Agricultural Competitiveness White Paper Submission - IP332
Tasmanian Irrigation Pty Ltd
Submitted 16 April 2014

COMPETITIVE AGRICULTURE

GIVE US A CHANCE TO GROW

A CONTRIBUTION TO THE AGRICULTURAL COMPETITIVENESS ISSUES PAPER

Tasmanian Irrigation

Tasmanian Irrigation Pty Ltd (TI) develops, owns and operates irrigation schemes in Tasmania. New schemes that it develops are market-driven. These schemes are scoped to address the needs of agricultural districts, are 95% reliable at a minimum and are constructed as public-private partnerships. Our vision is the expansion of high economic value agricultural production through irrigation in Tasmania. Our mission is to develop, manage and oversee secure irrigation and facilitate the expansion and development of agriculture in Tasmania.

TI is passionate about the agricultural industry's ability to compete internationally, provide further growth for the domestic economy and contribute to the wellbeing of local regional communities. TI has experienced how investment in major infrastructure development can dramatically change an industry's long term outlook, by their ability to unlock enterprise opportunities that were previously unobtainable.

The views and opinions expressed in this paper are those of Tasmanian Irrigation Pty Ltd only.

Recommendations

1. Through allocation of research funding, the Federal Government directs that a national coordinated approach to research be undertaken in order to avoid unnecessary duplication and to ensure that research conducted is directly relevant to productivity, drought resilience and global competitiveness.

2. The State provided education system, particularly in the regions, teach the importance of farming to the Australian society in order to develop farming as an attractive career option. That appropriate funding is made available for career councilors, in regional schools in particular are fully informed of the career options in the agricultural and agricultural processing industries and are aware of tertiary and vocational training options.

3. That a formal comprehensive competitiveness benchmarking exercise be undertaken with countries seen as being competitors to Australian agriculture. Without limiting the list of countries, New Zealand, China and Chile to be included.

4. As proposed by the Tasmanian Farmers and Graziers Association (TFGA) that a Higher Educations Contribution Scheme (HECS) Style funding program for farmer's loans is extended to farmers who want to expand their farms or farm infrastructure. It is envisaged that such loans being paid back as profits are generated from activities as they come into production. As these are loans and not grants, the scheme would not require a major financial commitment from government. It is proposed a matched maximum loan of $250,000 is provided at bank bill interest rate and repayable over 5 years. In essence, this would be a form of HECS scheme for farmers.

5. A compressive and exhaustive review of all agricultural industry representative bodies be undertaken. Recommendations following this review could be promoted through the lever of Federal and State funding.

6. That an Australian Brand Commission be established by the Federal Government to firstly establish a coordinated approach to an Australia brand, identify Australian brand values and then to license users that meet the criteria. Such a program to be undertaken with the establishment of similar State based councils where appropriate.

7. That Public Private Partnerships (PPP's) be used as a mechanism for delivery of long-term infrastructure, such as irrigation schemes, that will dramatically increase the competitiveness of Australian farmers.

Overview

The time is right for the Australian Government to consider issues that will result in an increase in Australian farm competitiveness and profitability and that will strengthen local rural and regional communities.

As Australia embarks on a new world of free trade, the competitiveness of its agricultural sector will be under constant international scrutiny.

The Agricultural Competitiveness Issues Paper, as part of the White Paper process, raises a number of issues for consideration, but there are additional critical factors that the White Paper should address.

It is clear that Australia has potential competitive advantages: diverse climate; proximity to rapidly growing markets in the region; low sovereign risk. In reality, many other countries can lay claim to these same attributes. At the same time, the cost of capital, our variable climate and soil types, skills shortage and a lack of willingness to embrace innovation could be seen as inhibitors – again, probably nothing unique.

Industry associations tell us our local farmers are the best in the world. Not only is this statement patronising and possibly wrong it is also quite dangerous. If we are to be world leaders in agriculture, innovation is as important as any other factor.

If we want to increase Australian farming's competitiveness, we must:

- Invest wisely in innovation, based on research and capture resultant competitive positions though the protection of new intellectual property in order preserve value adding innovations.
- Through free trade agreements (FTA's), and overcoming trade barriers. Is nine years to date in negotiating with China really acceptable? It hardly seems to be a national priority. New Zealand did it in three years.
- Remove excess regulation, including unnecessary jurisdictional duplication that is not directly linked to significant environment, social or equitable outcomes.

