

Australian Dairy Industry

Represented by

Australian Dairy Industry Council Inc. and

Dairy Australia

Response to

Agricultural Competitiveness Green Paper

December 2014

Submission to: Australian Government Agricultural Competitiveness Taskforce, Department of the Prime Minister and Cabinet - www.agriculturalcompetitiveness.dpmc.gov.au/

About the Australian Dairy Industry Council

The Australian Dairy Industry Council (ADIC) is the dairy industry's peak policy body. It develops and co-ordinates whole of industry policy and represents all sectors of the industry on national and international issues through its two constituent bodies, **Australian Dairy Farmers Ltd** (ADF) and the **Australian Dairy Products Federation** (ADPF). The ADIC aims to foster, promote and protect the interests of the Australian dairy industry by driving a whole of industry approach to dairy policy and the development of the dairy industry. Current ADIC and ADF Policy Overviews are attached for information.

About Dairy Australia

Dairy Australia is the national services body for dairy farmers and the industry. Its role is to help farmers adapt to a changing operating environment, and achieve a profitable, sustainable dairy industry. As the industry's research and development corporation (RDC), it is the 'investment arm' of the industry, investing in projects that can't be done efficiently by individual farmers or companies.

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Key points and overarching comments

Australian dairy is a \$13 billion farm, manufacturing and export industry, with an extremely positive future. We welcome the opportunity to respond to the *Agricultural Competitiveness Green Paper* (the Green Paper).

Our industry has the potential to grow substantially over the next decade to meet growing domestic and international demand, but this depends on a positive national and international operating environment. Australian Government actions will be pivotal in securing not only the dairy industry's future, but Australia's hard-earned reputation as a supplier of high quality, safe dairy products.

As the paper covers a very wide range of policy ideas, we have focussed on four areas that we feel would make the most difference to the dairy industry: **RD&E**, **access to international markets**, **investment** and **people**. More detail on these areas and responses to the policy ideas are covered in the body of our submission. The key issues for the dairy industry are:

RD&E

Research, development and extension (RD&E) is essential to achieve a sustainable and profitable dairy industry and has provided the basis of significant productivity improvements over the last 20 years. World leading RD&E that is easy for farmers to adopt is central to increasing returns at the farm gate. As recognised in the Green Paper, the RDC model (particularly as it applies to dairy) remains a fundamentally sound and effective approach to investing in rural RD&E.

The dairy industry is strongly committed to the National RD&E Framework and the dairy industry response, Dairy Moving Forward. This has led to reduction in duplication, efficiency gains and better outcomes for farmers. However recent years have seen governments withdrawing funding for RD&E, particularly state government funding for extension.

The dairy industry, through Dairy Australia, has assumed greater responsibility for extension delivery, with innovative programs. However effective extension remains a function of government, industry and service providers collaborating to make the best possible use of the available funding and resources. Industry cannot do it alone.

The Green Paper fails to adequately acknowledge that RDCs are not homogeneous and deliver a range of activities according to different organisational structures and industry needs. The dairy RDC, Dairy Australia, is an industry owned service body that explicitly covers the whole dairy supply chain. In line with this broad role, Dairy Australia undertakes activities beyond pre farmgate R&D. For example Dairy Australia plays an active role in technical policy support ensuring government policy and industry positions in areas as diverse as the China Free Trade Agreement to the Australian Dietary Guidelines are informed by in-depth industry based expertise.

The Australian government should:

- Commit to ongoing support for the existing RDC model.
- Reaffirm commitment to the National Primary Industry RD&E Framework, and encourage state governments to do the same.
- Show leadership in innovative solutions to extension.
- Explicitly recognise that RDCs are not homogenous, and endorse the role Dairy Australia plays in areas beyond RD&E such as technical policy support.

Accessing international markets

Dairy is an export oriented industry and access to international markets is critical. As well as setting the right environment within Australia for a competitive and sustainable industry, government has an important role to play to facilitate trade. Key areas of effort are:

Trade agreements – The dairy industry welcomes the successful conclusion of the China FTA. However continued efforts are required to pursue comprehensive agreements, not only to open up new opportunities, but to defend existing market share as key competitors sign FTAs of their own.

The Australian government should:

- Pursue trade agreements that deliver meaning commercial outcomes for the Australian dairy industry with Indonesia, India and the Gulf Cooperation Council.
- Continue to pursue commercially meaningful outcomes under regional agreements including the Trans-Pacific Partnership (TPP).

Following the successful completion of the China FTA the dairy industry also encourages the Government to pursue an FTA with Taiwan.

Technical market access – A recent study commissioned by Dairy Australia found that the total annual impact for individual technical barriers to trade is estimated at \$1.57 billion. While industry can, and does, play a key role, much of the activity required to address these issues can only be undertaken by government as it involves working with and negotiating with the governments of our trading partners. Having Agricultural Counsellors on the ground in key markets is critical. However, these also need to be supported by technical experts embedded within government agencies at home. As resources tighten across government agencies, there is a considerable risk that these resources are reducing.

The Australian government should:

- Place Agricultural Counsellors in Vietnam, the Philippines and Saudi Arabia.
- Develop a coordinated national strategy to address technical market access issues and regulatory coherence with trading partners.
- Increase resources supporting technical market access.
- Work with industry to develop a dairy specific strategy to prioritise market access efforts.
- Reaffirm commitment to international standard setting forums, and increase engagement to develop the capacity of key trading partners to apply these standards.
- Extend and replicate successful exporter services and programs such as: market specific workshops, responsiveness to exporter questions and improved MICO information.

Promotion – Increased coordination on international market development and national promotional efforts is welcome. However, a key role for government is the promotion of our system to other governments and customers. This includes seeking greater acceptance of our system as meeting importing country requirements, and reducing costly additional requirements and requires technical government-to-government interaction.

- The Australian government should actively promote our food regulatory system so that regulatory authorities and customers understand the systems that underpin the safety and quality of Australian food.

Investment

The Australian dairy industry, with the support of government, needs to be proactive in driving the investment discussion and looking for capital through a broad range of models, derived from both on and off-shore sources. The industry has started this process, conducting an Investment Forum and launching an Investment Guide in 2014.

- Government should support industry efforts to encourage investment and ensure a positive regulatory environment to underpin confidence and certainty for dairy investment.

People

Dairy's future depends on recruiting, training and retaining the next generation of farmers, food scientists, processing workers, and industry service providers. The dairy industry is working hard in this area, particularly through the National Centre for Dairy Education Australia. Currently, government decisions regarding issues such as funding for Vocational Education and Training are undermining industry programs to attract and retain more people in dairy.

As well as addressing these issues in the long term, in the short term, immigrant labour will help fill dairy's acute skills shortage, and there are also a number of actions government can take to facilitate this.

In particular government should:

- Show leadership in funding and policy decisions that support, rather than undermine, improving access to agricultural education and industry programs.
- Support the dairy industry's application for a labour agreement to improve access to skilled overseas workers.
- Expand the Working Holiday Maker (417) visa to allow working holiday makers to extend their time with one regional employer from six to twelve months.
- Broaden skills coverage of the Temporary Work (Skilled) visa (subclass 457).
- Expand the Seasonal Worker Program to recognise dairy as a seasonal industry.
- Classify agriculture and related tertiary courses (Agricultural Science, Agribusiness, etc.) under the National Priority band for Commonwealth HECS-HELP assistance.
- Remove the 3-hour minimum engagement requirement from the Pastoral Award or make it more flexible to acknowledge the unique workforce requirements of the dairy industry.
- Include 'milking' under essential services in the Pastoral Award 2010 relating to penalty rate classifications, similar to 'feeding and watering stock' to recognise that milking is an essential part of animal care.
- Reinstate the Department of Immigration and Border Protection (DIBP) Outreach Officer program to assist farmers with immigration matters.

Additional overarching comments

Whole supply chain approach

Dairy production is integrated across the supply chain: dairy farmers cannot operate without domestic processing capacity, nor can processors survive without domestic farm milk supply.

While the dairy industry welcomes efforts to improve farm gate returns, we recognise that given the integrated nature of the industry, this will only be achieved with efforts across the whole supply chain and recognition of the linkages between agriculture, value adding and markets and consumers.

By focussing narrowly on pre farm gate activities the Green Paper fails to recognise the opportunities to add value across the supply chain, which in turn will lead to better returns for all involved. The White Paper should pursue a more integrated approach.

Interaction with other government policies

Government policies that affect the dairy industry cover a wide range of areas including trade, animal welfare, water, health and nutrition, biosecurity, climate change, infrastructure, labour, innovation, industry and taxation. Policy and actions in these areas may undermine or compete with the objectives of the Agricultural Competitiveness White Paper. Many of these areas are currently subject to separate reviews and inquiries. Where possible these should align with the White Paper in terms of both timing and content.

While some of these are addressed in the Green Paper, others are conspicuously absent. For example dairy is a highly nutritious food source critical to a healthy population. Nutrition policy and regulation should not be developed in isolation and must be connected to agriculture. Domestic food standards and the Codex Alimentarius must also be considered when developing policy.

The Agricultural Competitiveness White Paper should be a ‘whole of government’ plan to ensure that policies in other areas do not undermine the objectives of the White Paper.

Finally, the Federal and State Governments have a role to play in ensuring the value of agriculture is understood, and embraced, by the community and a key role in establishing a framework to ensure sustainable growth in agriculture through a productive economy and healthy environment for the benefit of future generations and our natural resources.

The Australian dairy industry

Australian dairy is a \$13 billion farm, manufacturing and export industry.

- Australia’s 6,300 dairy farmers produce around 9.2 billion litres of milk a year.
- The Australian dairy industry directly employs 43,000 Australians on farms and in factories, while more than 100,000 Australians are indirectly employed in related service industries.
- 98% of Australian dairy farms are family-owned businesses
- With a farmgate value alone of \$4.7 billion, the Australian dairy industry enriches regional Australian communities, where 1 in 8 Australians live.
- Australia would save \$2 billion a year in healthcare costs if every Australian consumed the minimum recommended daily dairy intake.
- Dairy farmers are environmental caretakers. The industry has a strong record of continuous improvement in water and energy efficiency, and protecting soils and biodiversity.
- Australia is the fourth largest dairy exporter in the world, accounting for 7% of global trade.
- The Australian dairy industry is well positioned to capitalise on growing global dairy demand, particularly from the emerging markets within Asia and the Middle East.

Further detailed information about the importance of the dairy industry to the Australian economy was provided in our submission in response to the *Agricultural Competitiveness Issues Paper*.

Response to policy ideas in the Green Paper

Infrastructure

Policy idea 1—Building new transport infrastructure

- a) *Linking public and private freight lines and port infrastructure*
- b) *Investigation into all-weather access rural roads that may increase productivity of interstate freight movement, including sealing a third east–west continental road through Central Australia*
- c) *Identifying air freight hubs in regional Australia as potential opportunities to significantly reduce transport times to markets*
- d) *Infrastructure for ‘greenfield’ developments that may support growth in new areas and open up new opportunities for Australian farmers*

Growth in the dairy industry relies on improved road, rail and port infrastructure, infrastructure to support efficient water use, a reliable and expanding power supply, infrastructure to support research, development and training, and infrastructure for supporting industries (for example, feedmills). We seek a focus on infrastructure more broadly than just transport, including energy infrastructure as discussed below, and water infrastructure as discussed in response to Policy Idea 18.

The dairy industry supports efforts to build the evidence base on food industry trends and market changes to inform strategic infrastructure planning. The industry also supports an integrated approach across jurisdictions to resolve infrastructure constraints faced by the dairy industry.

Policy idea 2—Improving existing infrastructure and transport regulation

Road infrastructure

The dairy industry is heavily reliant on road transport to pick up milk from farms and take it to regional and metropolitan processing facilities, and to take finished products to distribution centres to supply domestic and export markets.

The Commonwealth and state governments could substantially improve public safety on major transport links and reduce costs caused by congestion through strategic investment in upgrading key routes.

For example, in Victoria alone, transport companies moving raw milk and processed dairy product report they could reduce their transport movements by up to 40%, if **mass limits on vehicles were to increase from a gross 68.5 tonnes to 74.5 tonnes**.

