QUEENSLAND FARMERS' FEDERATION

SUBMISSION TO DEPARTMENT OF PRIME MINISTER AND CABINET – AGRICULTURAL COMPETITIVENESS WHITE PAPER

APRIL 17, 2014

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Queensland Farmers' Federation (QFF) is the peak body representing and uniting 16 of Queensland's rural industry organisations who work on behalf of primary producers across the State. QFF's mission is to secure a sustainable future for Queensland primary producers within a favourable social, economic and political environment by representing the common interests of its member organisations. QFF's core business centres on resource security; water resources; environment and natural resources; industry development; economics; quarantine and trade.

Our members include:

- CANEGROWERS,
- Cotton Australia,
- Growcom,
- Nursery & Garden Industry Queensland,
- Queensland Aquaculture Industries Federation,
- Queensland Chicken Growers Association,
- Queensland Dairyfarmers' Organisation,
- Queensland Chicken Meat Council,
- Queensland United Egg Producers,
- Flower Association of Queensland Inc.,
- Pork Queensland Inc.,
- Australian Organic
- Fitzroy Food and Fibre Association,
- Pioneer Valley Water Co-operative Limited,
- Central Downs Irrigators Limited, and
- Burdekin River Irrigators Area Committee

Several of our members will be making individual submissions to the Agricultural Competitiveness White Paper Taskforce. This QFF submission does not preclude our members' submissions in any way.

The Queensland Farmers' Federation welcomes the opportunity to provide a response to the development of the Federal Government's Agricultural Competitiveness White Paper. With numerous similar policy processes occurring at State and Federal levels in recent years, such a discussion is familiar to rural industry groups. Previous incarnations of this type of review have had varying levels of success in terms of end-policy change or investment, and to that perhaps the strongest confidence we can have in this competitiveness review is that it has been presented as a white paper / green paper process that, for once, should deliver real outcomes. For this structure and strategy the Federal Government should be commended. It is our hope that this process should put in place the policy drivers to support real improvements in the competiveness and profitability of Australian farmers.

This is therefore the opportunity for this White Paper process to differentiate itself, and QFF sees that this potential is already being established via the professional and enthusiastic process to date. The White Paper must have bipartisan support and immunity to changes in government. Ultimately, QFF is looking for the final document to spell out concrete policies for the short, medium and long term. The paper must have measurable and realistic goals that can be benchmarked at yearly intervals, as well as headline long-term goals. It must synchronise with State-based long-term objectives such as the Queensland Agriculture Strategy and the National Farmers' Federation's recent Blueprint for Australian Agriculture.

QFF hopes that this White Paper process and its eventual implementation will help reinforce and promote agriculture as a positive brand. This ‘brand agriculture’ must reflect and enhance a positive and proactive message for the sector.

There is no disputing that Australian farmers face many challenges, and often the interaction between industry associations and government on policy issues is most acute and notable when farmers face crises. Yet a brand agriculture strategy can sit above these challenges and seek to reinforce and remind diverse audiences of the contribution and value of the Australian farm sector, highlighting it as a global best practice producer of food, fibre and foliage, a workplace of choice, and a sector of opportunity and innovation.

The role of governments in increasing farm productivity and profitability is at times limited, unclear, or beyond its control. But there is an important role for governments in ensuring that farmers operate in a productive, profitable and sustainable farming environment. Improved profit, better infrastructure and capacity building projects will all help encourage the next generation of farmers and support the current generation. This document spells out some of the challenges facing the Queensland farm sector, poses solutions, and highlights policy areas that need further consideration.

Queensland industry snapshot:

The below table provides a brief summary of some of the constraints and opportunities facing key Queensland agricultural industries.

Commodity	Constraints	Opportunities
Beef	Exchange rate, drought, and property market has outpaced growth in farm returns in some areas in recent years, creating debt concerns.	Australian product sought after in Asia and potential for further growth. Recovery in Indonesian live exports also to favour the industry.
Sheep and wool	Industry at times considered the ‘next best’ option for less productive grazing land behind cattle grazing. Queensland sheep flock diminished and profitability challenged.	Australian fibre sought after, and industry investing in ultrafine micron technologies.
Pigs	High level of imports of processed pork. Uneven playing field in terms of production standards and expectations in Australia compared to these importing nations, particularly as a result of arbitrary expectations from the major supermarkets.	Industry has very high production and traceability standards, with potential for market growth.
Poultry	Urban development and unsupportive local and State planning legislation putting existing enterprises at risk. Industry at risk from arbitrary production protocols being imposed by those with minimal industry knowledge to gain a marketing advantage.	Chicken meat has become the most consumed meat protein in Australia, at an estimated 44kg per year.