In Tasmania's case, the rapid introduction of a single statewide planning scheme and responsibility vested in the state for compliance with the Environmental Protection and Biodiversity Conservation Act would be significant achievements.

- convince the farming community of the importance of training and continual improvement
- have the industry speak with a unified voice nationally and internationally
- maximise onshore processing and value capturing
- optimise infrastructure expenditure. Capability and capacity increase at a national level must be the first two points to be achieved before public money is spent in the current financial circumstances
- rapidly elevate the achievement of farm skills at least to the equivalent in status of a trade with an equivalent level of training, accreditation, acceptance and career progression.

1. Trade barriers - The level playing field concept (or myth). While in an ideal world many would like to see the abolition of tariffs, quotas, international trade barriers, export refunds and output payments that distort market prices, this is not going to occur in the foreseeable future despite the Australian government's representations. It important to note that whilst the lowering of trade barriers is vitally important, inter–government agreements, such as FTA's need to go further than this and also consider mechanisms for mutual recognition of regulatory standards in food safety, health claims and the like.

Perhaps the best way to deal with these challenges is to develop government policy that encourages Australian investment in both monetary and human capital in domestic agriculture. A dynamic and profitable domestic agricultural sector is a vital component of Australian business and society as well as for our culture.

As Australia continues its drawn-out process with China, China already has seven free trade agreements in force (New Zealand, Singapore, Thailand, the US, Chile, the Association of South East Asian Nations and Malaysia). The benefits are obvious.

At this year's Australian Bureau of Agricultural and Resource Economics and Sciences Outlook Conference, delegates heard that China's beef imports are poised to rise almost 1000 per cent over the next 40 years. The question that Australian farmers and policy makers need to consider is the real economic cost of the FTA with China, particularly in terms of foreign investment and direct sovereign investment in Australian agricultural assets. The sale of Cubbie Station to Chinese interests and red meat exports to China in return for low-priced imported cheeses and vegetables that drive down prices to local producers demonstrate the cost.

Perhaps even more import than the issue of land ownership is the question of where the further processing, or value adding, is undertaken. The ability for foreign owned processing businesses to undertake further processing of Australian grown produce in low labour and tax economies will result in significant lost value to the Australia economy.

2. Education and career progression

In the Tasmanian context, a large cultural gap, or a stigma if you like, exists between farm owners and their employees. School leavers in Tasmanian regional communities are too frequently advised to leave school at the end of Year 10 and get a job on a farm. The simple truth, however, is that farming requires high levels of skills, at least as high as many trades, but there is no suggestion or prospect of a career path. An aspiring farm manger cannot gain the necessary skills easily with only a year 10 education.

From a Tasmanian point of view Marcus Oldham College in Victoria tends to be the province of children of existing landowners before they return to the family farm, a right of passage. Such institutions do not market themselves to the broader population and are not easily accessible to the children of non-farming families. In addition, it is difficult for a school leaver to learn the basic skills required to rapidly become productive member of farm staff. So, what happens is that they are given menial jobs; they are heavily supervised, lowly paid with often poor working conditions. They stagnate or leave the industry, disillusioned.

Further, in additional to the issue of a lack of farming skills, there is also a considerable lack of skills based training in the broader agri-food sector. Many processing and value adding jobs that rely on agricultural also need to make skills progression and training available.

3. Research

Research is key. It is largely about the size of the bang for the farmers' and taxpayers' buck. Agricultural research in Australia has developed and grown randomly in the absence of a national strategic plan for research. Much of this research is driven by the interest of the institution's individual researcher and not necessarily to the demand of the industry. This must be reviewed. It is not just about centralization of control. It is about the wisest use of someone else's money.

4. Industry representation

This is similar to the issue of research. There are too many bodies purporting to represent Australian farmers. There is extensive duplication and the band of interest is often so narrow as to verge on the irrelevant at a national policy formulation level. While regional and sector representation is important, the time is right to establish an accurate national database. We must start a conversation on how this database can be the most effectively organised.