Heavier payloads would mean hundreds fewer trucks a week for the dairy industry alone. Enabling heavier mass limits would deliver a substantial productivity gain in reduced transport costs and increased capacity to accommodate production growth. The cost savings will lead to improved farmgate prices and international competitiveness among export dairy companies.

Upgrading key transport routes will also boost the dairy industry’s competitiveness. For example, the South Gippsland Highway from Leongatha to Melbourne is a major freight route for dairy and other primary produce grown and processed in the region. Three major dairy processing plants are located along this route, generating hundreds of truck movements a week to and from Melbourne. The poor condition of the road is resulting in tens of thousands of dollars a year in additional costs through wear and tear to vehicles that are passed back to dairy companies and in turn to farmers. These costs would be avoidable if the highway had been maintained to a standard reflecting its heavy use.

Improving road infrastructure reliability and quality will help reduce transit times, costs and losses when natural disasters occur. In recent natural disaster events some road infrastructure has been

damaged repeatedly, resulting in economic losses for industry and regional economies. Strategically upgrading key road infrastructure when it is being repaired could help avoid future losses.

It is also important that during natural disasters there is a more proactive approach to heavy vehicle movements to re-establish freight movement as quickly as possible or create alternative methods for the movement of essential goods.

Competition

The dairy industry also encourages Government to **examine the competitive settings around freight infrastructure such as ports** that can often operate as monopolies and are able to charge/recover monopoly rents that are often passed on to others in the supply chain. This can hamper the competitiveness of Australian dairy on international markets for which the industry depends.

Transport regulation

Efforts to **achieve consistency across states in regards to vehicle specifications, curfews and travel time restrictions, goods transportation and load limitations and driver fatigue laws**, would be welcomed by the dairy industry.

Interconnecting elements of the standards and guidelines of the National Heavy Vehicle Regulator, livestock transport (and animal welfare) and workplace health and safety standards should also be reviewed for consistency.

The national heavy vehicle system should have the capacity to provide for **a single national primary producer concession** that appropriately acknowledges the low on-road usage of heavy vehicles by primary producers, and ensures equity between states.

The dairy industry would also welcome investigation of a nationally consistent and cost effective approach to permitting the movement of out of specification agricultural equipment on public roads under prescribed methods and times.

Energy security

The reliability and capacity of power supply in many regional areas is inadequate. The lack of capacity and security in some areas is restricting growth in farm technology and in processing sites. The Energy Green Paper acknowledges the issue but offers no solutions to assist dairy regions. More detail is provided in the ADIC submission in response to the Energy Green Paper.¹

Policy idea 3—Enhancing communications

Farmers increasingly need ready access to technical information and interactive tools while on the farm. **Enhancing communications in regional Australia will provide more options for innovation in delivery of extension and training** as discussed in response to Policy Ideas 14 and 20.

For example, Dairy Australia offers farmer workshops presented in a webinar series, where farmers have the opportunity for real time interaction with presenters and can get help with on-farm problems. Dairy Australia has also developed two world-first smartphone apps available free to help farmers manage mastitis and body condition score their cows more effectively. The two apps have been downloaded by over 3,500 users since their release.

Reliable communications infrastructure is also critical in times of natural disasters, particularly in relation to rapid response to human and animal welfare issues.

¹ Available at: <http://www.australiandairyfarmers.com.au/submissions>

Working with the States and Territories

Policy idea 4—State government deregulation

- a) *Removing excessive native vegetation laws*
- b) *Removing excessive work health and safety requirements*
- c) *Improving the efficiency of the native title system*

As the areas covered are state government responsibilities, we recognise the limited ability of the *Agricultural Competitiveness White Paper* to influence these but understand the Secretariat are liaising with states and territories in this area.

Many of the most common regulatory burden issues faced by agricultural industries, including dairy, come not from an individual burdensome regulation, but from the cumulative burden of overlapping and at times inconsistent regulations across different levels of government.

It is therefore essential that Australian government policies and regulation take into account the full range of regulation facing agricultural industries across all levels of government.

The dairy industry has had a mainly positive experience of efforts over recent years for jurisdictions to agree on national standards, which are then implemented by states. While there can be issues with consistency about how these are applied, we recognise that there can also be advantages to allowing some flexibility based on local conditions, when the overarching requirements and outcomes are consistent, as defined by national standards.

This model has been pursued across a range of areas with the notable exception of environmental regulation. As a result there are considerable inconsistencies in this area, not only in how standards are applied, but in the standards themselves. **The Australian government should explore development of national standards in areas of environmental regulation currently administered by states in order to improve consistency and reduce costs of doing business across state borders.**

Another difficulty associated with navigating across different levels of government and in different jurisdictions is the issue of amalgamation of farm properties to create larger, more commercial farms. There are a number of complex issues involved in this, and it is an area where the Australian government could show leadership and work with the states and territories for a solution.

Policy idea 5—Protecting the resource base

- a) *Limiting the adverse impacts of mining on the agriculture sector*
- b) *Providing opportunities for farmers to convert leasehold land into freehold*
- c) *Ensuring greater consistency in biosecurity regulations between Australian jurisdictions*
- d) *Quarantining prime agricultural land from mining activity*

Unconventional gas mining may have implications for water quality and availability, the integrity of aquifers, and the integrity of waterways from which stock may drink. It may also have impacts on consumer or market perceptions about the safety and quality of our products. These potential implications arise from the mining techniques themselves, the disposal of produced water and poor access to information about impacts and response. In this context the dairy industry would be concerned about 'streamlining' approvals systems for new energy developments that involve weakening requirements for baseline environmental monitoring on fugitive gases, surface and groundwater water quality and quantity, aquifer integrity and waterway health. We would also be concerned about any weakening of requirements for independent scientific assessment and monitoring of environmental change during (and after) operations.

The dairy industry would not support any move to reduce requirements for ongoing monitoring throughout the project life and a reasonable period afterwards. All data should be available on a

national and publicly accessible environmental monitoring system to improve the understanding of unconventional gas mining's effects on farms and farming areas.

Adverse impacts on farming can also be limited by ensuring clear requirements for rehabilitation of mining sites and natural resources.

Farmers must also have the right to voluntary access to their properties. Access agreements must ensure that landholders are not liable for incidents resulting from third-party access from mining operations, and that land is rehabilitated to its original conditions when the mine is decommissioned.

Policy idea 6—Strengthening farm businesses

- a) *Implementing a nationally consistent and mandatory approach to farm debt mediation*
- b) *Subsidising farm energy audits*
- c) *Streamlining development application processes*
- d) *Enforcing animal welfare legislation, as well as strengthening laws to stop trespass on farms*
- e) *Adopting the Co-operatives National Law*

Discussion on how the White Paper could contribute to stronger dairy farm businesses is covered in response to Policy idea 12 – Farm business improvement.

Given the success of on-farm energy assessments in the dairy industry, we would welcome further investment from the Commonwealth and state governments to expand the existing program into other on-farm areas such as irrigation energy use and renewable energy options.

Competition and regulation

Policy idea 7—Improving market competition

- a) *Introduce options to increase price transparency throughout the domestic supply chain*
- b) *Introduce new marketing mechanisms which might restore balance of power to the producer*
- c) *Facilitate greater use of cooperative structures*

Australian Dairy Farmers (ADF) has endorsed a policy principle of transparency in milk pricing. ADF also holds a policy position that supports Australian farmer-owned cooperatives as the foundation for a strong Australian dairy industry that grows through exports. Further comments on strengthening competition laws are covered below.

Policy idea 8—Strengthening competition laws

- a) *Revisions to the Competition and Consumer Act (CCA) to:*
 - i. *make it easier to prove breaches of market power provisions*
 - ii. *introduce a flexible anti-competitive 'effects test' in the misuse of power provisions*
 - iii. *increase penalties for breach of the CCA*
- b) *Reviewing competition laws to consider whether there are any barriers to greater consolidation among agribusiness firms*
- c) *Increasing the resources of the ACCC and requiring the ACCC to publish more information on investigations and their outcomes*
- d) *Creating a supermarket ombudsman with penalty powers and a mandatory code of conduct for supermarkets (across all commodities) backed by direct financial penalties*

Australian Dairy Farmers (ADF) has provided a submission to the Harper Review which covers in detail the ADF's views on strengthening competition laws². Key points from this submission related to the policy ideas raised above are:

- Support for a Mandatory Code of Conduct covering the whole supply chain, and Supermarket Ombudsman with teeth to balance the excessive market power of the major retailers;
- Reintroduction of an Effects Test;
- Investigation of Predatory Pricing;
- Definition of unconscionable Conduct;
- Statutory Duty of Good Faith;
- Changes to the collective bargaining and boycott regimes;
- ACCC divestiture powers;
- ACCC monitoring powers.

ADF welcomes the Coalition Government's commitment to extend unfair contract protections to small business. ADF also notes, and welcomes, the comments in the *Agricultural Competitiveness Green Paper* regarding collective bargaining in which the government states it is committed 'to ensuring competition laws in Australia enable a competitive marketplace – for example by preventing the misuse of market power and allowing for appropriate collective bargaining by farmers.' - Page xxi

Policy idea 9—Improved regulation

The dairy industry supports minimum effective regulation based on science and balanced risk assessment, and recognises that in key areas such as food safety regulation current systems (while they can always be improved), play a vital role in ensuring a safe food supply, as well as supporting our access to international markets. Where issues arise is the increasing demand from some sectors within the community for the food regulatory system to be used to address preventative health and

² Available at: <http://www.australiandairyfarmers.com.au/submissions>

consumer values issues. These have the potential to lead to a disproportionate level of regulatory burden on primary producers, the food industry and government relative to overall benefits to consumers.

Government should reaffirm its commitment across all government sectors to the Best Practice Regulation principles and approaches.

The dairy industry encourages government to explore other approaches to achieve policy objectives, such as recognition of industry best practice and self-regulatory and co-regulatory approaches. However, these can also have a regulatory burden (including reporting burdens) and still need to be evidence-based, well-designed, practical, consistent with good regulatory principles, and respond to actual market failure. It is also important that these approaches are not subsequently converted into regulatory requirements, undermining the point of alternative approaches and industry goodwill.

In response to the specific ideas outlined in the Green Paper:

a) AgVet chemicals regulation

The last few years have seen a significant amount of work on reforming regulation of agricultural and veterinary chemicals, which does not appear to have achieved any significant advance on existing agricultural and veterinary chemical regulation.

In contrast, the recent process for *Reducing the Regulation of Stock Food and Pet Food*, while covering a very limited scope, has been much more effective. This process has provided a sensible, risk-based approach that reduces unnecessary regulatory burden. **Continued resourcing for this approach, addressing a specific area where current requirements are poorly aligned with risk, is likely to achieve more tangible benefits for agricultural industries than another extensive review process.**

Better use of trusted foreign regulators is welcome. In particular, toxicological data and other information which may have been submitted as part of registration applications in trusted jurisdictions outside of Australia should be submissible for Australian registration applications to facilitate a faster registration process where such data does not compromise the rigour of the registration assessment.

As an example, the competitiveness of the Australian dairy industry is reduced by not having equivalent access or label registrations as New Zealand to some chemicals for weed control in pastures. This is frequently raised by dairy farmers as a source of frustration and imposed costs.

b) Country of Origin Labelling for food

The current regulations pertaining to Country of Origin Labelling adequately address the needs of consumers of dairy products in Australia and should not be changed. Any modifications could impact the current ability to label dairy products made in Australian factories by Australian employees using Australian milk sourced from Australian dairy farms, as either Made in Australia, or Product of Australia. Some minor ingredients (such as some flavours, starter cultures, vitamins and minerals, enzymes, hydrocolloids and stabilisers) which are required to make different dairy products need to be sourced overseas as they are not manufactured here. As such, if (for example) it was mandated that in order to label a product “Made in Australia” the contents of the product must be 100% sourced from Australia, then it is possible the only dairy product to comply with this may be full cream milk. Further, the specification of any percentage can only be arbitrary and is likely to cause compliance problems depending on ingredient availability, price and seasons.