Eggs	Industry supplies domestic market, but is also subject to changing supermarket and consumer perceptions and marketing tactics. Differing production systems available, but uncertainty about market's ability to adequately respond with appropriate price signals and clarity in product labelling	Industry poised for growth to meet the needs of a growing population
Milk	Queensland industry has lost processing capacity to process milk beyond drinking milk requirements. As a fresh milk State, Queensland is highly exposed to the market pressure created by the supermarket milk price war. Drought imposing high feed costs. Industry facing high energy costs. Qld industry needs stability in markets to encourage capital investment and diversification.	Queensland industry short about 20% of its own drinking milk needs across the year. With the expense of freight, and increased global dairy prices, this should create positive signals for the industry if market issues can be fixed. Increasing interest in Australian fresh milk from Asia.
Fruit	Often constrained by the supermarket duopoly, while processing sector notably reduced and facing uncompetitive costs. Industry has high input costs, including labour and electricity. Export markets slow to develop via FTAs and subsequent import protocols. Some industries, such as bananas, restricted solely to domestic market.	Potential to supply high-quality bulk products to Asia, as well as smaller boutique or niche type products. Opportunity for value adding, as well as capitalising on increasing health consciousness among Australian public. Industry able to demonstrate improved market penetration as a result of marketing campaigns.
Vegetables	Often constrained by the supermarket duopoly, while processing sector notably reduced and facing uncompetitive costs. Industry has high input costs, including labour and electricity. Export markets slow to develop via FTAs and import protocols.	As above. Ensuring Australians consumed their recommended servings of vegetables and fruit each day would translate into strong growth for both industries.
Lifestyle horticulture – flowers	Industry strongly hitched to the fortunes of other sectors such as construction and development, and the horticultural sectors. This industry has suffered in the past by poorly considered local planning laws that limit or preclude establishment or expansions to meet demand.	A rebounding economy and investment would spur demand and growth.
Nursery production	Broad industry sector supporting the food, fibre and foliage industries with demand driven by value chain growth. Highly intensive production with regulatory, labour and energy	National and international recognition of the benefits of urban greenlife plus a stronger value chain demand for food and fibre products domestically and internationally. Strong export

	costs increasing. Land use and water access under significant pressure due to industry predominantly in peri-urban areas. Highly dependent on efficient and sound transportation infrastructure.	potential due to a highly professional and efficient sector with world leading on-farm programs supporting high-quality product.
Cotton	Access to water and fertile land. Industry requires access to infrastructure such as gins and road networks. Exchange rate, global cotton price. Some uncertainty around China's cotton stockpile and how it will be managed. Electricity costs also an issue for cotton farmers, who face irregular and high demands for energy. Limitations to growth exist around inadequate or otherwise occupied farm to port transport infrastructure or lack of investment capital.	Australian product among the highest quality in the world, produced with highly efficient use of land and water resources and highly sustainable. Potential for high returns that are attractive to institutional and overseas investors. Industry at cutting edge of efficiency and technology.
Sugarcane	Exchange rate and global sugar price. Maintaining competitiveness against low-cost producing nations. Access to global markets via free trade agreements. Access to water and fertile land, and ensuring industry is maintained in the face of competing land uses, as well as high input costs such as water and electricity. Future prospects need to be supported by an increase in capital investment.	Industry a very efficient producer and highly professional and respected on the world stage. Industry currently implementing a comprehensive Best Management Practice program at a farm level. Industry also able to capitalise on diversification such as cogeneration and ethanol as producers shift from a 'sugar producer' mentality to an 'energy producer' mentality.
Grain	Industry exposed to fluctuations in the weather and global markets and the exchange rate.	Industry well placed to capitalise on growing Asian demand for protein, and remains a highly efficient means of producing bulk food. Industry also able to meet increasing interest in biofuel.
Aquaculture	Industry faced with unrealistic and unnecessarily burdensome regulations to expand, particularly in relation to environment conditions and land use planning.	Industry a highly efficient converter of protein and huge potential to grow the market. Continues to be sought after as part of a balanced and healthy diet.
Organics	Lack of accredited farms and suppliers means industry growth is stifled.	Growing market segment that is poised for further growth.