Issue 1.Ensuring food security in Australia and globally

Of all the issues facing government, food security always has to rate near the top of the list. Australia is not about to run out of food in the foreseeable future, nor is the world. Does anyone really think that the reason for the starvation in Somalia is due to the inability of the world, or even the Somalis, to grow food?
In an Australian context if we are not careful we will continue to reduce our domestic production and processing capacity which will place us more and more at the mercy of foreign producers. New Zealand should be seen as a foreign competitor. If there is a drive to see our food consumption increasingly dependent on offshore production, this needs to be a considered and avowed policy of government and not an outcome that is achieved through stealth.
Modern-day farmers have easy access to new technology, fertilisers and pesticides to increase production. Up to the 1970's new high yielding crops were developed that saved many developing countries form starvation during the global population boom.
Now we see crops being developed that thrive on what was once thought to be marginal land. We have species that are tolerant to drought, saline conditions and extreme temperatures. The key driver of research has been to produce foods that yield more with less input. Food production, even without GM, can continue to out–pace population growth.

What opportunities exist to expand agricultural production in Australia and how can we take advantage of them?

Food security needs to be seen as more than just the ability to feed people. It needs to address the quality, safety and pleasure aspect of food and healthy eating.
Agricultural expansion in Australia will be a mix of land use conversion, production and processing increases and new product development. Increased irrigation will be a key component of productivity increases.
New technologies, such as precision agriculture as a means to increase output, will optimise inputs and improve overall system management while decreasing adverse environmental impacts. Improved information will allow producers to be more effective in what they do. For instance, water use efficiency modeling aids in slowing salinity through improved management of the ground water table as well as improving fertiliser use and helping prevent runoff and leaching.
Integrated pest management and integrated weed management will allow producers to manage issues through means other than chemicals and reduce environmental and microbe impacts and reduce resistance to these substances.
Improvements in breeding results in cultivars more suited to specific areas and better able to cope in traditionally unsuitable environments. A good example of such improvements was seen in the 1960's when the stem height of wheat was reduced resulting in more energy being directed to grain production and away from producing bulk dry matter. Research leading to better practices, e.g. leaving stubble in paddocks after harvesting to reduce the amount of carbon removed from the area, will help increase sustainability.
Producers will need incentives to take advantage of improved education outcomes to make such practices more widely accepted. Skilled extension staff and information delivery systems will be required so all producers understand and information is not left on the shelf sitting idle because producers don't understand it or know how to apply it.
We need better research into national and global trends to predict where markets may be heading and allow time for manufacturers to be proactive to change. This will also aid in helping manage global supply chains. We need additional research into value chains and extension work to educate producers and to allow them more input.
We have to bring the non-farming population with us. Through education and effective communication by government and industry we have to explain why we grow food; for whom; our international obligations and the strategic consequences if we do not realise Australia's potential to help feed the world; and why we are good at growing food and fibre in perhaps the most challenging continent on Earth.

How can farm businesses, food manufacturers and the retail sector be more responsive to domestic and global food demand and better integrate into domestic and global supply chains?

This is a matter of staying ahead of the game and constantly assessing global movement and trends e.g. GM and organic. Offshore producers can appear more aware of changing trends. One has to ask whether the major supermarkets, in adopting strategies based upon the dictum of price being king, are doing Australian agriculture a disservice. Or are they, in fact, a saviour, given their scale and market penetration?

- Are governments policing imports well?
- In reality, do we have truth in labeling?
- Do farmers have access to timely, relevant and accurate information to fully inform production decisions to meet domestic and global food demands?
- Do we expect individual farmers to track global trends? Probably not. This should be a key role of industry association, research and development corporations, etc.

It is not just a matter of timely access, it is about the foresight and skills that farmers need. Each farm is a business within one or more production sectors. One of the problems with this industry is the hours spent in the saddle and out of the office. Market intelligence is a sectoral responsibility that must trickle down to the individual farmer in a timely and concise manner. To make each individual responsible for researching global market trends is both unrealistic and inefficient.
Information is available in most situations. However, not all producers get this information or are able to understand it and have the knowledge to apply it.
Extension in areas such as dairy are sound and producer participation is high but this is not so in other areas such as the beef industry. Some of this is due to a constant money flow in the dairy industry. Any changes made by producers are easily monitored and they can see the effect of these changes on a daily basis. It is different for meat producers, who really only see effect at sale time.
Improving this information may be through the use of new technology - blogs, newsletters, interactive apps, etc. For producers who are unable to attend field and information days and discussion groups. Face-to-face communication still appears to work best with older producers. The introduction of virtual discussion group activities through the use of systems such as Skype should be pursued. There is a need to focus largely on innovative producers who are willing to lead by example with new technologies and practices.