The dairy industry recently provided a submission to the House of Representatives Standing Committee on Agriculture and Industry Inquiry into Country of Origin Labelling to this effect.³

Finance, business and taxation

Encouraging investment

The Australian dairy industry has become increasingly attractive to investors from both international and domestic sources. It is well recognised capital investment in the dairy sector can increase efficiency and productive capacity and contribute to incomes, infrastructure and employment. The future of dairy depends on building a sustainable industry vision through investment across the entire dairy supply chain, particularly on-farm.

Many Australian dairy farmers have been challenged by the burden of increased debt levels and now find themselves looking for ways to effectively capitalise on improved market conditions underpinned by strong global demand for dairy, particularly from the developing regions.

Investment on-farm is needed and Australian dairy farmers are being increasingly exposed to alternative models of attracting capital into their businesses from both on and off shore sources. Analysis based on the *Greener Pastures* report released by ANZ in 2012 has found that, for the Australian dairy industry to regain its share of global dairy trade lost during the past decade, a capital injection of up to \$16 billion is needed by 2020.

The Australian dairy industry, with the support of government, needs to be proactive in driving the investment discussion and looking for ways to drive capital through a broad range of models, derived from both on and off-shore sources. As detailed below, industry has begun this process with the inaugural Dairy Investment Forum and Investment Guide.

Inaugural Australian Dairy Farm Investment Forum and Dairy Investment Guide

The inaugural Australian Dairy Farm Investment Forum took place at Federation Square on 15 September 2014. It was a very successful one-day conference bringing together over 300 attendees, including the nation's foremost experts on investing in our farms, a number of dairy farmers from around the country and senior government and financial representatives.

At the forum Dairy Australia launched a comprehensive guide for farmers and investors interested in emerging opportunities in the growing sector, *Investment and the Australian dairy industry*. This publication, available both in English and Simplified Chinese, is a practical booklet for both farmers and investors containing a detailed explanation of dairying in Australia to the specifics on models for farm investment.⁴

In addition to industry activities (both at a collaborative and individual entity level), it is recognised that the regulatory environment does, and will continue to, play a vital role in how successful the Australian dairy industry is in attracting capital. **Government has a key role in ensuring the regulatory environment (in areas including labour, environment and competition) underpins confidence and certainty for investment in dairy farm assets.**

As discussed further below in regard to foreign investment, it is also critical that new investors integrate with the community in which they are operating. Using local labour, local expertise and processing capabilities and actively participating in the local community provides the greatest opportunity for socially, as well as financially, beneficial investments. This benefits investors by providing access to key 'inside knowledge' such as farming systems, regulatory frameworks, local conditions etc. It also ensures new ventures are sited in areas with the necessary infrastructure to

³ Available at: <http://www.australiandairyfarmers.com.au/submissions>

⁴ Available at: www.dairyaustralia.com.au/investment-guide

support them, including roads for transport, power for milking, effective effluent treatment etc. At the same time it ensures investments bring benefits to local communities and industries.

In response to the specific ideas outlined in the Green Paper:

Policy idea 10—Improving access to finance

- a) *Permanent concessional lending*
- b) *Incentives for institutional investment in agriculture*

Concessional lending has a place in response to some circumstances (for example severe drought and natural disasters) and should continue to be considered as part of a broader policy for improving access to finance.

We also support the government and banking sector using a broader range of assets for loan security, such as cattle and on-farm natural resource management infrastructure. Providing the opportunity to use cattle as equity allows young farmers to lease farms and borrow to build their herd, which is their productive asset.

Government should also investigate ways to support young farmers as they establish their enterprise, including lease arrangements and taxation incentives.

As noted in the Green Paper, institutional investment could provide an important source of capital for Australian dairy farms in the future. **Government and industry need to work with institutional investors, including the superannuation sector, to ensure that opportunities within the dairy industry are well understood.** Government could play a key role in facilitating these linkages.

Any investigation of incentives for institutional investment should go beyond new superannuation products for farm investment, and look at the regulatory settings and information gaps that may currently be presenting barriers to investment, including taxation arrangements.

Government should also investigate options for valuing natural capital. Farmers and factories need to put in place capital works to manage natural resources, for example effluent treatment plants, fencing off waterways, riparian planting, erosion control etc. All of these require upfront investment with no immediate additional return for the work undertaken. While in the long term there are benefits such as better pastures or improved water quality, these are often community, rather than private benefits. **Government should work with banks and other financial institutions to look at how investments in natural capital could be facilitated through financing options.**

Policy idea 11—Improving tax system efficiency and equity

- a) *Non-commercial loss rules*
 - i. *Remove the \$250,000 maximum income threshold or raise it to \$1 million*
 - ii. *Raise the exemption threshold*
- b) *Increasing thresholds for the Farm Management Deposits (FMD) Scheme*
 - i. *Increasing the \$400,000 deposit limit*
 - ii. *Increasing the \$100,000 off-farm income cap*
 - iii. *Extending eligibility of the FMD scheme to companies and trusts*
 - iv. *Re-establishing early access provisions for times of drought*
- c) *Depreciating farm plant and equipment*
- d) *Zone Tax Offset*
- e) *Tax loss trading*
- f) *Income tax averaging*
- g) *Wine Equalisation Tax*

The dairy industry welcomes improvements to tax system efficiency and equity, particularly where this would increase incentives for investment in agriculture, and/or add to the long term profitability and

sustainability of dairy farms. **We particularly support further work on policy changes to non-commercial loss rules, increasing thresholds for the Farm Management Deposits (FMD) scheme, and shorter effective life schedules for depreciating farm plant and equipment.**

The tax system also needs to better differentiate between technological redundancy and financial/material redundancy. A key example for the dairy industry is capital investment in stainless steel. While the stainless steel itself does not become materially redundant, the technology it supports does. This should be factored into the 'life' of the assets for the purposes of depreciation.

We would also like to see the taxation reporting requirements of small business further simplified to reduce the time currently required to meet reporting obligations.

Improvements to the Farm Management Deposits scheme and accelerated depreciation on assets is also relevant to our response to the Drought section of the Green Paper.

Policy idea 12—Farm business improvement

Farm business improvement is a key priority for the dairy industry, and accordingly has been an important area of investment for Dairy Australia and its partners in the dairy industry.

In particular the industry has identified the need to facilitate on-farm decision making with the most accurate available information and is working to develop a performance benchmarking tool called DairyBase. The objective of DairyBase is to provide dairy farmers, service providers and industry with access to a national database of accurate physical and financial information for more effective farm comparisons and industry analysis that can be used to:

- Enable dairy farmers to compare their business - against themselves over time and against others, e.g. dairy farmers in different regions, districts within regions, differing farm systems and farm sizes.
- Assist with the standardisation of key performance indicators so that terminology is clearly understood by a majority of dairy farmers and rural professionals.
- Measure business performance of dairy farmers and the industry, and monitor this over time or during periods affected by adverse operational conditions.
- Provide industry organisations (Dairy Australia, ADIC, ADF, ADPF and state farmer organisations), government researchers and policy makers with data for use in determining RD&E priorities and in policy formation.

The DairyBase approach could be used as a model for informing on-farm decision making in other agricultural industries.

In addition, there is a comprehensive suite of other information and tools made available to dairy farmers via Dairy Australia and other sources that inform on-farm decision making. These range from tools to inform heifer rearing and feed conversion efficiency through to market information.

In response to the specific ideas outlined in the Green Paper:

a) Business advice

For the dairy industry, programs tailored to dairy farmers' needs will be more effective than extending the Entrepreneurs Infrastructure Program. For example existing programs provided by Dairy Australia include:

Taking Stock – a web based tool that allows dairy farmers to assess the current financial and physical health of their dairy farm business. The Taking Stock tool was originally developed in 2004 and has evolved from a spreadsheet tool to a comprehensive process that helps farm families review all aspects of their farm businesses and develop an action plan. Delivery of Taking Stock involved the training and support of independent service providers to conduct the assessment and make the appropriate referrals, to RD&E programs, assistance and support measures and/or programs focused on farmer wellbeing.

Tactics for Tight Times – an initiative that supported farmers nationwide through the milk pricing and farm margin challenges in the 2012-13 season and focused on reinforcing cost effective management strategies that are important for profitable and resilient businesses.

Government efforts would be more effective working with these existing programs than introducing new, less tailored programs with the same goals. These successful models could also be applied to other industries.

The key to providing independent and high-quality farm business advice and assistance to farmers is to ensure that there is adequate capability built and maintained in the industry. This must be supported at both the farm level (through access to appropriate education and training opportunities) and at the service provider level. Dairy Australia is bolstering its activities in the farm business management capability building area, through direct investment and via its partnership with the National Centre for Dairy Education Australia (NCDEA).

b) *Rural Financial Counselling Service*

The Rural Financial Counselling service performs an important role and the dairy industry reinforces the need for continued government support for this service. The industry is keen to be involved in any further work on an evolving role for the Rural Financial Counselling Service, including opportunities to be part of supporting or delivering extension services.

Rural Financial Counsellors have been important contributors to the roll-out of dairy industry programmes such as Taking Stock. These roles are important in providing more in-depth business advice, often as a result of referral from an industry programme, and signposting farmers to other support services available, particularly in the areas of mental health support and farmer wellbeing.

c) *Collaboration programme*

There is already extensive collaboration in the dairy industry, including networks to share and improve farmer knowledge, such as those facilitated through the Regional Development Programs (discussed in response to Policy idea 20), or the Young Dairy Network Australia.

Dairy has also been one of the prominent users of Collective Bargaining Authorisations approved under the Australian Competition and Consumer Commission (ACCC). Dairy farmers can form a group and collectively bargain under the terms of the authorisation granted to Australian Dairy Farmers as the peak industry body, or apply separately to the ACCC for their own authorisation. Recognising farmer interest in these kind of arrangements, Dairy Australia has recently produced a guide for farmers interested in forming collective bargaining groups to negotiate with milk buyers: outlined below.

Guide to collective bargaining⁵

Dairy Australia has produced the Collective Bargaining for Dairy Farmers as a guide for farmers who are considering whether to start a collective bargaining group, for which they would need to seek approval from the ACCC.

The guide helps dairy farmers to:

⁵ Available at: <http://www.dairyaustralia.com.au/Business-and-financials/Guide-to-collective-bargaining.aspx>

1. Decide whether collective bargaining could be beneficial.
2. Get started on the process.
3. Consider whether the Australian Dairy Farmers authorisation applies or whether they need to separately seek ACCC approval.
4. Be alert to issues and questions they may face along the way.
5. Find resources, information and contacts.

The guide also includes case studies to help prospective collective bargaining groups (CBGs) learn from the experiences of their fellow dairy farmers.

The guide was launched in November on a dairy farm near Taree by the Minister for Agriculture, Barnaby Joyce, and has been welcomed by the industry.

Australian Dairy Farmers has also commented on current limitations to the collective bargaining authorisation in response to the Harper Review, as covered in response to Policy Idea 8.⁶

⁶ Available at: <http://www.australiandairyfarmers.com.au/submissions>

Foreign investment

Policy idea 13—Improving the transparency of foreign investment

As already discussed in response to ‘Finance, business and taxation’ policy ideas, **both domestic and foreign investment into Australia’s dairy industry is integral to capture the future opportunities presented by increasing global demand.**

While the dairy industry welcomes foreign investment we also want it to occur in a way that builds local community confidence, is properly mindful of existing local processing capability and enthusiastically involves local businesses and employment. We expect foreign investment to be socially responsible as well as financially successful. History shows that foreign investment is most successful when the ‘outside capital’ is matched with ‘inside knowledge and expertise’ – and that will always reside in our farmers, communities and their local food processing traditions.

The Australian Dairy Farm Investment Forum (discussed above) highlighted the significant interest from international investors in the Australian dairy industry. This kind of initiative is critical to driving the investment discussion as a dialogue, and ensuring that it is embedded within local industry structures and expertise. **Government needs to work with the local industry to be proactive and positive in driving the investment discussion and attracting investment into the dairy industry’s future.** For example Austrade will play a key ongoing role in guiding interested investors to those people in the dairy sector who can most help or may want to do a deal.