Industry growth

Some of the most notable opportunities for growth in industry production and profitability will come via organic growth of new markets and ensuring current productive land and water resources are deployed to their best value uses. Opportunities for rapid expansion and emergence of new agricultural industries are comparatively few. The "next geographic frontiers" are at times heralded as a ticket for huge growth in the sector – but in many instances the development has not occurred for a myriad of sensible reasons. In a small number of cases, the barriers to new development, in areas such as pockets of northern Australia, can be overcome with the right management, capital, government policy, and infrastructure. Where these opportunities exist, industry and government must have the capacity and policies to realise these opportunities and deal with barriers and problems in an integrated and strategic way.

The Federal Government needs to balance the development of new areas with catering for growth and infrastructure in existing farming regions.

Electricity prices

Rising electricity costs are imposing a significant challenges to the long-term viability of Queensland's intensive agricultural industries, which by their nature are heavy energy users with limited scope to reduce energy use without severely impinging productivity and profit. Farm electricity costs in Queensland have risen by 200 percent over the last five years.

For example, one production nursery was this year faced with increase in electricity bills from $11,000 to $83,000 per annum if the producer's electricity supplier switched the production nursery to a demand tariff. Additional general tariff changes have the potential to increase electricity as a percentage of input cost of production for nurseries from 5 percent to 17pc and higher.

In the cotton industry, large scale cotton farms are facing price rises to the extent where they are considering switching their pumps to diesel, but they also know that such a move would be extremely costly as well.

One very large Queensland horticultural operation is facing an increase in power bills in the order of $150,000 this financial year, while in the dairy industry the average increase in the past six years for farmers has been $15,000, and ranging as high as $57,500.

Sugar cane growers are considering whether they must shift from irrigated to a less productive dryland growing system.

QFF and our members understand that there are few easy answers when it comes to electricity prices and tariffs. Industry appreciates moves to repeal the carbon tax and review the Mandatory Renewable Energy Target, but these measures alone will not solve the issue.

QFF is already working with the Queensland Government on proactive solutions. QFF also appreciates the moves that the State Government has already taken such as capping this year's rise to 10pc (originally scheduled to be 20pc) and undertaking long term reviews of the electricity sector in this State. QFF is working with the Queensland Government on energy demand efficiency solutions but this will have limited success while the real price of electricity continues to rise to such a degree that it outstrips any efficiency gains.

QFF seeks government programs that encourage alternative sources, and/or efficiency use on farm and within irrigation water supply schemes to stem loss of farm profitability and productivity caused by rising electricity prices. Government must continue to enact policies that place downward pressure on electricity prices and look at developing irrigation or food and fibre specific tariff responses to acknowledge the specific energy needs of agricultural production

Inefficient and distortionary taxes - Insurance duty

Insurance duty is inconsistent across State jurisdictions, and this difference is most acute and distortionary when it comes to duties on crop insurance. In Queensland, crop insurance duties are charged at 9pc of the premium paid. In NSW, the duty is payable for 2.5 percent of the premium. This tax, which discourages insurance, must be considered in the context of disaster resilience. Policies that encourage insurance have the potential to reduce the liabilities faced by State and Federal Governments under the Natural Disaster Relief and Recovery Arrangements.

The Federal Government must look at the broad and complicated tax system that faces farmers, and remove distortionary and duplicative taxes, as well as take a broader long-term view of the productivity gains this would create, and therefore offset any potential revenue shortcoming.

Foreign investment

Legislative inconsistency across State jurisdictions is sending mixed messages to overseas investors looking to invest in Australian agriculture. Such inconsistencies may potentially limit opportunities for innovation and investment. For example, there are notable differences between Queensland and NSW with the land tax laws for absentee (foreign) owners investing in agriculture. In both States, Australian owners are exempt from land tax. However, QFF understands that in NSW absentee owners are exempt from the tax, but in Queensland the prima facie rules indicate that absentee owners face this notable liability.