What opportunities exist for exporting Australian agricultural technology, marketing skills and expertise to improve global food security outcomes?

There is a need to distinguish between charitable pursuits and commercial opportunities in countries with current food shortages. Australian technology and skills can make an immediate impact in this space.
We operate in perhaps the most challenging continent on Earth. We have mastered and are mastering hostile climate farming decades before the rest of the world, because we have had to. Australian expertise in diverse areas from crop and seed selection through to optimum irrigation is marketable but is often subject to intellectual property rights. This expertise cannot be given away for some feel-good factor.

Issue 1. Relevant recommendations

1

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That a formal comprehensive competitiveness benchmarking exercise be undertaken with countries seen as being competitors to Australian agriculture. Without limiting the list of countries, New Zealand, China and Chile to be included.

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As proposed by the Tasmanian Farmers and Graziers Association (TFGA) that a Higher Educations Contribution Scheme (HECS) Style funding program for farmer's loans is extended to farmers who want to expand their farms or farm infrastructure. It is envisaged that such loans being paid back as profits are generated from activities as they come into production. As these are loans and not grants, the scheme would not require a major financial commitment from government. It is proposed a matched maximum loan of $250,000 is provided at bank bill interest rate and repayable over 5 years. In essence, this would be a form of HECS scheme for farmers.

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That an Australian Brand Commission be established by the Federal Government to firstly establish a coordinated approach to an Australia brand, identify Australian brand values and then to license users that meet the criteria. Such a program to be undertaken with the establishment of similar State based councils where appropriate.

Issue 2. Farmer decisions for improving farm gate returns

Farming is no different to any other business sector. There are good farmers, bad farmers and many average farmers. Education figures highly. The issue of doing what the parents did is rife in the family-farming sector. Scale, debt, profitability, succession planning and drought management skills are all key factors.
Farming is a business. It is a matter of developing one's resources to their optimum and maximising returns. In this regard, farmers are no different to plastic surgeons or barristers-at-law. You make the most of your opportunities; you research; you take advice; you take considered risks.
Farmers have to have professional help every step along the way.
The real question here perhaps is however, "how can farmers in Australia ever improve post farm gate returns when 85% of value is post farm gate and in the case of Tasmania, post the State boundaries".

What are the drivers and constraints to farmers adopting alternative business structures, innovations or practices that will assist them in improving farm-gate returns?

Drivers

There is sometimes an unwillingness to admit that there is a better way to do things than past practice.
Debt is a major driver for change. If there is large debt, all practices that have a money influence become big issues and are carefully managed, resulting in better practices.
Response to challenges is the ultimate driver, e.g. salinity issues. These result in producers changing from traditional methods of production to more educated and improved systems, using technologies such as precision agriculture and water use efficiency modelling, soil moisture monitoring probes and variable rate irrigation to decrease over watering and seepage to the water table.
A move to halophytes (salt tolerant crops) and species with a deeper root system to help lower the water table as opposed to traditional pasture, etc. can also be a factor.
Producers have to be proactive rather than reactive. In fruit and viticulture labour cost pressures are resulting in new tree and vine training design, not only to improve quality and improve efficiency through increased light interception, etc. but also to allow for mechanical harvesting to minimise the physical labour required and therefore decrease production costs.

Constraints

Constraints include traditional equity structures, access to information and how to apply it, access to capital to convert to improved systems/machinery/technology, skilled and educated labour to assist in the application of new technology and practices.
What tools, skills and advice do farmers need to effectively adapt and respond to the risks they face?
Today a farmer requires an even balance of farming and business skills. Their knowledge comes through education, technology uptake and active innovation. They require security and confidence from markets and the Australian public to ensure that their innovations and advances are appreciated. There has to be an improved knowledge transfer system to decrease the lag time in innovation uptake. Producers should be working as much as possible as a single unit as opposed to allowing big business to set the rules and keep them weak and divided.

What alternative actions or measures by governments, farmers or others would result in improved financial performance at the farm gate?