With this in mind, the Australian Dairy Farmers (ADF) support measures to ensure that investment is transparent, in line with National Farmers Federation Policy. This includes:

- A national land register that makes it compulsory for all foreign persons or organisations that acquire or transfer an interest in agricultural land and water to report the sale within a prescribed period.
- An annual report of the register findings to be published, summarising any changes to the holdings of agricultural land held by foreign interests.
- An annual review of the policy settings around foreign investment, including the FIRB reporting threshold for agricultural land purchases by commercial interests.

The various regulatory authorities involved in foreign investment approval processes do not currently align and there is not parity and fairness and a level playing field for all. **There is a need for government to amend regulatory processes to ensure parity in the timing of approvals by different regulatory bodies such as the Foreign Investment Review Board, Australian Competition and Consumer Commission and the Australian Competition Tribunal.** The timeframes involved in various competitive regulatory processes should not have the unintended effect of advantaging one bid ahead of any other in acquisitions.

Education, skills and training, and labour

Policy idea 14—Strengthening agricultural education

- a) *Working with States and Territories to provide specialised learning in agriculture in the future*
- b) *Establishing a young farmers mentoring and networking programme*
- c) *Increasing financial support for regional education*
- d) *Creating national agricultural tertiary centres of excellence*

Dairy's future depends on recruiting, training and retaining the next generation of farmers, food scientists, processing workers, and industry service providers.

The dairy industry supports efforts to improve the pipeline for this next generation, including through strengthening agricultural education to develop the skilled workforce required. Dairy Australia invests significantly in this area, guided by the Dairy People Development Council. **There are several programs that are already operating within the dairy industry**, covering specialised learning in agriculture (Discover Dairy, Cows Create Careers), and young farmers mentoring and networking (DairySage, Developing Dairy Leaders Program, etc), **which could be adapted or used as a model for future government programs covering all of agriculture.**

A key element of the dairy industry's education strategy is the National Centre for Dairy Education Australia (NCDEA). As the Australian dairy industry's provider of education and training, NCDEA operates through GoTAFE and a national alliance of partner Registered Training Organisations (RTOs). As arranged with Dairy Australia, NCDEA translates the outcomes of research into practice via a nationally recognised curriculum. This is one of many approaches that creates the link between R&D and on-farm practice change.

In spite of the efforts of the dairy industry, the number of graduates from agricultural education programs remains inadequate compared to the number being sought by dairy employers. The government can help reduce this disparity by providing an incentive for students to study agriculture. Classifying Agriculture and related courses under the National Priority Band of the HECS-HELP repayment scheme will lower the cost of full time study from \$8,363 to \$4,520 each year, Support should be capped at \$10 million over three years and eligibility should be conditional on graduates commencing work in a related field. This would reaffirm the government's commitment to deepening and expanding the skills, capabilities and adaptability of Australia's agricultural workforce.

Moreover, government can show real leadership in the funding and policy decisions that support these industry programs. Currently, government decisions are undermining industry programs to attract and retain more people in dairy. Specific issues (many state-based) include lack of funding priority for Vocational Education and Training (VET) courses targeted at industries with acknowledged skill shortages, such as dairy, the need to recognise 'Agriculture dairy farmer workers and managers' on skills shortage lists for eligibility to Commonwealth and state programs, and the ineligibility for funding of people with existing qualifications, even in areas of skills shortage.

In many instances, the models supporting VET also vary depending on the jurisdiction in which they operate, leading to a disjointed approach to training.

The focus on students earning qualifications over skillsets is too restrictive and inflexible for our national industry training needs. We respect and value qualifications and regard them as an important part of our industry however we seek a more dynamic training environment that enables us to offer single subjects and skillsets that meet our annual, local and/or seasonal needs as well as other industry priorities in terms of timing without impacting on students' funding eligibility for qualifications.

We seek funded skillsets that are flexible and portable, meet specific and often immediate training needs but then still build qualifications if they are sought by the student and the industry. We anticipate greater engagement with the VET system and perhaps with formal learning

per se if enrolling requires a smaller commitment of lesser duration, i.e. enrolling in a two year qualification does not meet a two week training need.

Also, we are unsure that the Australian Skills Quality Authority (ASQA) quality system is a mechanism to create quality learning. It is inherently a compliance framework and we are seeing evidence of passionate trainers being wearied by ticking the compliance boxes rather than focusing on delivering contemporary and transformational education in their area of expertise.

Any workforce development strategy should extend beyond the agriculture sector, and explicitly acknowledge and address people issues across the whole food sector.

Policy idea 15—Strengthening labour availability

The dairy industry has been actively developing and implementing strategies to attract, retain and develop a skilled workforce, but in the short term, immigrant labour will help fill dairy's skills shortage.

In particular, Dairy Australia and Australian Dairy Farmers are negotiating an industry-wide template labour agreement for skilled overseas workers with the Department of Immigration and Border Protection (DIBP).

In addition, the Fair Work Australia Modern Award Review (Pastoral Award [MA000035]) minimum engagement provisions, where no minimum engagement provisions or a minimum engagement of two hours, instead of the current three hours would better reflect the working practices on dairy farms and facilitate employment and productivity.

Many of the policy ideas suggested reflect the dairy industry submission in response to the Issues Paper. In response to the specific ideas outlined in the Green Paper:

a) Expand the Working Holiday Maker (417) visa

This proposal is welcomed by the dairy industry, which has advocated for an **extension of the program to allow working holiday makers to extend their time with one regional employer from six to twelve months.**

b) Broaden skills coverage of the Temporary Work (Skilled) visa (subclass 457)

The dairy industry has long argued for the **expansion of the Skilled Occupations List (SOL)** and the inclusion of more occupations on the Consolidated Sponsored Occupations List (CSOL). We support the recommendations of the review into the Subclass 457 programme, referenced in the Green Paper, and urge government implementation.

c) Expand the Seasonal Worker Program

The dairy industry is strongly supportive of the proposed expansion of the Seasonal Worker Program (SWP). The ability to access short term labour during periods of peak milk production would be extremely advantageous to the dairy industry in south-eastern Australia. In these regions milk production reaches its peak in October before gradually tapering off until February. Production then flattens out until August when it begins to rise again. During peak milk production there is a higher demand for labour on farm, to assist with tasks including, but not limited to, calving, milking, pasture management and calf rearing. **The SWP should therefore be expanded to recognise dairy as a seasonal industry.**

d) Streamline application processes for the Temporary Work (Skilled) visa (subclass 457) and encourage greater uptake of Labour Agreements

As covered in our Issues Paper submission some of the challenges with the current process involve DIBP staff being unaware of the skill requirements for many on-farm roles, and a lack of understanding about skills and training recognition from overseas training institutions.

As already stated the dairy industry is currently negotiating a dairy industry labour agreement for overseas workers with the Department of Immigration and Border Protection.

e) Provide clear pathways to residency

The dairy industry has some interest in assisting New Zealanders within the industry wishing to permanently migrate to Australia in navigating a pathway to permanent residency and/or citizenship. Some work has been done investigating options under the Business Innovation and Investment (Subclass 888) visa.

It is also strongly recommended that the Outreach Officer program be reinstated to ensure farmers can access accurate immigration information in a cost-effective and timely manner. The DIBP Outreach Officer program provided a valuable resource to farmers gathering information in preparation for an application, and the ADIC was disappointed by the closure of the program in the 2014/15 Federal Budget. The program provided a dedicated officer from the DIBP to respond to farmers' enquiries on migration matters and provide general information on visas and visa requirements. Since the cessation of the program on 1 July, farmers seeking this information have been left with little option but to engage the services of a migration agent, which can be expensive, particularly for skilled migration visas.

Drought

Policy idea 16—Increasing drought preparedness

Drought has a direct impact on farm gate returns and competitiveness. The long drought prior to 2008 resulted in a significant reduction in Australia's milk production and we are still recovering production to pre-drought levels.

The dairy industry supports a focus on drought preparedness as the primary means of supporting farmers to minimise the impact of drought on returns. This is strongly linked to finance, business structures and taxation discussed in Policy ideas 10, 11 and 12 in the Green Paper. The dairy industry is currently looking further at these areas and looks forward to working with government on tax solutions that assist in drought preparedness.

f) Introducing accelerated depreciation for new water and fodder infrastructure

The dairy industry supports the idea of introducing accelerated depreciation for assets contributing to drought preparedness. Assets could include: water storage capacity, silage pits, grain silos, and feeding equipment.

g) Encouraging multi-peril crop insurance

The dairy industry is currently considering examination of the US dairy margin insurance scheme as a risk management tool. This reinforces the **need for government to look at insurance style schemes across all agricultural sectors, not just grain.**

h) Improving climate information

Government and industry investment in seasonal forecasting through the Managing Climate Variability Programme has resulted in more accurate forecasts out to seven days. While this improved accuracy has enabled farmers to make better decisions around practices that are impacted by weather there is still potential to improve two to six week forecasts. **Greater accuracy in midseason forecasting would assist dairy farmers to make better tactical decisions around managing their fodder and water resources to maximise profit.**

The dairy industry's contribution, via Dairy Australia, to the cross sector programme Climate Change Research Strategy for Primary Industries (CCRSPI) also seeks to improve climate information for farmers through RD&E and improved tools.

Policy idea 17—In drought support

While drought preparedness should always be the primary part of a drought program, in-event support will also need to be provided as part of a comprehensive program. The drought support package announced in February 2014 demonstrates an important commitment to drought relief.

In response to the specific ideas outlined in the Green Paper:

a) Additional mental health support in times of drought

The dairy industry sees additional mental health support in times of drought as a high priority which requires a co-ordinated and collaborative approach between the Commonwealth and state governments, and industry. **The National Centre for Farmer Health is a key part of the support solution that requires funding from both the Commonwealth and state governments to enable them to continue their work on health and well-being.**

b) Provision of additional assistance for prolonged and severe drought

When drought conditions, and the impact of drought, have gone beyond reasonably expected business and farm management planning and preparedness options in-event drought support is warranted in some circumstances.

Implementation of the 2014 drought relief package has demonstrated the importance of the Commonwealth and State governments working together to ensure clear, effective and streamlined administration. We endorse the need for flexibility for both geographical coverage and loan terms as recognised in the announcements on 4 December 2014.

Water and natural resource management

Policy idea 18—Improving water infrastructure and markets

- a) *Dams and water infrastructure*
- b) *Taxation concession for water reticulation infrastructure*
- c) *Water markets*

In looking to improve water infrastructure and markets it is important that government does not just focus on big-ticket projects, like dams, but also examines projects to increase water efficiency. For the dairy industry these kind of farm level upgrades will make a more long term difference to improved water infrastructure. There is clear evidence that the benefits of government co-investment in farm irrigation upgrades, in terms of farm competitiveness and regional economic activity, far outweighs the costs.⁷

The kind of transformational change that is needed takes time and commitment. The Agricultural Competitiveness White Paper provides an opportunity for government to support areas where that change will not happen on its own, or where farmers are unable to afford to implement changes or uptake new technologies fast enough to adjust to the effects of government policies in other areas, such as the environment. For example this means government financial support for water efficiency upgrades on farms, to ensure optimal economic and social structural adjustment to major environmental policy reforms such as the Murray Darling Basin Plan.

Co-ordination between the range of parties involved in water infrastructure must be improved. For example, engineering solutions will be of no value if project developers have not engaged properly with farmers about the best solutions, and investors have not engaged properly with stakeholders on issues such as cost recovery, and operational expenditure, to ensure that any projects are in fact economically viable for farmers. Any increased energy costs associated with new water efficiency projects also need to be carefully assessed as this has been shown to potentially override any potential savings from less water use.

The flow-on environmental effects of any projects must also be thoroughly and honestly evaluated, so that farmers do not invest in new and expanded operations in good faith only to be subject to water buybacks or other restrictions a decade or so down the track to fix environmental problems caused by the development.