QFF also notes that there are different dollar threshold triggers for Foreign Investment Review Board approval for investments in agriculture from different countries, most notably following the recent South Korea Free Trade Agreement, with this country having a lower 'trigger threshold' than countries such as the US. Legitimate concerns have been raised that this sends a mixed message about alleged 'good' foreign investment and 'bad' foreign investment.

Capital growth has become an important component of farm revenue and ongoing investment and growth for the sector. It helps farmers leverage greater investment and expansion via debt and it generally reflects the positive long-term outlook for the agricultural sector. Capital growth must be sustainable and realistic, but it is a component of farm returns that must not be taken for granted via inadequate government policy, particularly given the volatile nature of year-on-year returns.

QFF supports and understands the need for foreign investment in Australian agriculture, just as we recognise that the Australian-owned family farm continues to be the dominant model for farm ownership. In addition, outside capital is necessary for the sector to grow and innovate as the domestic capital market is unable to cater for the growth needed by the agricultural sector. Outside investment should be encouraged, but it also should be considered and measured. Greater awareness is needed from the Australian metropolitan and corporate sector of the value of investing in agriculture.

QFF calls for greater consistency in State-based taxes and duties.
QFF calls for an improved understanding and measurement by government on foreign investment actions, with a broader long-term policy objective in this area.
Government should commit with industry to fund a positive message campaign that promotes the value of the farm sector and encourages both domestic and foreign investment. The sector needs to be free from populist or narrow views of foreign investment, which typically label it as something to be avoided. The sector needs greater public awareness that some of the greatest threats posed to the sector – and therefore food security – are not foreign investment at all, but rather with ensuring farmers are paid a decent price for their produce, above matters such as foreign investment.

Drought and natural disaster

Despite a comprehensive and four-plus year review process, Australian drought policy is yet to take a considered and long-term response. QFF welcomes recent measures introduced by the Federal Government for the immediate event, but notes that while these measures will be useful for some farmers during the current drought, we still seek a long-term and broader approach to drought policy. This includes preparedness measures that were flagged during the drought review and trialled during the West Australian drought pilot. This view of preparedness and resilience must be extended to be supported by Government policy that invests with industry in assisting farmers to prepare for all natural disasters.

Governments must address the current drought, but also look to the long-term objective of preparedness and resilience. QFF calls on the Federal Government to commit to long-term drought and natural disaster reform policy as a matter of urgency and to invest in and implement further preparedness measures.

Greenhouse gases – climate adaptation

Queensland farmers have seen the worst of a variable and extreme climate pattern in recent years. Floods, hail storms, cyclones and drought have caused hundreds of millions of dollars of damage to the sector. Farmers therefore understand the risks posed to their businesses by climatic challenges, while at the same time understanding an equivalent or greater risk from badly implemented carbon mitigation and reduction policies and inappropriate targets and strategies for renewable energy.

The Federal Government must reconsider or reduce the target of mandatory renewable energy in Australia of 20 percent by 2020. The current high cost of this energy source compared to other sources places a further cost burden on farmers already facing crippling increases in electricity costs. The Renewable Energy Target could be reduced, or abolished entirely, with the policy already having encouraged significant investment in the sector, and further investment likely due to other government policies. A better approach could be to partner with farmers on renewable energy projects on farm, which would be more efficient and cost-effective, delivering outcomes for farmers and removing pressure and constraints on electricity supply.

Greater investment is needed in climate adaptation strategies beyond the current R&D model.

Should the carbon tax not be abolished, greater assistance measures are needed to help farmers adjust to the cost burden associated with the carbon tax.

Water reform

The northern catchments of the Murray Darling Basin are seeking increased certainty from the Murray Darling Basin Plan. The MDBA has already stated that it wants to recover 100 gigalitres from surface water resources in the Condamine Balonne catchment, about one third of which has been bought by the government and removed from productive use. Most of this yet-to-be-purchased water is expected to come from the Lower Balonne. In addition to these requirements, the Plan demands an additional 143GL to be recovered from surface water resources across the Northern Basin to meet yet to be defined 'downstream' environmental needs. The final Basin Plan fails to deliver any certainty in the Queensland Murray Darling catchments about the future of irrigation entitlements and whether water recovery targets are needed and if they will achieve environmental outcomes. It is also uncertain whether the current budget for water purchase and on farm water use efficiency measures will be adequate or left wanting and therefore posing new uncertainties for irrigators.