Government strategies that support the industry by their nature will be long-term given the prospect of possible future global food shortages. Short term fixes or inaction will not solve any real issues. Industry improvement through information transfer is required. Governments have to revise the role of extension workers. Privately funded extension workers are often employed to sell a particular system or product and as such do not always provide an unbiased opinion.
Producers have to be pro-active and innovative not only in their practices but also with their business management systems.
They need to understand the value and supply chains and to realise they have more power as a united unit when it comes to the bottom line and economies of scale.

What approaches could be used to encourage improved drought preparedness?

The simple answer is information and research. Forewarned is forearmed. The time for drought preparation is in times of non-drought; ensuring mechanisms will be in place when they are needed. That is the strategy with bushfire preparedness; it should be the same for drought.
Weather and climate modelling have reached a degree of sophistication that droughts should no longer be unexpected.
Therefore, we must have access to education on the impacts of climate change. We must have access to information on more drought-resistant crops and research into breeding such crops.
Exploring all irrigation and water storage potential is the obvious first step to overcoming drought, as Tasmania is doing. While Tasmanian Irrigation's 95 percent guaranteed supply of water is not drought proofing, it is as close as you will get in Australia.
The public/private partnership model works.
There have to be incentives to use water more efficiently, such as precision agriculture.
Farmers and their bankers should know where they stand before a drought. That involves governments also stating their position ahead of people having to walk off their land.
During drought, what measures are most effective in supporting long term resilience?
Maintaining the farmer's equilibrium through forward planning is critical. The greatest threat to long-term resilience is hopelessness and depression. Drought requires prior counselling at individual, family and community level.
There have to be opportunities for diversification in enterprise and export markets. Businesses then need to be able to balance where their business can sit across this mix to build resilience into their operating model.
Also:

- Improved education and knowledge;
- More government funding into the roll-out of water infrastructure where possible in the most productive regions of the country;
- Incentives into education on water use efficiency, precision agriculture and water requirements in order to use water efficiently;
- Specific research and subsequent education on drought-tolerant crop species and research into their breeding (bizarrely, much Australian pasture is still based on European species);
- Education on climate change and its effects on precipitation events around the country.

The agricultural sector has effectively disengaged from existing Landcare and NRM programs. Fifteen years ago there were a number of readily accessible programs such as Landcare that supported productive agriculture outcomes. These programs had incentives to improve practices on farm as well as supporting research and agronomy outcomes. Today the programs focus primarily on the trendy issues of tree planting and carbon storage.
Under water reform, irrigators within the Murray Darling Basin have been able to access programs for training and funding for irrigation infrastructure. Programs of this nature should be provided to Tasmanian farmers. They will improve farming practices and resource efficiencies, which will have greater environmental benefits than current ad hoc policies.

How can new farmers be attracted to agriculture and how can they succeed?

We must reinforce the fact that modern farming is a business, a profession and not something you do because the family would be disappointed if you didn't. The Tasmanian solution is mentoring. We have highly successful farmers who are among the state's canniest businesspeople. They are also generous with their time and knowledge. They give both freely. They are true sages.
Most of them tertiary-educated with life skills.
The importance of agriculture to Australia and society in good should feature more strongly in the educational curriculum. The means to feed and clothe people must rank as importantly as many other subjects. The ability to make a career in the primary or secondary sectors of the industry should be better understood. What is more fundamental to the future of society than this?

Issue 2. Relevant recommendations

1. Through allocation of research funding, the Federal Government directs that a national coordinated approach to research be undertaken in order to avoid unnecessary duplication and to ensure that research conducted is directly relevant to productivity, drought resilience and global competitiveness.

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7. That Public Private Partnerships (PPP's) be used as a mechanism for delivery of long-term infrastructure, such as irrigation schemes, that will dramatically increase the competitiveness of Australian farmers.