Where modernisation is a viable option, this may require a long-term investment to get the uptake and practice change over time to get the potential outcome in terms of water savings. There can be real risk of investors pulling out before the full benefits are realised.

The uptake of water infrastructure also requires support/extension. There is no point investing in infrastructure projects without the accompanying support to help farmers make decisions on infrastructure options. Farmers also need independent sources of advice to weigh up overall costs/benefits of different options (e.g. around water efficiency and on-farm infrastructure).

The dairy industry appreciates the current process initiated by the Australian government to identify future water infrastructure options. This process needs to include industry representatives from each state to ensure that all potential options are considered, as in some circumstances state governments may have different views on potential irrigation development opportunities, compared to industry.

Policy idea 19—Natural resource management initiatives

- a) *Amending the Environmental Protection and Biodiversity Conservation (EPBC) Act 1999*
 - i. *The EPBC Act could be amended to remove onerous on-farm conditions*

⁷ Cost Benefit Analysis of Farm Irrigation Modernisation , RMCg 2013. Available at: <http://www.dairyaustralia.com.au/Industry-information/About-the-industry/Recent-industry-topics/Murray-Darling-Basin.aspx>

- ii. *The Act could be amended to ensure that national transport and infrastructure goals/corridors have right of way*
- b) *More targeted pest and disease management and control*
 - i. *Managing established pests and diseases on Commonwealth lands*
 - ii. *Investing in changing the way pest animals and weeds are managed on farm*
 - iii. *Supporting industry/community led action and innovation*

The Australian dairy industry has a history of working closely with communities and natural resource management (NRM) agencies to deliver environmental and productivity outcomes, an example being the highly effective Dairying for Tomorrow program; www.dairyingfortomorrow.com. Implemented in 2004 this program has resulted in a steady increase in the number of Australian dairy farmers adopting resource management practices that increase profit and improve environmental outcomes. This national outcome has been achieved through the activities of regionally based industry NRM facilitators who have worked closely with NRM agencies to implement industry developed programs and tools.

The challenge for the Australian dairy industry is the resources required to develop relationships and partnerships with the large number of NRM regions in which dairy is located. The outcome of multiple partnerships across many NRM organisations is numerous small projects. This is not administratively efficient and is a barrier to the industry being able to support industry and community led action and innovation.

There is a role for the Australian Government to support industry led programs that work across NRM regions and are not confined to working within individual NRM regions. Under the current arrangement, funding is competitive between the regions. While industry promotes programs like Fert\$mart to the 31 Regional NRM Bodies in which it operates in reality only a few regions will apply for and receive funding to support industry developed NRM programs.

In the absence of government supported industry led programs with the capacity to work across NRM regions there must be a clear expectation from the Australian government for regional NRM organisations to consult with, and engage, their communities in NRM planning activities.

Actively engaging natural resource managers such as landholders is critical to identifying both NRM priorities, the practice change required to influence these priorities, and the best pathways for investing in this change. Understanding the drivers and motivations of land managers is key to making decisions.

Industry should be consulted by NRM agencies when determining the most appropriate methods of delivery of the intended local NRM outcomes. Industry groups and organisations provide the credible, evidence based science and technical skill needed to facilitate adoption of environmentally sustainable practices. Industry representatives often have a greater reach to farmers who may not traditionally engage with Landcare and community groups. The involvement of industry groups in project planning and delivery will ensure that messaging is appropriate and interesting to the target audience

Research, development and extension

Policy idea 20—Strengthening the RD&E system

As the dairy industry faces continuing challenges to farm productivity and profitability, effective research, development and extension (RD&E) remain a key priority.

There have been significant productivity improvements in the dairy sector over the last 20 years through the adoption of new technologies and management practices, along with structural changes within the industry. At the industry level, Total Factor Productivity for Australian dairy farms has increased at an annual average rate of 1.6 per cent a year from 1978-79 to 2010-11. This compares favourably with all broadacre agriculture (1.0 per cent), broadacre cropping (1.5 per cent) and the beef industry (0.9 per cent).

While there are other factors at play, R&D has provided the basis for much of this productivity improvement. Independent experts have estimated the overall benefit of R&D expenditure to the dairy levy in the range of 3.3 – 6 to 1.

RDC model

The current Rural Research and Development Corporation (RDC) model (particularly as it applies to dairy) remains fundamentally sound and effective, as recognised in the Green Paper. Strong, industry-based RDCs are uniquely positioned to deliver RD&E tailored to industry needs and effectively translate broad, high level knowledge into effective industry based innovation and solutions.

Government needs to commit to ongoing support for this existing model to ensure RDCs have the ongoing capability to deliver key programs and respond to new challenges.

Dairy Moving Forward

The dairy industry is deeply committed to the National Primary Industries Research, Development and Extension Framework. Dairy Moving Forward (DMF) is dairy's response to the framework and aims to encourage greater collaboration and promote continuous improvement in RD&E investment across the dairy industry. DMF has reduced costs, aligned activities and defined where relevant bodies can best invest in RD&E.

The National RD&E Framework, and Dairy Moving Forward in particular, has worked so well because all participants have committed to playing their role – and there have been efficiency gains, reduction of duplication and better results for farmers as a result.

However, as resources tighten across all levels of government the dairy industry has seen governments, particularly at a state level, withdraw funding from agricultural RD&E. So far the biggest impact has been on extension - discussed further below. Yet a risk of the success of the national frameworks model is that jurisdictions not responsible for leadership in a particular area withdraw resources, driven by a mistaken assumption that because efficiencies have been possible, there is 'no market failure'. Any further reduction of resources across RD&E would now severely impact services for farmers and productivity growth in the future.

The Australian government needs to reaffirm its commitment to the national RD&E framework, and reiterate that this will only work with the ongoing commitment of all parties.

Cooperative Research Centres

Another important aspect of R&D in dairy has been the three Cooperative Research Centres (CRCs) that have operated in the dairy sector – the CRC for Innovative Dairy Products, CRC for Molecular Plant Breeding, and particularly the current Dairy Futures CRC.

They have been the hub for pre-farm gate research and development, and have pro-actively established collaboration between government, an RDC and commercial entities. It would have been more difficult for the sector to have achieved this level of collaboration without the CRC grant program. A key challenge for the dairy industry is how to maintain the R&D capability created by successive CRCs post the cessation of the current dairy CRC.

The Green Paper gives the incorrect impression that the CRCs are ongoing. The current Dairy Futures CRC will cease on 30 June 2016 (with no further funding for CRCs after that). In the *Agricultural Competitiveness White Paper* **government should commit to extending the CRC program to drive innovation and farmer profitability.**

In response to the specific policy ideas outlined in the Green Paper:

a) *Updating the rural RD&E priorities to better align with community needs*

The dairy industry supports refreshing the rural RD&E priorities and the four key areas suggested: advanced technology, biosecurity, soil, water and NRM, and adoption of R&D, are all welcomed. Given the ongoing importance of productivity, an additional priority should be: *productivity and adding value*, to focus on improving the productivity and profitability of existing industries and supporting the development of viable new industries. The dairy industry will continue to input into government processes aimed at better targeting rural R&D.

b) *Establishing a new body, or tasking existing research bodies, to coordinate cross-sector research*

The dairy industry is disappointed that the existing extensive collaboration in agricultural RD&E has not been sufficiently recognised in the Green Paper.

Dairy Australia recognises that there are potential synergies and savings to be achieved through jointly addressing specific issues/challenges with other affected industries and sectors, and through sharing learnings developed by comparable overseas industries. To this end Dairy Australia has a strong record of collaborating with a range of institutions including universities, R&D organisations, international research agencies, NGOs, cooperative research centres, and government agencies to address cross-sectoral challenges that impact the profitable growth and sustainability of the Australian dairy industry.

Dairy Australia particularly works with the other RDCs on eight cross-industry sectoral strategies under the Research, Development and Innovation Committee of the Agriculture Senior Officials Committee (AgSOC) to support the RD&E Framework. In addition to the eight cross-sector strategies, Dairy Australia acts as a lead agency, core participant or joint project funder and developer in a number of other collaborative projects with other RDCs and also shares funded research findings and general industry information. All joint research findings are assessed through a dairy-focused lens to ensure they are applicable to, and support, dairy sustainability and profitability.

A good example of cross-sectoral collaboration is:

- **People in Farming initiative** – To help address employer, employee and workplace relationship issues on-farm, a cross-sectoral People in Farming project led by Dairy Australia was established in early 2013. In 2013-14, the project has focused on developing a shared internet platform that simplifies and streamlines online access to key workforce resources and information requested by farmers and industry stakeholders. Five other RDCs are involved in the project (GRDC, CRRDC, MLA, AECL, APL) which has attracted funding support from Agrifood Skills Australia.

One area that the Green Paper completely fails to acknowledge is the importance of international collaboration. In dairy's experience this is critical to achieving the goals in the RD&E framework, and in leveraging funding for the good of the industry. For example, the dairy industry has had extensive international collaboration on:

- **Robotic Milking System** – Since 2005, a consortium of investors comprising NSW DPI, University of Sydney, Delaval (Sweden) and DA have been undertaking collaborative strategic and practical RD&E to address automation issues for pasture based dairy farming systems. This has been world leading and world class research to address the industry issues of labour, large herd management and technological advances in precision farming. There are approximately 30 Australian farms utilising robots on pasture based systems and the number of farms are increasing year on year.

Further examples of Dairy Australia's collaboration with other bodies, both domestic and international, are included in Attachment 1.

The dairy industry doesn't see the need for a separate organisation to manage cross-sectoral work and collaboration. The examples already in operation illustrate that effective collaboration evolves and works best when there is a common need, and that there are existing structures to facilitate this. This includes opportunities for additional funds, including the \$100 million already committed to, to be invested in cross-sectoral research. **Working within this existing model will ensure that collaboration and cross sectoral research remains industry driven and targeted at real gains and benefits for the industries involved.** While there are some commonalities, each agricultural sector has unique strengths and weaknesses and it is important that each sector retains the autonomy to direct investment towards specific needs.

c) Enhancing access to the R&D Tax Incentive

The dairy industry welcomes any efforts by government to improve accessibility to the R&D tax incentive across the food chain.

While the RDC model forms the basis of agricultural R&D in Australia, there are many specific and important areas supporting agriculture where investment in R&D is driven by the private sector. One example is chemical company investment in the development and registration of agricultural chemicals and veterinary medicines tailored to the Australian environment.

We recognise that private investment in agricultural R&D in Australia lags that in many other developed countries.⁸ Improved incentives via the tax system are one necessary requirement to address this lag. However **government should also look at the barriers and incentives for investment beyond just the tax incentive, including the regulatory settings for R&D and its outcomes, to ensure that private investment actually increases.**

The dairy industry would also urge **any consideration of the R&D tax incentive to specifically aim to benefit food processing innovation as well as agricultural innovation.** Much of the value in the food industry is generated post-farm gate; significant innovation occurs here, too. The dairy industry adds value through processing to produce drinking milk, cheese, butter, milk powders, cream, yoghurts and a range of specialty products. Increasing productivity for food therefore relies on research, development and extension/commercialisation all the way along the supply chain.

d) Promoting the development of extension services

Effective extension is a function of Government, industry and service providers collaborating to make the best possible use of the available funding and resources.

In recent years, there has been a decreasing contribution from state governments to agricultural sector RD&E activity. As a result Dairy Australia has assumed greater responsibility for leading, managing and funding extension delivery to dairy farmers. During 2013-14 more than 30% of farmers participated directly in Dairy Australia funded extension activities and events nationally. Significant additional dairy farmer levy funding and management effort has been required to support this commitment to achieving improved extension services for Australian dairy farmers.

⁸ Private Sector Investment in Agricultural R and D in Australia, Australian Farm Institute 2011

Extension services historically provided by state governments have focused not only on productivity improvements but on important natural resource management and social objectives. In the long term how governments support extension, particularly around NRM and social aspects, needs to be looked at strategically. There is no simple solution of a one off transition to private providers as delivery of extension requires ongoing investment in public and private sector capability, particularly given the constant need to roll out new research, with an associated need to train providers.

