



17 April 2014

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

To whom it may concern,

SUBMISSION – AGRICULTURAL COMPETITIVENESS ISSUES PAPER

Please find **enclosed** Mildura Development Corporation (MDC)'s submission in response to the Agricultural Competitiveness Issues Paper.

MDC is the peak economic development organisation for the Mildura region and has a vision of '*Our Region. Our Prosperity.*' Our organisation has been proactive in marketing Mildura to the world and attracting diversified investment opportunities. Our Board is comprised of experienced business and industry leaders who understand the commercial realities of development, as well as the Mildura region.

The Mildura region's local economy, situated at the heart of the Murray Darling Basin, is dominated by the horticultural and dryland agricultural sectors, which, along with food, wine and beverage processing, contribute greatly to our \$2.9 billion Gross Regional Product per annum (REMPan 2014).

We look forward to publication of the White Paper and further action in growing agriculture's competitiveness, farm gate profitability and the prosperity of rural and regional communities including the Mildura region.

Yours sincerely,

A handwritten signature in black ink, appearing to read "C Crewther", written in a cursive style.

Chris Crewther
Chief Executive Officer
Mildura Development Corporation

Submission to the Agricultural Competitiveness Issues Paper

Mildura Development Corporation (MDC) supports the Australian Government's goal, through the Agricultural Competitiveness White Paper, to grow agriculture's competitiveness, farm gate profitability and the prosperity of rural and regional communities. The issues identified in the issues paper have strong relevance to the food production area of the Mildura region.

The Mildura region is located in the heart of the Murray Valley at the intersection of Victoria, New South Wales and South Australia and encompasses the junction of the Murray and Darling River systems.

Food production is the basis of the Mildura region's economy and will continue to form an important part of its future, generating a large proportion of its \$2.9 billion Gross Regional Product per annum.

Over the last twenty years, food production sectors and areas have seen great changes to policy and also to practices, amidst the challenge of declining terms of trade for Australian farmers.

With a focus on irrigated horticulture and dryland agricultural production, the Mildura region has been both impacted and responsive to these changes in policy, with all of our industry sectors exposed to an increasingly open and free market over the past few decades.

A range of food processors are located in the Mildura region, providing considerable employment opportunities and skills sets. These include, but are not limited to, award winning wineries, table grape production and packing, dried fruit processing and packing, beverage production, citrus production and packing, olive processing, almond processing and other boutique food processing sectors.

As a major export region, we are in a good position to respond to increasing demands from Asia, particularly from our three largest export partners – Japan, China and South Korea. However, we also note that the production of quality clean and green products requires a high value return for profitability. It is only with profitability that our local industry sectors and food processors can continue to re-invest in innovation, productivity and increased production.

The Mildura region is home to a number of established and new horticultural industry sectors, growing the following percentages of Australia's produce:

- 98% of Australia's dried vine fruit;
- 75% of Australia's table grapes of which 64% are exported;
- 66% of Australia's almonds;
- 48% of Australia's pistachios;

- 24% of Australia's citrus of which 44% is exported;
- 23% of Australia's olives;
- 14% of Australia's asparagus;
- 13% of Australia's carrots; and
- more than 60 types of fruit, vegetables and nut products.

Known as a major irrigation region across north-west of Victoria, water security is a very important factor for ongoing food production in the Mildura region.

Dryland farming and livestock contribute significantly to the Mildura region's economy, with sheep, grain and cattle contributing over \$140.7 million in output. In 2010-11 the region produced nearly 1 million tonnes of grain, or 2.1% of Australia's broadacre crops.

MDC acknowledges that to achieve the prosperity of rural and regional communities, they must not only be innovative but must also be well connected with high-quality infrastructure and access to human capital, including education and training.

To ensure agricultural competitiveness in Australia, businesses must be able to develop high quality products that the market is willing to pay high value for. This will provide significant advantages, including profitability, in the sector. Further learnings from other industry sectors and intensive research must be undertaken and passed on to industry if demand is to be met while maintaining price.

Priority issues

The following issues are considered priority areas to be addressed in the development of the White Paper:

Investment in road, rail and broadband infrastructure:

Roads and rail

MDC would like to see significant investment in rail and road infrastructure, to connect the food growing regions including Mildura to the major centres and ports.

In the short-term, in the Mildura region, a full upgrade and standardisation of the Mildura rail line (connecting Mildura to port in Melbourne and Geelong) is required to significantly increase freight productivity. This investment will also prevent further closures of the rail line (for example in the last year we have seen three closures due to derailments and one closure due to bushfire damage). This investment would enable producers to move their goods to market in a more efficient and safer manner and would have a large scale positive economic impact on the regional, Victorian and national economies.