Issue 3. Enhancing access to finance

This is a vexed issue. The basic principle that applies to all business should in truth apply in the agriculture sector, the principle being that if a business is viable and capable, then traditional sources of finance will be available (banks, financial institution, etc.). Farmers should receive a special deal only on the criterion of national food security capability.
In Tasmania, the industry has promoted a HECS-type scheme by banks and governments for farmers. It recognises the often long delays between planting and reaping. With vines and trees, that delay can be anything from seven to 70 years. Financial institutions have to realise that loans cannot always be repaid within the same time parameters as a car loan to a public servant living in the city and that the impact of weather, is a factor that farms can not always reasonably plan for.
The avenues that allow private investors to provide capital for agriculture in Australia are limited. Given the sum of investment dollars available, given the boom in superannuation funds under management, agriculture can provide a relatively secure long-term investment opportunity offering a mix of capital growth and earnings' yield but does need to compete against more traditional market returns. To date the sector has had mixed results but the opportunity nonetheless is significant. Farmers in many cases are starved of capital. Investors have the money, but suitable vehicles do not exist.

How do we better attract private capital into farm investment?

- The HECS approach mentioned above.
- The establishment of private equity agriculture investment funds. This is a significant opportunity but the emphasis must be on active investment by an operator rather than passive investment. The manager of the funds must have the knowledge and skills to actively manage agricultural enterprises, not simply provide the investment dollar and outsource management responsibility.
- Encourage, not discourage, foreign investment. Australian agriculture was established with foreign money. Some properties are still in foreign hands and they contribute greatly to the national economy.

What examples are they're of innovative financing models that could be used across the industry?

The following information was obtained from the TFGA Budget submission to the Tasmanian State Government.
TFGA 2012/13 Budget Submission, November 2012 Page 9
One possible structure would be an income or profit-contingent loan scheme, in which the government creates a self-replenishing pool of funds, repaid by landowners on successful maturation of the vines or trees. The interest rate should be set low, to cover a low anticipated default rate. The funds could be made available only to experienced or qualified individuals, for land in regions externally verified as suitable (perhaps optimal) for the proposed usage. The program could be operated on the government's behalf by a well-established rural or community bank, for a fee. This would be in conjunction with commercial lenders, perhaps under terms similar to the Queensland Rural Assistance Authority (QRAA) sustainability loan scheme.
In essence, this would be a form of HECS scheme for farmers, with loans being paid back as profits are generated from activities as they come on line. As these are loans and not grants, the scheme would not require a major financial commitment from government. It is proposed a matched maximum loan of $250,000 is provided at bank bill interest rate and repayable over 5 years.
One of the major obstacles to new entrants to the farming sector is the high price of land and associated costs. Governments in other states have recognised this and put in place incentives to encourage farmers onto the land and to facilitate inter-generational transfer of farming properties. It is time Tasmania addressed this major issue too.
One of the challenges young people who want to pursue a career in agriculture face is the high cost of securing their own farm. Lowering these costs would help them gain a foothold in the market.
We therefore urge the government to introduce a stamp duty concession on the first $600,000 of the purchase price of a farming property. The exemption would apply to any young farmer under 35 years of age, buying land or a farm for the first time. The threshold for full farm-based exemptions should increase with marginal concessions up to $750,000 and be capped at $15,000 for each individual.
While such a concession may not be enough to entice potential young farmers to take on the significant investment, and accompanying risks, associated with starting a business, it is designed to remove potential barriers to young people who wanted to go farming.
In addition to stamp duty concessions for young farmers, we believe the government should also provide other forms of tax relief including land tax exemptions, concessions on motor vehicle registration and an exemption on land transfer duty for family farms.

What would encourage uptake of new financing models? What alternative business structures could be developed for farming that also retains ownership with farm families?

Ultimately the main determinants of farm families retaining ownership of their farms will be desire, profitability and lifestyle.
Retention of the family farm should not be a policy aim, but should be seen as the preferable outcome. If retaining ownership comes before profitability, market distortion may occur. Clearly, the up-skilling of traditional farming families and opening their eyes to innovation is a key. The challenge is how to do it. In a world of increasing technology and regulation, the skills to deal with theses issues have changed rapidly in the last 10 years, let alone a generation.
In many farming families, scale is seen as the easy answer to enhance profitability rather than efficiency improvements. Often nothing could be further from the truth.
In terms of structure, partnering with equity providers is a model where families can stay on the family farm but ultimately it will come back to the issue of profitability. There is significant resistance to this method of financing for traditional farming families.

How can foreign investment best contribute to the financing and productivity growth of Australian agriculture?
Australians require a comprehensive education program on the merits of foreign investment and the history of foreign investment, showing the benefits. We take on a notional ownership of our own landscape and there is an understandable xenophobia about selling the farm to non-Australians. Clearly, joint ventures provide much of the solution, the degree of foreign ownership providing the problem.

