White Paper*.

Finance, Business Structure and Taxation

Policy Idea 10 – Improving access to finance

We note the range of measures under consideration for improved access to finance, including additional sources of investment into the sector and re-financing or debt

alleviation measures for those who are burdened by debt but have strong long- term prospects.

There are some general comments in relation to this that we would make.

Firstly, capital provided by institutional investors into the agriculture sector needs to be targeted towards those developments that would contribute significant enterprise and local economic growth. This should be the test for these types of funds. For example, opportunities to grow new export markets on a significant scale, necessitating investment in plant, labour or other assets, for which traditional debt funding may not be available, would meet this test.

An influx of equity capital without the requirement to generate local economic growth runs the risk of creating an over-heated market for agricultural land.

Secondly, the issue of partial equity ownership in farming from institutional investors provides benefits of access to capital but also, by nature, implies expectations for returns on this investment.

Pressure that is placed on the farm manager to deliver yields and returns through farming practices that meet investor needs in the short term may not be in the best longer term interests of the productive use of the land. This may particularly be the case following a season (or successive seasons) of poor returns. Unwanted interference in the management of the land by interests with little or no farming expertise is a concern.

We would have concerns over any policy initiatives which have the effect of family farmers, who hold intergenerational knowledge and skills, not being able to compete in the farm capital market to grow and develop their enterprises. Potential capital barriers to entry for young farmers must not be insurmountable. In depth, realistic modelling is needed to ensure that risks are well understood and that institutional investment does not have unforeseen repercussions for farmers or the sector at large.

Instruments that facilitate exposure to agricultural units, which consist of multiple farming enterprises with sufficient geographic and commodity exposure, may lessen this risk of interference as well as the general investment risk of an inadequate return.

In relation to the Farm Finance Concessional Loans Scheme, should that be extended beyond June 2015 there would be merit in considering a refinancing period of ten years instead of the current five.

This would provide sufficient time for the enterprise affected by drought or other circumstances to recover. We agree that the “long term viable farm” test is an important one and a hurdle that should ordinarily be met before concessional lending is granted.

The costs of switching lenders, including duties, penalty interest and bank charges limit the potential for farmers to seek more competitive financial products and services, trapping

farmers in banking arrangements that may no longer meet their needs and limiting finance innovation in the agribusiness sector.

We support consideration of measures that provide relief to farmers seeking to refinance their loans from high bank switching costs, penalty interest on early payment and stamp duty costs, the effect of which is a restriction on competition.

Policy Idea 11 – Improving tax system efficiency and equity

It is suggested that a cautious approach be taken to extending the deposit limit threshold for the Farm Management Deposits Scheme from \$400,000 to \$1 million per individual.

Instances have been noted where it has been difficult for farmers participating in the FMD to exit the scheme or draw upon their deposit due to the associated heavy taxation burden that is payable at the time.

It is true that the intent of the scheme is to provide income in the year when it is needed but the fact that tax is then payable, potentially at the top marginal rate, can negate the cash flow that is needed at the time. Extending the deposit threshold beyond the current level could exacerbate this.

Alternative tax incentives could potentially be explored under the White Paper on the Reform of Australia's taxation system such as offering tax concessions on demonstrated reduction of core debt. Provided eligibility criteria relevant to farm debt is applied, such an arrangement could be extended across the term of the debt so as to provide relief while ever the debt remains unpaid.

We believe that debt financing, management and servicing of debt, taxation implications and cash flow are topics that need to be well understood by all farming enterprises and we include this area as an important component of farm education and extension programs.

Arguments for changes to the boundaries of the eligible zones for the Zone Tax Offsets, and for increases to those offsets, would appear to have significant merit.

A number of communities within the Central West region have significantly less access to publically funded services in health, education and transport. Additional costs of living pressures due to remoteness from retail and recreational facilities are also encountered. A number of these towns in the region are rated in the lower deciles of the SEIFA Index¹⁶, indicating relatively low levels of education and income and higher levels of social disadvantage.

Farmers and their families in these regions need to drive long distances for business and family reasons. In comparison with current Zone A and Zone B communities, the circumstances are not materially different and the same underlying principles relating to isolation, access to services and cost of living impacts should apply.

Consideration should also be given to creating special drought recovery zones whereby concessional rates of tax would apply for a period of five years following the end of the drought. This would provide greater certainty as to drought assistance available upon the declaration by the Agriculture Minister. It is our view that this should extend to all taxpayers within the declared zone, not just to farmers. This is in recognition of the interdependency between farmers and the broader community.

Moreover, on the issue of equity generally, concessions afforded to farmers should be extended to direct support businesses such as agricultural contractors, livestock agents, equipment and machinery suppliers where the majority of their business under normal conditions is either directly to farmers or to a farming community, and where agriculture is the primary source of economic activity.

Policy Idea 12 – Farm Business Improvement

This policy idea is supported. We have commented above on the importance of effective business advice (refer to our response to Policy Idea 7) which is similar to an extension of the Entrepreneurs' Infrastructure Programme but arguably broader than that in scope.

We also are of the view that the Rural Financial Counselling Service has an essential part to play in providing financial counselling to those with hardship. This service needs to continue to be fully funded and supported.

RDA Central West strongly supports attempts to build collaboration between farm businesses. Official and unofficial networks exist and some are more successful than others. There is an eagerness to collaborate – the main criticism by farmers attending the annual Agribusiness Today Forum that was held in August was that there was not enough time to network with other attendees.