Market access via transport is a critical component of food production systems in Australia, with the large geographic distances that have to be covered to reach either a domestic market or to reach freight hubs for the export market.

In order for local agricultural and horticultural businesses in the Mildura Region to be globally competitive, it is vital that road and rail systems are regularly reviewed, particularly at a national level, and that there is a fair and reasonable infrastructure spend to support these systems.

Increased freight costs impact on prices coming back to the producer which affects profitability and reinvestment into food production. Finding ways to minimise these costs will therefore increase productivity.

The current tri-state road transport regulations also have a negative impact on the efficiency of cross-border freight movement, which has a flow on effect to overall profitability and market access. The lack of rolling stock on rail for transport of bulky commodities such as grains has created further pressure on the State and local road systems.

Support for further trials of higher productivity vehicles, such as B-Triples, and a review of tri-state (and cross-border) regulations in freighting goods to market or to port, is also an important consideration for the Mildura region and for agricultural regions.

Significant rail upgrades will also result in increased freight of goods via rail, thereby reducing road deterioration caused by heavy-vehicle transport (and subsequent costs). Both road and rail upgrades will also result in more safe, efficient movement of goods, thus increasing freight productivity and economic output.

Broadband

The Mildura region is currently the largest regional centre in Victoria with no planned NBN rollout. Our economy and our community are therefore significantly disadvantaged, as large areas of our region can only access internet services that are unreliable, expensive and slow.

The lack of internet infrastructure impacts greatly on our region's ability to deliver services such as online learning, commerce, exports, health service, finance, professional services, tele-work and smart farming.

Very fast broadband is essential to ensuring the competitiveness of our region's industries and exports (primarily from the agricultural and horticultural sectors). Fast broadband would improve productivity, community connectedness, investment attraction, business retention and growth, the prospects for development of new industries, and innovation.

Research and Development:

Research and Development (R&D) is a crucial component to ensuring increased food production. Increases in productivity on farm are directly linked to R&D outcomes. In recent years there have been significant cutbacks in R&D, particularly large-scale R&D in regional and rural areas. The closure of the CSIRO site in Mildura, for example, has impacted local R&D as well as our national biosecurity, as evidenced by recent incursions to our pest free area.

By establishing R&D facilities in rural and regional areas, the skills base of that region is increased, which also leads to further community development opportunities.

The importance of R&D taking place within food production regions also ensures technology transfer between farms and food processors.

Linking with universities to develop and establish research programs in regional areas that are related to food production will boost productivity and skills development.

Attracting graduates and trainees into rural and regional R&D courses, such as agronomy, is becoming increasingly difficult. It is imperative to consider new options and incentives so that these areas will become more attractive to science and other graduates.

With less people studying agriculture we also need incentives for students to study in this field, which could include incentives to undertake beneficial on-farm placements and incentives to ensure the best students are entering into the sector.

R&D to support all stakeholders along the supply chain is vital for increased competitiveness and the profitability of Australian agriculture.

There are limited funds available for farmers and horticulturists to contribute to innovation and productivity in their industry sectors. Government funding is therefore critical to ensure that these opportunities can be explored, which will lead to increased production and increased profitability of their sectors. Tariffs should be avoided as we move to an environment of increasing free trade. However, consideration should be given to ensuring a equal playing field for producers by implementing an R&D levy on imported foods, equivalent to those placed on local foods.

Further R&D also needs to be undertaken to understand what the limiting factors are to increasing production across industry sectors. Assessment needs to include the

difficulties and secondary impacts associated with decreased production on the food processing sector and the requirements for continuity of supply.

Education, Workforce & Skills:

Agribusiness in Australia is high cost. In order to remain globally competitive, we need to differentiate our products and innovate. To achieve this we need the best people and skills in the industry.

Improving educational outcomes for the agricultural and horticultural sectors requires increased resourcing for post-secondary college and tertiary institutions located in food production areas. However, these training centres must be closely aligned to the industry sectors to fully appreciate the training requirements.

It is essential to create productive relationships between agricultural and horticultural based businesses to establish targeted training as well as meaningful on-farm placements.

Incentives are required for students to study agriculture and to support regional institutions delivering training.

A fairer and more transparent system is also required for international workers.

Across Australia, our products can be differentiated based on better quality and quarantine compared to our global competitors. Therefore, supporting locally trained quarantine, pathology and scientists who understand pest and disease control is essential.

Locally, the Mildura region continues to demonstrate relatively lower educational outcomes than that of other areas in regional Victoria or Melbourne. As such, further resourcing to lift educational standards is critical.