The Australian government has an opportunity to show leadership in innovative solutions to extension and seek a commitment from state governments on addressing these challenges in the long term. Government efforts need to focus on how to facilitate extension delivery and investment in extension programs through RDCs, to deliver extension services according to who is best placed to achieve outcomes on a case by case basis. This includes more funding for agricultural education and training, the increased use of industry and vocational education and training sector resources to build capability in the private sector, and exploring opportunities to grow capability through professional development and accreditation of advisers.

The dairy industry appreciates the emphasis within the Rural Research and Development for Profit programme on extension and strengthening on-farm adoption and improved knowledge flows. Dairy Australia and its partners will work constructively with other RDCs to develop projects that address the priorities raised by this programme. Where practicable, Dairy Australia will collaborate to develop cross-sector platforms, projects and tools, but also recognises that each agricultural sector has its own unique circumstances in terms of the extension environment.

- e) *Decentralising Government agricultural research functions (such as RDCs and agencies of the Department of Agriculture) to regional areas, as appropriate*

Decentralisation of research functions is unlikely to be the most effective way of achieving the desired outcomes for better stakeholder engagement, improved service delivery and promotion of regionally focused RD&E. For example dairying is established across all temperate and some subtropical areas of Australia. There are more than 6,300 dairy farms spread across eight dairy regions in Australia. Each of these regions face a different context and have different needs. A key element of Dairy Australia's engagement with these regions is through the Regional Development Programs (RDPs) which consist of eight independent organisations located in each of the eight dairy regions. Each RDP is governed by a board made up of local dairy farmers and skills based directors. The RDPs play an important role in continually assessing farmer needs at a regional level and prioritising those needs and seeking out opportunities, both through and outside of Dairy Australia, to meet those needs. They also provide transparency and accountability to farmers for the investment of their levy funds. Dairy Australia provides administrative funding to enable each RDP and co-ordinates with them for the implementation of extension programs. In each region, Regional Coordinators (employed by Dairy Australia) work with the local RDP and private/public providers to better coordinate the identification of farmer priorities and delivery of service to meet these needs. This model where the needs of all regions are addressed locally as well as shaping the work of the centrally located Dairy Australia, is more successful at getting engagement and views and priorities from the wide variety of dairying regions than any specific research location.

- f) *Regular five-yearly assessments of the RD&E system*

The dairy RD&E system has been rigorously evaluated over recent years, both at a whole of agriculture level⁹ and specific to dairy¹⁰. These exercises have been extremely useful in reinforcing the need for strong RD&E investment and in shaping future investment. However they also required significant resources to collect and evaluate the information.

Coupled with a significant annual reporting burden for RDCs, we have some concern that the introduction of additional five-yearly assessments will add to the industry reporting burden with little

⁹ Rural Research and Development Corporations, Productivity Commission 2011

¹⁰ The impact of innovation on the dairy industry over the last 30 years: Evaluating the contribution of industry and government investment in pre farm gate RD&E, Centre for International Economics 2011

additional useful information. Any application of this idea would need to be carefully tailored to ensure it provided useful additional knowledge, rather than merely being a compliance exercise.

Policy idea 21—Improving the rural RDCs

- a) *Administrative changes to the RDC model to increase transparency and reduce costs, including giving RDCs a targeted set of objectives*
- b) *Increasing the flexibility of levy arrangements*

Dairy Australia functions

Dairy Australia is an industry owned national service body. Unlike some other RDCs Dairy Australia explicitly covers the whole dairy supply chain, investing to deliver the best outcomes for dairy farmers, the dairy industry and the broader community.

In recognition of this broad role, Dairy Australia undertakes a range of activities, including:

- Pre- and post-farmgate R&D and associated extension activity
- Vocational skills improvement and maintenance of research capability
- Trade policy analysis and general technical support for exporters
- Promoting the health and nutrition benefits of dairy products and generic marketing of the industry to consumers and professionals that influence dairy consumption
- Health and nutrition related R&D
- Industry policy analysis and protection of the industry's 'license to operate'
- Providing technical expertise and advice to help manage industry issues as they emerge
- Collecting, analysing and publishing core information about the industry

Government funding in the form of matching payments is used exclusively for RD&E investment. In 2013-14 this made up 35% of revenue for Dairy Australia.

Other roles are funded through the levy and external investment. While these activities may not be the core of what government funds through the RDC model, **government needs to recognise the range of activities RDCs deliver for their industries and that these vary according to different organisational structures and industry needs.**

In particular **government needs to encourage and endorse the key role RDCs like Dairy Australia play in providing technical policy support** in areas including trade, animal welfare, water, health and nutrition, biosecurity, climate change, infrastructure, labour and taxation. Strongly distinct from lobbying and political activities, this policy support allows government policy and industry positions to be informed by in depth industry based expertise. It gives government and the bureaucracy a point of contact for gathering the evidence to make informed policy decisions and exploring industry impacts.

Recent examples include:

- **China Free Trade Agreement** – Dairy Australia coordinated the collation of various interests and issues into a consolidated industry position, provided technical support to Australia's negotiators on issues such as special safeguard formulas, and collected information on the realistic commercial impacts of changes to specific tariff lines so that negotiators could address Chinese industry concerns and engage in a fact based discussion. Dairy Australia also played a key role in educating the Australian industry, including farmers, about China's market potential and associated opportunities.
- **Australian Dietary Guidelines** – Dairy Australia provided relevant scientific papers regarding nutrition and dairy to be included in the systematic review for the dietary guidelines, responded to consultations with a view to ensure consistency with nutrition based scientific evidence, provided dairy specific information about the lack of evidence to support advice on food choices on basis

of sustainability, and commissioned research work to demonstrate how regular fat dairy products could be incorporated into foundation diets that meet required nutrient intakes without overshooting energy requirements. Dairy Australia also played a key role in communicating the implications for dairy back to the industry.

Examples of other key activities that go beyond R&D include running the investment forum and producing the investment guide (covered in our response on 'Finance, business and taxation'), preparing the Collective Bargaining for Dairy Farmers Guide (covered in our response to Policy Idea 12), investing in collecting evidence to underpin negotiation of a dairy industry labour agreement (covered in our response to Policy Idea 15) or producing the Situation and Outlook report to provide industry, government and other interested parties with a clear, timely picture of what is happening in the Australian dairy industry and expectations for the future. Each of these activities support Dairy Australia's strategic objectives.

Strategic planning and industry input

Dairy Australia's current expenditure approach reflects the dairy-specific investment priorities communicated from levy payers, the community and the market.

Dairy Australia invests the levy (and government matching R&D co-funding) according to a Strategic Plan that is prepared in consultation with all key stakeholders and reviewed by government. There are many opportunities for levy payers to provide their views on the priorities for Dairy Australia investment, including:

- The levy poll
- Farmer participation on the DA Board and at the AGM
- DA field consultation
- The strategic planning process and industry strategic frameworks (e.g. DMF)
- Industry committees, regional prioritising and the DA extension structure (especially RDPs)
- DA stakeholder surveys (e.g. National farmer survey)
- Consultation with Group B members (ADF and ADPF) in the strategic planning process as defined by a MoU between the parties

The overall levy process works reasonably well, with room for improvement in the detail of implementation. Following the last levy poll, some parties have made comment that the poll process is cumbersome and costly. With the support of key stakeholders, DA has recently initiated an independent review into how the process could be streamlined.

With this strong framework of industry consultation as a basis, it is important that RDCs are able to maintain independence in their decision making, while balancing industry and government needs. **RDCs already carry a considerable compliance burden and any new arrangements should aim to reduce, not increase bureaucracy. Efforts to streamline functions should also recognise that the RDCs are all different, including different functions and industry coverage.** A one size fits all approach is not likely to meet the needs of the relevant industries.

Flexibility of levy arrangements

The Green Paper also raises the idea of suspending levies during difficult times. This is not supported by the dairy industry as these difficult times are often when farmers need a service organisation like DA the most. For example the 'Tactics for Tight Times' already mentioned is a program tailored to difficult times, ready to be rolled out when and where it is needed.

The capability to deliver these programs, as well as long term R&D projects, cannot be turned on and off. Suspending the levy for even a short period would undermine outcomes significantly.

Biosecurity

The Australian dairy industry enjoys the favourable animal and plant health status and production environment in Australia which contributes to profitable production and benefits in trade and market access for dairy products and more broadly to the Australian economy.

It is vital that Australia maintains a strong quarantine policy that provides reasonable protection against diseases and pests which could destroy our livelihood. An outbreak of an animal disease such as foot and mouth disease would be a real disaster for the Australian dairy industry.

This must be supported with a proactive, strong, nationally integrated biosecurity system, which is appropriately resourced by all jurisdictions.

With about half of Australia's dairy production exported, it is also vital that Australia does not leave itself open to criticism, complaint, challenge and ultimately trade sanctions as a result of an unnecessarily harsh quarantine regime. The dairy industry's position on quarantine and biosecurity reflects its unique position in national and international markets.

Policy idea 22—Improving legislation

The Biosecurity Bill 2014 recognises and provides protection from biosecurity threats to industry, the Australian economy, the environment and to human health. The dairy industry supports government's high level reform themes that underpin the approach;

- Implementing a risk-based approach to biosecurity management
- Managing biosecurity risk across the continuum – offshore, at the border and onshore
- Strengthening partnerships with stakeholders
- Being intelligence-led and evidence-based
- Supported by modern legislation, technology, funding and business systems.

Much of the detailed biosecurity requirements will be contained in the Act's subordinate legislative (Regulations and Orders), non-legislative and administrative instruments. **Further work on biosecurity legislation is required and the dairy industry will continue to engage as this progresses.**

Policy idea 23—Improving the biosecurity system

- a) Increased information and intelligence gathering tools, supported by increased investment on high risk areas and priority pests and diseases*
- b) Enhanced onshore monitoring, including by developing reporting tools and establishing a public Biosecurity Information System to share information*
- c) Collaborating with industry associations to extend traceability systems to better facilitate responses to outbreaks and expand market access*

The dairy industry recognises the value of the Australian government providing leadership in the control and management of serious threats and the need to ensure cooperation between jurisdictions. Industry wants national consistency and certainty and does not want duplication.

An effective biosecurity system requires activities pre and post border, as well as action at the border, and requires input and investment across all jurisdictions under an integrated national framework.

The dairy industry also recognises the value of partnerships in controlling biosecurity risks, including governments, industry, trading partners and the wider community. This cooperation provides parties an opportunity to contribute their expertise and capability and provides for efficiencies in biosecurity management.

Government needs to explore funding and liability issues that may be a barrier to industries being able to effectively fulfil their role as a partner in biosecurity management.

Current biosecurity arrangements that separate pest and disease incursions and response from immigration protocols and functions, ensures Australia's highly valued disease-free status is maintained. The specialised port surveillance delivered by highly trained officers is an integral part of protecting our agriculture.

Accessing international markets

Policy idea 24—Strengthening Australia’s overseas market efforts

Demand for dairy products from key emerging markets such as China, South East Asia and the Middle East will continue to grow. The Australian dairy industry is well positioned to capitalise on this growth, given the right environment. Government has an important role to play to facilitate trade, particularly in the key areas of trade agreements, technical market access and promotion of the Australian system.

Trade agreements

Government needs to continue to work with the dairy industry to conclude Free Trade Agreements (FTAs) that provide genuine liberalisation of market access for all Australian dairy products and that reduce Australian dairy’s competitive disadvantage with its major global competitors.

The dairy industry has applauded the successful conclusion of the China-Australia FTA, welcoming an FTA with the world’s largest dairy import market. The industry expects positive flow-on effects throughout the supply chain, in particular through substantially reduced tariffs on key dairy products such as infant nutrition, cheese, milk powder and packaged milk.

Within Asia the Government should continue to pursue comprehensive trade agreements, in particular with Indonesia and India. Following the successful completion of the China FTA the dairy industry also encourages the Government to pursue an FTA with Taiwan.