We note that many of the initiatives outlined in the Green Paper under the various policy ideas involve, of necessity, direct contact with farmers. Many of these relate to education, networking, or other face to face services. These are indeed important priorities. It will be important to properly resource these services in the areas where they are most needed, that is, in the rural, regional and remote areas of Australia where the agricultural activity takes place. This will have cost and logistical considerations that will need to be overcome. These costs should be seen as a relatively small investment in the short, medium and longer term viability of our agricultural land resources, and the people who have dedicated their livelihood to its efficient and proper use.

Drought

Policy Idea 17 – In drought support

We have suggested under our response to Policy Idea 11 that consideration should be given to creating special drought recovery zones whereby concessional rates of tax would apply

for a period of five years following the end of the drought. This would provide greater certainty as to drought assistance available upon the declaration by the Agriculture Minister.

We are of the view that household financial support is the most important area where help can be given to drought affected farmers and their families. From a Government policy perspective, a greater degree of certainty as to whether or not assistance will be provided, and the quantum of that assistance, is also important and an opportunity for improvement.

Additional mental health support in times of drought is also strongly supported.

Water and Natural Resource Management

Policy Idea 18 – Improving water infrastructure and markets

High quality water supply is arguably the most important resource for a long term, sustainable region. Investment in regional water infrastructure is a precondition for the future prosperity of regional communities.

RDA Central West notes and supports the work that Central Councils NSW (CENTROC) has done through its Water Utilities Alliance with member Councils. It has completed an extensive strategy to identify and implement infrastructure priorities for water security and supply. Its work in developing best practice solutions for quality water supplies and sewage services has been recognised by awards from Engineers Australia, LGMA and others.

As part of its work, CENTROC has completed a Water Security Study that, amongst other things, incorporates an evidence-based major infrastructure augmentation program. This includes recommendations for the augmentation of Lake Rowlands as well as a number of supply pipelines within the Lachlan and Macquarie catchment areas.

It is important that communities have, as a minimum, appropriate infrastructure to meet mandatory operational and environmental standards. To the extent that current facilities are failing to meet these standards and pose potential health and environmental risks, asset replacement or modification of existing assets is supported.

RDA Central West supports the development of infrastructure priorities in our region that:

- (a) Contribute towards the delivery of better water security outcomes
- (b) Foster efficient delivery of high quality, affordable drinking water to regional communities
- (c) Deliver upgrades to local water utilities infrastructure to meet anticipated demand and operational requirements
- (d) Optimise use of available water, such as storm water harvesting

The announcement of the investigation of potential sites for a new dam on the Belubula River is a significant development, with implications for the region on urban water supply,

irrigation and flood mitigation for the catchment.

We submit that the issue of water management needs to include consideration of community economic benefit as well. This obviously is of relevance to communities affected by the Murray Darling Basin but also should be front of mind when planning for the design and positioning of new water infrastructure assets is undertaken. Decisions relating to potential site locations, engineering specifications, environmental flows and impacts, security of water supply and economic and community benefit need to be evidence based.

It is also important that the potential economic and environmental benefits of new water infrastructure are appropriately shared by community stakeholders within the catchment where the infrastructure is placed. Equally, potential risks to the entire catchment ecosystem, economies and communities need to be well understood and managed.

Research, Development and Extension

Policy Idea 20 – Strengthening the RD&E system

Although Australia can rightfully be proud of the high quality work undertaken by the CSIRO, universities, RDCs and CRCs, and that our rural innovation system is highly regarded both at home and internationally, the system appears to operate primarily as an agglomeration of organisations and committees operating as silos.

There are two primary concerns with the lack of a whole of sector perspective. The first is a lack of sharing of learning between the agencies. The second concern is the potential for similar work to be duplicated by other agencies due to a lack of communication and awareness. Both of these situations are wasteful.

There appears to be enormous potential to leverage the good work being done within many of the individual CRCs and RDCs by better collaboration and cross-sector consultation. It also appears to be a matter of common sense that agricultural research undertaken at universities should have a practical commercial application and relevance to the sector. That is, research undertaken should be ideally be capable of being applied and deliver results in the paddock.

These gaps appear, at least in some part, to be issues of structure (or, more correctly, a lack of structure). Farmers can rightfully be disappointed that the potential benefits of levies paid are not maximised for lack of a cross-sector perspective, where it would be reasonably be expected that there be at least some structured conversation across the RD&E participants from time to time to ensure the right research and development activities, consistent with the broader national interest, are being undertaken.

Key performance indicators could be set for all publicly funded RD&E entities around the extent to which potential cross-sector application has been assessed for all programs in progress and under consideration. Evidence around these KPIs would include discussions,

workshops, meetings and conferences to have peer-review of work plans and potentially multiple organisation initiatives.

The importance of effective extension has been emphasised both throughout the Green Paper and in our submission. Research and Development in agriculture must be successfully deployed to those who are able to make use of it in a timely and effective manner, and in a form which can be readily understood without unnecessary scientific or academic jargon.

We note the option of further encouragement of private industry involvement in extension efforts and note that agricultural companies and agents have a role to play in helping to disseminate new information and products. We are wary of the tendency for proprietary products to be promoted. An industry code of conduct that requires effective disclosure during the extension process, if one does not already exist, may be worth consideration.

The relocation of RDCs and other portfolio agencies to regional centres is a good idea and is supported for the reasons we have outlined above (refer to our comments on Policy Idea 12).

References

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