Industry Workforce Development is topical and is being undertaken across various industry sectors and regions in Australia. For example, the Mildura region has undertaken its own Industry Workforce Development Strategy for the Wine, Olive and Beverage sectors and has implemented a number of strategies including:

- Skills Passport – common and basic training provided by local training providers that will equip new entrants to work in any one of the above industry sectors (www.skillspassportfoodandbeverage.com.au)
- Career Brochures – explaining the variety of career pathways available to school leavers and others when entering these industry sectors, including interviews with employees within these sectors documenting their career opportunities
- Career Teacher's Excursions to Food Processing Facilities – organising local Career Teachers to visit food processing facilities and farms to provide a better

understanding of the sophistication of these sectors and the career opportunities available

- Grow Your Career expos – providing information to school leavers and others in regard to food production and food processing

Red Tape:

The red tape surrounding the removal of native vegetation is an issue for producers, particularly when growers want to consolidate acreage to use large scale machinery. Government needs to introduce a more efficient system for farmers to deal with native vegetation.

In relation to anti-dumping, while it is recognised that due diligence must be undertaken, the process is too onerous and there needs to be streamlined anti-dumping laws in Australia.

Food Labelling:

MDC acknowledges that food labelling is a very complex issue, however action must be taken to better communicate Australian ownership, make, and ingredients of products to consumers. This could be achieved with percentage figures for the degree of Australian elements of a product and/or a three tick/three percentage approach which communicates Australian ownership, make, and ingredients (for example, a product could be marked as 100% Australian owned, 60% Australian made, using 30% Australian produce).

Other issues

MDC recognises that the issues highlighted above are some of the priority areas particularly relevant to the Mildura region. However, we also recognise the equally important issues below as relevant to both the Mildura region and, more generally, to agriculture across Australia. MDC has provided a short dot-point summary of some of the issues in these other areas.

Other general investment in infrastructure:

- Investment in general road infrastructure to allow for the efficient and safe movement of trucks and transport in general;
- Irrigation modernisation to assist farmers to transition into more intensive production systems;
- Investment in telecommunications (mobile and broadband) to assist farmers in regional Australia;
- Prioritise investment into developing and maximising infrastructure that already exists in food production areas, before developing Northern Australia;
- Creation of an environment for large scale production.

Education:

- Technical and leading universities;
- Up-skilling and feeding into research and development.

Biosecurity:

- Further work in the eradication of fruit fly;
- Further work to guarantee the status of pest free areas;
- Implementation of new biosecurity laws.
- Reduction of quarantine inspection and packing shed fees, which has had an impact on those requiring the services, especially small to medium operators;
- Trained quarantine, pathology and scientist locally who understand pest and disease control.

Water Management:

- Prices and cost;
- Supply;
- Avoiding dried-off properties;
- Water storage opportunities;
- Water use efficiencies;
- Effective markets;
- Streaming cross-border issues.

Planning:

- Improving efficiency of the planning processes for farmers, particularly in relation to subdivision and consolidation of land;
- Native vegetation.

Enterprise structure:

- Restructuring the tax system and/or tax incentives to support alternatives to corporate farming such as multifamily farming, share farming and cooperatives.

Innovation:

- Further investment in local agricultural and horticultural research and development, especially targeting higher value adding and differentiated produce;
- Funding towards developing innovative value ideas such as large scale grants that will support farmers develop and pilot innovative ideas;
- Locate state of the art research facilities in agricultural areas (such as Mildura), which will contribute to increased investment and jobs growth in the region.

Red tape:

- Reduction of red tape relating to the employment of staff;
- Elimination of inefficient taxes/duties such as payroll and stamp duty;

- Have a government taskforce engage in fieldwork with agriculture/horticulture businesses so they can experience red tape issues first hand.

Food labeling:

- Ensure clearer food labeling laws;
- Increased consequences for those who breach these food labeling laws.

Imported goods:

- Ensure imported agricultural and horticultural produce and products meet the same regulatory standards that Australian producers are required to meet, whether relating to chemical use and so forth.

Immigration and workforce:

- Ensure a more efficient, fairer and transparent Australian immigration system;
- Ensure that the working rights of immigrants working in the agricultural and horticultural sector are protected, while maintaining an efficient system;
- Consideration of divorcing sponsorship from visa process;
- Increasing education and awareness of visas for farmers, communities and immigrants.

Trade and export:

- Creating more opportunities to build trade relationships;
- Increased support for trade missions;
- Increased support for export services such as AusTrade's Tradestart advisors;
- Enhanced exposure for Australian producers to world competitive markets through overseas travel/work exchanges;

Government agencies/departments:

- Decentralisation of government agencies/departments, particularly locating agriculture/horticulture agencies/departments in agriculture/horticulture producing areas.