Detailed planning must focus on providing adequate scientific investigation to verify environmental water needs within catchments and downstream from the Northern Basin. In particular, there is a need to verify the northern Basin shared Sustainable Diversion Limit. This must be followed by effective local engagement to determine how best to recover and deliver water to achieve environmental outcomes including targets for the recovery of groundwater in the Condamine area. Options of buy back and on-farm water infrastructure investment must continue to made available to recover water from willing sellers. However, investments must focus on water use efficiency measures as a more heavily weighted measure than buyback. Suitable monitoring programs would also be required to assess ongoing performance.

Biosecurity and quarantine

QFF seeks a robust, effective and science based biosecurity and quarantine framework. This means a quarantine system that maintains Australia's relatively pest and disease free status along with our reputation as a supplier of fresh, high quality and clean produce. QFF is committed to working with its partners, governments and other stakeholders to ensure that biosecurity standards are maintained at the highest level, and that quarantine risk assessments are based on sound science and transparent decision making processes. For example, recent risk assessments for Malaysian pineapples saw industry lose faith in the process, saw the science questioned, and the consultation process erode.

There is a major shift in biosecurity policy settings across Australia with most jurisdictions pushing for a "shared responsibility", which in effect is pushing historical government responsibility more and more back to the farm gate. For two hundred years biosecurity has been firmly in the hands of government (national and state), with producers being directed and serviced by the relevant authorities. The new approach is a significant paradigm shift and as such industry is struggling to keep pace with the changes and actively participate at both a peak body and farm gate level. The "shared responsibility" mantra offers great opportunity for both industry and government across economic and operational areas, however industry cannot do this alone.

QFF believes that governments at all levels must accept that industry is not geared to rapidly adopt these changes in roles and responsibilities without significant support from government. A major long-term commitment to funding an adjustment/transition package for plant industries (similar to the water reform packages rolled out in the late 1990s) is desperately needed otherwise there will be a significant disconnect between the aims of the new paradigm and the on-farm reality.

The federal government must take the lead in supporting plant industries through a nationally coordinated response to the changes to our biosecurity system and partner with state governments and plant industries in managing this transition. *The Agricultural Competiveness White Paper* must outline a plan to transition industry to an active, willing and responsible partner in the biosecurity continuum.

QFF calls for further investments in and commitments to Australia's quarantine status. Improvements are also needed around the risk assessment process for imported agricultural products.

Sovereign risk

Australian farmers operate in an export-dependent environment. In Queensland, many of our State's important agricultural commodities are targeted largely toward exports. The State's cotton, sugar, and beef producers all rely heavily on trade with export partners, as does parts of the State's multi-billion horticulture industries. However, several government policy actions in recent years have exposed the risks facing the sector when export markets are undermined or compromised. Reactive and short-term government policies such as that enacted during the ban on the live export of cattle to Indonesia is just one example of how seriously a major industry can be undermined by government actions.

QFF calls for a consultative and collaborative approach with industry to trade related issues and an assurance from government that its actions will not undermine important agricultural trade markets.

Competition policy

Farmers reliant on supplying the domestic industry are usually subject to the whims and demands of the supermarket duopoly. In many cases, they see a clear failure in the marketplace and of the ability or willingness of the government to act and address this market failure. The impacts of the supermarket milk war have been well-documented, including in an exhaustive Senate Inquiry process during the previous Parliament. To date, few meaningful actions to protect industries and individuals who are at the mercy of the supermarket duopoly.

The government needs to encourage the ACCC to take action against market failures in agricultural value chains. QFF also acknowledges and supports calls from the dairy industry for a supermarket ombudsman and mandatory code of conduct. We also believe that the government must take a broader view of challenges facing sectors such as the dairy industry beyond the simple supermarket shelf price. IE, while low supermarket prices may seem on face-value a win for consumers, the long-term implications are more diabolic and concerning for consumers, and therefore require government attention. Queensland's horticultural industries face similar challenges.

Exchange rate and interest rates

It has been estimated that the persistently high exchange rate of the Australian dollar to the US dollar has cost the farm sector $210 million for every cent rise of the Australian dollar. In recent years, the dollar has been pushed upward by the mining boom and, frustratingly, has remained at relatively high levels despite a tapering in the mining industries. The high dollar continues to risk being a handbrake on non-mining industries that are still reliant on exports, including farming. The Australia Institute has estimated that Australian farmers have lost more than $61 billion in revenue since the mining boom drove the dollar exceptionally high.