As well as opportunities in Asia, the dairy industry sees significant opportunities in the Middle East. **A comprehensive trade agreement with the Gulf Cooperation Council (GCC) should also be pursued.** This is critical to open up new opportunities, and to defend existing share given that the NZ-GCC FTA, once ratified, will give New Zealand preferential market access in the GCC countries.

Regional agreements to facilitate supply chains including the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) also remain important.

In response to the specific ideas outlined in the Green Paper:

a) Undertaking further trade research

Dairy Australia conducts a regular program of research and market monitoring for the benefit of Australian dairy industry stakeholders. Dairy Australia employs Austrade for some of this in-market assessment and research and appreciates this important role played by Austrade.

Additional cross commodity trade research would be helpful but is not a key priority for the industry.

b) Improving exporter services and intelligence

c) Providing more exporter readiness training

The requirements for exporting agricultural goods, including dairy, can be complex and difficult to understand for new exporters. Added to this, the diversity and variation in overseas market requirements can make it difficult for even experienced exporters to know what is required.

Further general exporter readiness training would be welcome. In addition, sector and market specific intelligence, services and training are required. This includes:

The Manual of Importing Country Requirements (MICoR) – MICoR provides a lot of important information but does not currently achieve a comprehensive, simple guide of what is required to export to each country. Given complex and constantly changing regulations, we

recognise that maintaining up to date and comprehensive content in an easy to follow format is an enormous job, requiring significant regulatory and policy expertise. Government should focus further resources on improving detail for priority markets, and on accessibility from a user perspective (for example covering all requirements of exporters, not just those regulated by the Department of Agriculture).

Responsiveness to industry questions and information – Export issues can arise and escalate very quickly. Often the ability of an exporter or industry organisation to talk directly to regulators can assist in a quick resolution and prevent an issue for a single company becoming an issue for the whole industry. It also allows industry and government to pool information including on how changes are actually being implemented on the ground. The ability for departmental staff to engage directly with individual exporters is therefore valuable for all parties and government needs to ensure resources are available to respond in this way.

Targeted sector and market specific workshops responding to changing circumstances and industry needs – In June 2014 the Department of Agriculture Export Standards Branch and Dairy Australia jointly conducted a series of exporter workshops covering changes to in market requirements for China and the EU. The China workshops were in response to a major shift in regulation where the Chinese Government implemented a mandatory requirement for export establishment registration. These workshops were very well attended by a broad representation of dairy product exporters and demonstrated the strong willingness of the industry to work with the Department of Agriculture to achieve compliance with export market requirements. This model should be repeated and Dairy Australia is keen to work with government on identifying needs and conducting future workshops.

- d) *Accelerating the development of technical, market access country and commodity strategies to prioritise market access efforts*

Technical market access

The increased use of non-tariff barriers in priority markets is preventing Australian dairy from realising its maximum export potential. Although international standards exist to guide market access requirements for most dairy products, many countries have their own standards in place that differ from, and can be more onerous than, the international guidelines. While we accept the need for technical requirements imposed by markets related to risk management for legitimate food safety issues, many requirements go far beyond this and can therefore constitute technical barriers to trade.

The cost of non-tariff barriers to trade

A recent report commissioned by Dairy Australia titled, *Comparative evaluation of technical barriers to trade for Australian dairy products*, and prepared by DN Harris, shows that minimising technical barriers to trade (TBTs) would reward the dairy industry with long term economic savings and increase its competitiveness on the global market.

The report finds that, aggregated, the total annual impact for individual TBTs is estimated at being \$1.57 billion. This represents significant opportunities lost or forgone to exporters and ultimately dairy farmers.

Reducing barriers such as onerous product testing, red tape, excessive supply chain requirements, shipment costs and market access restrictions would provide economic benefits similar to those achieved in a Free Trade Agreement.

A similar project undertaken in the meat industry shows comparable opportunities from addressing TBTs. While the specific issues vary considerably, there are likely to be similar benefits from better resourcing to address TBTs across agricultural and food industries.

Based on this, and extensive experience in the area, **the dairy industry is keen to work closely with government to develop a dairy industry strategy to prioritise market access efforts.**

Much of the activity required to address these issues can only be undertaken by government as it involves working with, and negotiating with, the governments of our trading partners.

The Department of Agriculture is the main agency tasked with export dairy regulatory services and systems. Due to financial pressures, the department has been withdrawing resources and assistance. The withdrawal of resources will affect the industry's ability to respond to issues as they arise and to proactively address potential issues.

The Australian government should increase its capacity to work (in collaboration with industry) to identify and react to existing and new non-tariff barriers in order to minimise impact on trade.

A coordinated effort from the Commonwealth and state governments, regulators and industry is required to address both specific trade issues and regulatory coherence with trading partners. **Removing non-tariff barriers and improving regulatory coherence requires a national strategy led by the Australian Government.**

These activities also need to cover all TBTs, not just those within the remit of what the Department of Agriculture certifies for exports. For example halal certification is required by the governments of some of our key trading partners, but for dairy falls outside the remit of what is certified by the Department of Agriculture. However this is still an important TBT that requires government and industry cooperation to address.

e) Developing national promotion efforts (such as through a national brand)

The dairy industry supports the idea of developing national promotion efforts in principle, but believes it is critical that this work is undertaken collaboratively to ensure that it is useful. For example Dairy Australia has already started to collaborate with Meat and Livestock Australia, Wine Australia and Austrade on international market development work and is keen to leverage this existing work. Any national branding or promotional efforts should also remain voluntary and unregulated. They should also aim for a greater level of coordination and collaboration between the Commonwealth and state government trade agencies to more efficiently utilise limited resources for better collective outcomes.

While further coordination on promoting Australian food products internationally is welcome, where government can make a real difference is in **promoting our food regulatory system so that regulatory authorities and customers (as distinct from consumers) understand what is behind the safety and quality of Australian food.** Government has a unique authority, both diplomatically and as a regulator, to promote the system in this way. This would also benefit exporters of bulk commodities and ingredients as well as retail products.

f) Increasing Australian Government positions overseas, and consider options for industry-funded positions to underpin increased focus on agricultural market access

The Department of Agriculture, Agricultural Counsellor program needs to increase regional coverage in South East Asia and the Middle East. In addition to existing posts, the program should be expanded into the following three key emerging markets: Vietnam, the Philippines, and Saudi Arabia. These countries are high potential growth markets whose needs can't be adequately met through existing posts (for example, the Thailand post's coverage of key growth areas in South East Asia).

Where Agricultural Counsellors are located in markets, they can more effectively engage directly with local officials/government representatives to address access issues as they arise, and work proactively to identify and prevent non-tariff barriers affecting dairy imports.

Agricultural Counsellor positions play a key role where they are already in place, including in key competitor countries such as the EU and US. **Expansion of Agricultural Counsellor positions in emerging markets should not be at the cost of existing posts.**

Agricultural Counsellors also require expert technical and policy support from Australia. While the Agricultural Counsellor position is critical for on the ground knowledge and face to face negotiations, they are part of a system for resolving trade issues, which requires significant support from both government and industry back home. Dairy Australia actively supports and facilitates this system by liaising across the dairy industry and collating issues and positions. Government officers in Australia also play a key role with expert knowledge on our systems and solutions to issues to brief Agricultural Counsellors.

The Green Paper raises the idea of a 'cadre of Australia-based technical specialists for deployment to enable a quick response to critical market incidents overseas'. The dairy industry would argue that this should already be part of the role of sector specific technical experts in the Department of Agriculture. The technical experts with the most credibility are those who are actively involved in the food regulatory system. In dairy's experience these need to be at a sector specific level, as the issues facing processed dairy exports, and the system supporting these, are notably different to those facing, for example, meat or fresh horticultural products.

Rather than a new 'cadre' of technical experts, the government needs to recognise and fund the experts embedded in the Department of Agriculture and the food regulatory system to identify and address technical barriers to trade.

g) Increasing engagement bilaterally, and in multilateral forums, to promote use of international standards in food regulation

The development of harmonized regulatory systems that are consistent with international standards is also a key strategic plank to preventing market access issues from arising in the first place, particularly among key trading partners in Asia,

Australia's commitment to international standard setting forums (Codex, OIE, WCO) is critical. The dairy industry invests significant resources in monitoring and contributing to international standard setting, but much of this can only happen at a government-to-government level. **The Australian government must continue to actively contribute to and take a lead in these international processes to support exports.**

The next step to this commitment is to help trading partners build their capacity so that they can apply this system, and so that we can trade without unnecessary restrictions. Activities such as the ASEAN-Australia-New Zealand Free Trade Area Economic Cooperation Work Programme (outlined below) or Australia's leadership in the Asia Pacific Economic Cooperation (APEC) Food Safety Cooperation Forum (FSCF), not only help improve the technical competence of food safety management and food regulations in the regions covered, but in the long term should assist in preventing unnecessary barriers to trade.

Government needs to remain committed to these relationships over the long term to realise these strategic outcomes.

ASEAN-Australia-New Zealand Free Trade Area Economic Cooperation Work Programme

The Department of Agriculture, in partnership with the New Zealand Ministry of Primary Industries, are working with ASEAN member countries to develop Sanitary and Phytosanitary (SPS) regulatory capacity for dairy products to expand trade opportunities and support economic growth.

The project will provide a greater understanding of good farming practices in the dairy sector and risk-based SPS regulatory frameworks that support safe and reliable milk production. Both the Australian

and New Zealand systems will be shared as examples of well-established dairy production systems and regulatory frameworks.

It is anticipated there will be opportunities for export growth associated with the program and the Department of Agriculture has actively sought to engage the dairy industry via Dairy Australia.

Policy idea 25—Improving Australia’s export and import systems

Over the past few years, the Australian dairy industry has sought to have a streamlined approval to domestic and international food safety regulations. The Department of Agriculture, as the competent authority for approving dairy exports, has accepted the national dairy food safety system where national food safety standards are implemented by state food authorities and the department recognises the state systems. **Dairy businesses, while still having multiple commercial audits, are now subject to a single food safety audit for domestic and export requirements. This is a good system that needs to be actively promoted, and could be considered as a model for other industries.**

Export certification costs and services were reviewed following the government’s decision to allow the 40% subsidy for export charges to sunset. A number of benefits were obtained. The government’s recent commitment to provide \$15 million to help small exporters by reducing registration fees has also triggered a further review of the export certification costs.

Given the different needs and systems of the various commodities being exported the dairy industry would not support a single ‘one size fits all model’ for fee recovery. As already discussed, the dairy industry knows that there is far more facilitation required to export dairy products than the certification procedure. **The full extent of services needed to facilitate market access needs to be understood and resourced appropriately. Cost recovery is part of this solution, however government also needs to continue to contribute to facilitating exports according to its role, and accountability and transparency need to be maintained.**

In terms of support for exporters to understand overseas market requirements, as discussed above, the Manual of Importing Country Requirements (MICoR) provides an important resource for industry. However the experience of the dairy industry is that the need is not for a change in ICT system supporting MICoR, but rather in the resources to ensure the content is comprehensive, up to date, and tailored to user needs.