Issue 3. Relevant recommendations

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Issue 4. Increasing the competitiveness of the agricultural sector and its value chains

In part, this is a case for regulatory and statutory intervention. What are urgently needed are accurate benchmarking studies to be undertaken, particularly with our major competitors, including NZ, China and South America. Anecdotal evidence is worthless.

How might existing laws and regulations be changed to address any market power imbalances in the agricultural supply chain, without limiting prospects for global-scale firms developing in Australia?

We must have enforceable codes of conduct for truth in labelling, promoting Australian produce, equitable marketing by the major supermarkets in terms of product presentation and there has to be consistent vigilance by the ACCC.

Access to markets obviously remains a key factor

How can the agriculture sector improve its competitiveness relative to other sectors in the economy?

Some suggestions:

- Irrigation to allow all farms to maximise their potential, using public/private funding partnerships and HECS-style funding arrangements, as explained previously
- By better integrating on farm with post farm gate processing and market access.
- Brand marketing
- Avenues to market.
- Securing community support for agribusinesses through allegiance/loyalty advertising

Which examples of overseas approaches to improving agricultural competitiveness have relevance for Australia?

Others will no doubt be able to answer this question in more detail. It is our contention however that accurate benchmarking does not adequately exists that compares Australian competitiveness (cost of production, access to markets R,D&E land prices etc.) to our major competitors, in particular New Zealand, China and Chile (as an example of various emerging South American counties).

Anecdotally claims are often made about labour rates, the cost of bio-security measures, information relating to market access, FTA's and three impact of CER. A Federally funded, independent benchmarking study would firstly lay to rest much of the hyperbole, establish the facts and enable consideration of policy initiatives if that was considered to be desirable

Issue 4.Relevant recommendations

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Issue 5. Enhancing agriculture's contribution to regional communities

Education and employment are the keys. Rural communities are ideally placed to reconsider traditional education forms.

Importantly, it is hard for many young people to see how they can have a successful career in farming without the ability to own their own farm. Simply being an employee and not an owner in farming comes with a degree of social stigma.

A key issue holding back dairy expansion in Tasmania is the shortage of qualified farm managers; not someone who can just milk cows, but someone who has the business skills, practical knowledge and the vision to maintain a small but high capital intensive small business. Issues such as HR management have never been seen as being important.

A skilled manager in Tasmania on a reasonably successful dairy farm could earn about $120,000 p.a. plus the provision of housing, a more than reasonable income in a rural community. The issue is that virtually no one in this category exits. Awareness that there is career progression available in the industry is virtually non-existent. It comes back to a perception that you have to be a landowner's son or daughter to have a career.

The need for this to change is urgent. Industry associations have been unsuccessful in this. The myth still exists that students who are not bright go to the bush to work in forestry, or if you come from the country, you have no future; you go and milk cows.

We must promote farming as a business requiring special skills: trade skills, tertiary qualifications, business acumen, high levels of computer literacy and research, lateral thinking, an eye to detail.

Workers in this industry in regional communities must have access to basic amenities such as health, education and need viable cost effective internet access. Isolation is a major issue. Not only can this make farming in such areas lonely but also information transfer through general discussion with fellow producers is important.

Increased production means more jobs, more people attracted to an area, greater opportunity for basic amenities to be financially viable therefore improving living standards of those in the area.

What impact does the growth of populations in regional centres and the decline in more rural or remote townships have on farming businesses and the agriculture sector?

Looking positively, it means a flight of the unskilled to the cities and regional centres but if farming is to be treated as a profession and an agribusiness, it means a flight of highly skilled people back to the country. That will revitalise and re-energise the towns. Tasmanian irrigation schemes are a good example.

How can the agricultural sector best contribute to growth in jobs and boost investment in regional communities, including indigenous communities?

- by being profitable and expansionary
- irrigation
- innovation
- mentoring
- work experience

Not everybody has to be a farmer. Farmers need professionals at hand in many fields – health, community services, contractors, finance, economics, etc.

What community and policy responses are needed in rural and regional communities to adapt and change to new pressures and opportunities in the agriculture sector?

- Cost effective fast speed regional internet access
- Flexible cost effective child care options

How do we attract the next generation of farmers?