QFF appreciates that there are few levers at the government's dispersal to mitigate the high dollar. Nonetheless, sensible economic management of the country's debt and general policies that are economically sound create a base for many other economic indicators.

Telecommunications

Regional Queensland is at risk of being left behind in plans for connecting optical fibre to businesses and premises as part of the National Broadband Network. The gap is expected to be filled by satellite services.

Farmers expect and deserve Internet services that are reliable and of sufficient speed to efficiently conduct their business, and at a cost comparable to that paid in metropolitan regions.

Roads and infrastructure

Many Federally funded roads in Queensland are in disrepair or have insufficient capacity for their patronage, or both. The Bruce Highway is just one example that causes major delays to farmers in many parts of the State, with the road inadequate to service its need. The major highway has been exposed as inadequate in places during major flooding events. During the Australia Day 2013 floods, many farmers not impacted by the flood were still severely impeded by the logistics delays caused by the Bruce Highway cutting in multiple places.

The Government must outline a clear and sustainable roads plan, with a focus on improving capacity and enhancing the flood resilience of roads. Improvements to flood resilience of the Bruce Highway are badly needed. The diesel fuel rebate for farm vehicles must be retained.

Farm Management Systems / Best Management Practices programs

Ongoing investment in industry led programs is a highly efficient and cost effective means of delivering government priorities in natural resource management, while also being an important and efficient model for the future. Most of these industry programs or Farm Management Systems (FMS) are predicated on a risk management model and are based on what is commonly known as Best Management Practice (BMP). These programs exist and operate across most industries and industry organisations are continuing to drive the adoption of these programs, which deliver outcomes for farmers across a range of farm-specific issues, while also leveraging outcomes such as environmental management and stewardship.

Governments must continue to acknowledge and support the importance of these programs. Sound BMP programs, with adequate funding support, can also be used to address many of the problems outlined in this submission.

Conclusion

This document describes just some of the principles that would help facilitate growth in the agricultural sector, focusing on policy decisions from government. These policies apply more broadly than within the exclusive domain of the Department of Agriculture, which means that the final approach to the White Paper will require a whole-of-government response.

The questions for consideration posed by the taskforce to stimulate discussion on the White Paper highlighted some important challenges for the sector. These questions also highlight that, at times, opposing forces are at play in terms of long-term policy objectives. For example, the agricultural sector is keen to stimulate investment that increases productivity, innovation, and capital growth. But the converse of this is that increased capital flow and increased property values also make it more difficult for new entrants, particularly young farmers, to gain a foothold in the industry. The investment barriers for a new entrant looking to enter agriculture and become a full time farmer are high and beyond the reach of many, unless they seek out without innovative solutions. There are some government programs in place to address this problem, but greater emphasis is needed on a long-term plan for encouraging new entrants into the sector, looking at policies that encourage share-farming and leasing arrangements, by creating incentives for all parties to enter such arrangements. Government policies that impact succession planning and new entrants specifically around tax must always reflect the need to encourage long-term farm succession.

QFF welcomes the approach to date of the White Paper task force. QFF and its members have met with representatives on the Taskforce on several occasions and have found this approach professional and genuine. QFF hopes that this translates into a final document that is reflective of the diverse challenges and opportunities before the agricultural sector. This policy approach is urgently needed, and this White Paper is the opportunity to set a vision for the sector. There are a myriad of opportunities for the Australian and Queensland agricultural sector, some of which will occur naturally, but others that must be realised through policy. The growth of the New Zealand dairy industry compared to the Australian industry is one obvious and stark example. According to The Australian's Global Food Forum recent, Australian and New Zealand shared a similar piece of the world market 10 years ago, at about 15 percent. Today, New Zealand enjoys 36pc of the market and is the "Saudi Arabia of lactose" and Australia's world share has dropped to 7pc, which has been attributed in a large part to New Zealand government policies and trade negotiations.

The White Paper can set out targets for the growth of Australian agriculture. It must set ambitious yet realistic goals. And, importantly, farmers will be looking for a pathway to success that can be spelt out and measured over the short, medium, and long term. QFF would welcome any further opportunity to discuss these matters with the Government at any time.