Attachment 1 - Dairy Australia's collaboration activities 2013-14

Dairy Australia's current RDC collaboration

Program name	RDC partners	Combined RDC investment \$ (2013/14)
Animal Health and Welfare On-farm	<ul style="list-style-type: none"> Meat & Livestock Australia Ltd (MLA) 	30,000
Australian Pastures Genebank	<ul style="list-style-type: none"> Australian Wool Innovation Ltd (AWI) Grains Research and Development Corporation (GRDC) MLA Rural Industries Research and Development Corporation (RIRDC) 	789,741
Can advances in mid-term weather forecasts reduce emissions from nitrogen fertiliser?	<ul style="list-style-type: none"> GRDC Sugar Research Australia (SRA) 	54,167
Carbon Farming Futures Extension and Outreach Program	<ul style="list-style-type: none"> MLA 	396,744
Climate Change Research Strategy for Primary Industries	<ul style="list-style-type: none"> AWI, GRDC, MLA, RIRDC Australian Egg Corporation Ltd (AECL) Australian Grape and Wine Authority Australian Meat Processor Corporation Ltd Australian Pork Ltd (APL) Cotton Research Development Corporation (CRRDC) Fisheries Research Development Corporation Forest and Wood Products Australia Horticulture Australia Ltd (HAL) 	412,500
Composting as a means of minimising greenhouse gas emissions from the manure supply chain	<ul style="list-style-type: none"> AECL 	19,500
Cross Industry Feedgrain R&D Partnership	<ul style="list-style-type: none"> AECL APL GRDC MLA RIRDC 	247,382
Food Innovation Service Hub	<ul style="list-style-type: none"> HAL MLA 	210,000
GM Path-to-Market	<ul style="list-style-type: none"> GRDC HAL RIRDC SRA 	174,000
National Agricultural Manure Management Program	<ul style="list-style-type: none"> AECL APL MLA RIRDC 	114,000
National Livestock Methane Program	<ul style="list-style-type: none"> MLA 	282,583
National Nitrous Oxide Research Program	<ul style="list-style-type: none"> GRDC 	282,733
Wholesale Farm Systems Analysis of Greenhouse Gas	<ul style="list-style-type: none"> AWI MLA 	262,688
Wholesale Farm Systems Analysis of greenhouse gas abatement options for the southern Australian grazing industries	<ul style="list-style-type: none"> AWI MLA 	262,688

Dairy Australia's other collaboration activities

Focus area	Australian collaboration	International collaboration
Animal and plant genomics	<ul style="list-style-type: none"> Dairy Futures Cooperative Research Centre Australian Dairy Herd Improvement Scheme 	<ul style="list-style-type: none"> DairyNZ
Capability and skills	<ul style="list-style-type: none"> 11 National Centre for Dairy Education Australia alliance partners Charles Sturt University University of Ballarat The University of Melbourne 	
Extension and farm systems	<ul style="list-style-type: none"> Department of Agriculture and Food, Western Australia (DAFWA) Department of Agriculture, Fisheries and Forestry, Queensland (DAFF Queensland) Department of Environment and Primary Industries (DEPI), Victoria Department of Primary Industries, NSW (NSW DPI) Tasmanian Institute of Agriculture 	<ul style="list-style-type: none"> DairyNZ
Feedbase	<ul style="list-style-type: none"> DAFF Queensland DAFWA DEPI, Victoria Tasmanian Institute of Agriculture The University of Queensland The University of Sydney 	<ul style="list-style-type: none"> DairyNZ
Health and nutrition	<ul style="list-style-type: none"> Australian Institute of Sport Flinders University Geoffrey Gardiner Dairy Foundation The University of Melbourne 	<ul style="list-style-type: none"> California Dairy Research Foundation Dairy Council of California Dairy Management Inc. (USA) Danish Dairy Research Foundation Dutch Dairy Association Global Dairy Platform
Market outlook and information	<ul style="list-style-type: none"> Geoffrey Gardiner Dairy Foundation 	<ul style="list-style-type: none"> International Dairy Federation
Natural resource management	<ul style="list-style-type: none"> DEPI, Victoria NSW DPI Environment Protection Authority Victoria Queensland University of Technology (QUT) Regional natural resource management bodies Regional water authorities Tasmanian Institute of Agriculture The University of Melbourne 	<ul style="list-style-type: none"> International Dairy Federation
Precision technologies	<ul style="list-style-type: none"> The University of Sydney 	<ul style="list-style-type: none"> DairyNZ DeLaval Pty Ltd NIZO Food Research
Processing innovation	<ul style="list-style-type: none"> Dairy Innovation Australia Ltd QUT 	<ul style="list-style-type: none"> Dairy Management Inc. (USA) NIZO Food Research
Sustainability	<ul style="list-style-type: none"> Sustainable Agriculture Initiative (SAI) Platform 	<ul style="list-style-type: none"> Global Dairy Platform International Dairy Federation
Trade and market development	<ul style="list-style-type: none"> Department of Agriculture Department of Foreign Affairs and Trade National Farmers' Federation Trade Committee 	<ul style="list-style-type: none"> Australian Agricultural Trade Counsellors China Dairy Industry Association

Attachment 2 – ADIC Policy Overview

Australian Dairy Industry Council

Policy Priorities 2014

Markets and Trade

Trade

- Conclude FTAs, and the Trans-Pacific Partnership, providing genuine liberalisation of all dairy products and commercially meaningful opportunities for Australia's dairy industry, to reduce its comparative disadvantage to its major global competitors.
- Increase the number of Agricultural Counsellor postings to help remove barriers to trade (including non-tariff barriers) in key international markets such as Vietnam, the Philippines and Saudi Arabia.

Infrastructure

- Provide funding for strategic regional infrastructure projects beneficial to agriculture and regional communities.
- Deliver on the pre-election promise for funding for current and future rounds of the Roads to Recovery program.

Finance and Risk Management

- Provide ongoing resources for the Rural Financial Counselling Service to offer one-on-one sessions for farmers experiencing extreme financial hardship.
- Introduce a new program, similar to the Commonwealth's \$5,500 Professional Advice and Planning Grants for drought-affected farmers, for farmers experiencing extreme financial hardship.

Health and Nutrition

- Ensure health and nutrition policy initiatives are consistent with the National Health and Medical Research Council (NHMRC) guidelines, to promote the consumption of healthy "core" foods, such as dairy.
- Provide primary industry bodies and RDCs a seat at the table of all relevant health and nutrition policy forums.
- Ensure that any front-of-pack labelling scheme is supported with funding for a consumer education campaign focussing on how consumers should use the scheme to facilitate healthier food choices consistent with the Australian Dietary Guidelines.

Biosecurity

- Invest in preparedness for Foot and Mouth Disease and emergency disease response capability and surveillance.

RD&E Funding

- Increase total Commonwealth expenditure on agricultural RD&E by one per cent (of total Government expenditure on RD&E) by 2016 to ensure innovation and growth in the dairy industry continues, and boost productivity along the supply chain.

Monetary Policy

- Ensure Australia's monetary policy recognises the impact a high Australian dollar has on our exports.
- Focus on levers that improve investor and business confidence and reduce interest rates in line with other developed economies.

People and Workforce Issues

Industrial Relations

- Remove the 3-hour minimum engagement requirement from the *Pastoral Award* or make it more flexible to acknowledge the unique workforce requirements of the dairy industry.
- Include “milking” under essential services in the *Pastoral Award 2010* relating to penalty rate classifications, similar to “feeding and watering stock” to recognise that milking is an essential part of animal care.

Immigration

- Streamline and fast-track the application and approvals process for 457 visas for skilled dairy workers, and reverse the restrictions on 457 visas introduced by the former Government.
- Second a Department of Immigration and Citizenship (DIAC) Departmental Liaison Officer to ADF to assist farmers with immigration matters.
- Extend the duration of 417 and 462 visas from six to 12 months.
- Include dairy on the list of eligible industries for the Seasonal Worker Scheme and on Schedule 1 of the Skilled Occupation List, and revise Australian and New Zealand Standard Classification of Occupations (ANZSCO) skills descriptions for dairy farmers to align with industry skills descriptions.

Agricultural Education

- Classify agriculture and related tertiary courses (Agricultural Science, Agribusiness, etc.) under the National Priority band for Commonwealth HECS-HELP assistance.

Farmer Health, Safety and Wellbeing

- Commit \$1.2 million over four years towards a Farm Safety Assessment Program, providing grants to fund a 3-hour farm safety assessment (at \$300 per assessment) to farmers, conducted by an independent safety consultant.
- Provide the National Centre for Farmer Health with funding of \$500,000, matched by the Victorian Government, to enable them to continue their valuable work in raising on-farm awareness of the importance of health, safety and general well-being.

Sustainability

Emissions/Energy

- Ensure adequate funding in emissions reduction programs, including related research, to assist the dairy industry in undertaking energy efficiency assessments, and to transition to renewable energy technology and energy efficient equipment.

Water

- Murray Darling Basin Plan implementation – confirm a clear plan for capping buybacks at 1500GL, and delivering 600GL in infrastructure works and 650GL in environmental works.

Healthy Soils and Waterways

- Provide funding for on-farm nutrient testing and management plans to reduce farmers’ fertiliser costs, boost soil productivity, and keep waterways and lakes clean.
- Provide funding for integrated biodiversity management on farms that boosts productivity, such as shelter belts for stock and fencing off waterways.

Government-led Initiatives

Agricultural Competitiveness White Paper

- Provide sufficient resources for the implementation of recommendations generated from the Agricultural Competitiveness White Paper.
- Utilise existing research from the National Food Plan and the Asian Century White Paper to assist with implementation of the above recommendations.

Attachment 3 – ADF Policy Overview

Australian Dairy Farmers' Policy Overview

Policy Priorities 2014

Markets and Trade

Competition Policy

- Establish a mandatory Code of Conduct covering the whole supply chain to balance the market power of the major retailers and appoint an Ombudsman with the powers to ensure compliance.
- Modify the ACCC Collective Bargaining authorisation for dairy farmers to strengthen the bargaining position of dairy farmers, providing further balance in market power to dairy farmers.

Trade

- Conclude bilateral and multilateral trade agreements that provide genuine liberalisation of all dairy products and commercially meaningful opportunities for Australia's dairy industry, to reduce its comparative disadvantage to its major global competitors.
- Increase the number of Agricultural Counsellor postings to help remove barriers to trade (including non-tariff barriers) in key international markets such as Vietnam, the Philippines and Saudi Arabia.

Infrastructure

- Provide funding for strategic regional infrastructure projects beneficial to agriculture and regional communities.
- Deliver on the pre-election promise for funding for current and future rounds of the Roads to Recovery program.

Finance and Risk Management

- Provide ongoing resources for the Rural Financial Counselling Service to offer one-on-one sessions for farmers experiencing extreme financial hardship.
- Introduce a new program, similar to the Commonwealth's \$5,500 Professional Advice and Planning Grants for drought-affected farmers, for farmers experiencing extreme financial hardship.

Health and Nutrition

- Ensure health and nutrition policy initiatives are consistent with the National Health and Medical Research Council (NHMRC) guidelines, to promote the consumption of healthy "core" foods, such as dairy.
- Provide primary industry bodies and RDCs a seat at the table of all relevant health and nutrition policy forums.
- Ensure that any front-of-pack labelling scheme is supported with funding for a consumer education campaign focussing on how consumers should use the scheme to facilitate healthier food choices consistent with the Australian Dietary Guidelines.

Biosecurity

- Invest in preparedness for Foot and Mouth Disease and emergency disease response capability and surveillance.

RD&E Funding

- Increase total Commonwealth expenditure on agricultural RD&E by one per cent (of total Government expenditure on RD&E) by 2016 to ensure innovation and growth in the dairy industry continues, and boost productivity along the supply chain.

People and Workforce Issues

Industrial Relations

- Remove the 3-hour minimum engagement requirement from the *Pastoral Award* or make it more flexible to acknowledge the unique workforce requirements of the dairy industry.
- Include “milking” under essential services in the *Pastoral Award 2010* relating to penalty rate classifications, similar to “feeding and watering stock” to recognise that milking is an essential part of animal care.

Immigration

- Streamline and fast-track the application and approvals process for 457 visas for skilled dairy workers, and reverse the restrictions on 457 visas introduced by the former Government.
- Second a Department of Immigration and Citizenship (DIAC) Departmental Liaison Officer to ADF to assist farmers with immigration matters.
- Extend the duration of 417 and 462 visas from six to 12 months.
- Include dairy on the list of eligible industries for the Seasonal Worker Scheme and on Schedule 1 of the Skilled Occupation List, and revise Australian and New Zealand Standard Classification of Occupations (ANZSCO) skills descriptions for dairy farmers to align with industry skills descriptions.

Agricultural Education

- Classify agriculture and related tertiary courses (Agricultural Science, Agribusiness, etc.) under the National Priority band for Commonwealth HECS-HELP assistance.

Farmer Health, Safety and Wellbeing

- Commit \$1.2 million over four years towards a Farm Safety Assessment Program, providing grants to fund a 3-hour farm safety assessment (at \$300 per assessment) to farmers, conducted by an independent safety consultant.
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