Professionalise the industry. It's not a game for people with nothing else to do or a sense of duty to the family. These are businesses waiting to be developed by the right people.

Issue 5. Relevant recommendations

2

The State provided education system, particularly in the regions, teach the importance of farming to the Australia society in order to develop farming as an attractive career option. That appropriate funding is made available for career councilors in regional school in particular are fully informed of the career options in the agricultural and agricultural processing industries and are aware of tertiary and vocational training options.

4

As proposed by the Tasmanian Farmers and Graziers Association (TFGA) that a Higher Educations Contribution Scheme (HECS) Style funding program for farmer's loans is extended to farmers who want to expand their farms or farm infrastructure. It is envisaged that such loans being paid back as profits are generated from activities as they come into production. As these are loans and not grants, the scheme would not require a major financial commitment from government. It is proposed a matched maximum loan of $250,000 is provided at bank bill interest rate and repayable over 5 years. In essence, this would be a form of HECS scheme for farmers.

Issue 6. Improving the competitiveness of inputs to the supply chain

What skills including specialised skills and training, will be required in the future and how can these be delivered and uptake encouraged?

- water management
- Extreme climate farming techniques
- marketing
- languages
- governments need to support producers and think long term about the very real issue of a global food shortage
- industry improvement through information transfer involving extension workers
- producers need to be pro-active and innovative in their practices and business management systems.
- OH & S
- HR skills

How can we attract workers to agriculture – particularly in remote areas?

Farming is an attractive vocation and should be portrayed as such. The education system needs to include agriculture to better educate the public on the significance of the sector.

How can we promote career pathways for the agriculture sector, including models to enable younger farm workers to gain broader industry experience?

We have to promote agricultural science as the pathway to living the Australian Dream, running a business on your own land. It is one of the best jobs a person can have.

Society's view has to be changed. The public, particularly younger people have to be made aware of the opportunities available in the agricultural sector. Nationally there are said to be approx. 800 agricultural science graduates each year yet 3000 jobs to fill.

How can rural industries and governments better identify, prioritise and fund research, development and extension?

They must consult and talk to one another. The constant cry from Tasmanian farmers is that research does not match industry requirements or expectations.

Research activities in Australia seem largely uncoordinated and silo based. There is a danger of duplication.

The relevance of much research in this country has to be questioned. In the case of universities, the drivers appear to be linked to future funding opportunities through publishing papers rather than the demands of the industry.

What irrigation, transport, storage and distribution infrastructure are required to support the food and fibre production systems of the future and how should this be funded?

Water infrastructure should be the primary focus as it is the most basic requirement for production. It provides security for everything else.

Transport costs need to be more competitive so produce and livestock can be transported to processing infrastructure in good condition. If transport systems were improved and more efficient, it would be possible to concentrate large quantities of produce in the one spot, which would allow for greater economies of scale through larger processing plants.

Public Private Partnerships (PPP's) are a suggested delivery model using private enterprises approaches to business for delivery.

Tasmanian Irrigation, for example, develops irrigation schemes as public-private partnerships. This means that TI works closely with private landholders to work out how much water is wanted and shares the cost of building a scheme between the public and the private sector.

The public funding contribution recognises that the wider community will benefit from increased economic activity and employment over time. Private capital contributions are made through the purchase of tradable water entitlements. Ongoing operating costs, including provision for asset renewal, will not be subsidised and will be met by annual charges levied on water entitlement holders.

Tasmanian Irrigation provides the technical, financial and project management skills to progresses schemes from concept development through feasibility and construction to operations. All schemes developed by Tasmanian Irrigation are designed to last 100 years, deliver water at an average reliability of greater than 95% and are built to satisfy demand in each region.

Issue 6. Relevant recommendations

1

Through allocation of research funding, the Federal Government directs that a national coordinated approach to research be undertaken in order to avoid unnecessary duplication and to ensure that research conducted is directly relevant to productivity, drought resilience and global competitiveness.

3

That a formal comprehensive competitiveness benchmarking exercise be undertaken with countries seen as being competitors to Australian agriculture. Without limiting the list of countries, New Zealand, China and Chile to be included.

5

A compressive and exhaustive review of all agricultural industry representative bodies be undertaken. Recommendations following this review could be promoted through the lever of Federal and State funding.

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