

APRIL 17, 2014



**Submission to the Agricultural Competitiveness White  
Paper**

**Issues Paper – Submission**

Bindaree Beef is an independent meat processor based in Inverell in country NSW. We:

- employ more than 800 people;
- are the major source of employment in Inverell and one of the largest regional employers in the broader New England region;
- slaughter between 1000 and 1200 head of cattle per day;
- trade into both domestic and export markets; and
- retain 100% Australian ownership in an industry dominated by foreign investment.
- Have 4,500 direct cattle producer clients

We welcome the opportunity to contribute to the future of the agricultural sector within Australia as part of the policy development process being undertaken by the Commonwealth Government.

We understand and accept that the focus of this policy development process is on farm gate productivity and profitability. This is a good thing. As a business we engage in a range of direct primary production as well as working closely with thousands of farmers all around Australia. Without profitable producers our business is unsustainable. However the profitability of producers is directly related to the competition in the markets for their products. If producers have only one or two places to enter the supply chain they will continue to be squeezed on price and their margins will be eroded as other elements in the supply chain seek to maximise their own profitability. For this reason we believe it will be essential for this process to consider the application of policy responses both on farm but also through supply chain. Maintaining competitive, active and diverse downstream processing options for farm based production is essential to building productivity, profitability and a secure long term future.

This is a short paper designed to set out some of the issues that we feel should continue to be considered by the policy development process through to the green paper. We have related these concerns to the issues, questions and themes raised in the Issues Paper.

### **Issue 1. Ensuring food security in Australia and globally**

*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?*

As a major red meat processor we have been extremely concerned over an extended period of time about the lack of accurate and high quality information available to consumers about the quality of product they are purchasing.

There are a number of options that have been developed through Meat Standards Australia which would provide direct feedback to consumers about the relative eating quality and therefore value of the meat they are buying. This rating system is poorly understood by consumers and is not widely adopted by processors and retail outlets. The devolvement of a star rating system based on the current grades as well as the extension of the system to saleyard stock and uniform adoption across the industry will lead to consumer certainty and competition on quality and price. This would be a

key means of delivering direct feedback to producers from consumers about the quality of their product. It allows for greater differentiation in the market and for the development of high quality production lines – for which a premium can be charged. Bindaree is sure this would lead to increased sales and consumption in all markets.

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

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

Export Certification costs are collected from industry and administered by the Department of Agriculture Fisheries and Forestry. The rate of these charges and the significant decline in government contribution to this system place processors and producers at a significant disadvantage in comparison to other major competitor nations.

The process for export certification and the costs associated with it is a key area where cost could be reduced and competitiveness could be increased in the meat processing industry.

#### **3. Enhancing access to finance and 5. Enhancing agriculture's contribution to regional communities**

This response touches on each of these issues.

It is time to get serious about the way we deliver support and assistance to regional communities across Australia – we need a strategic approach not simply ad hoc response every time there is a problem.

Whenever there is a drought, flood, fire or some other catastrophe funding is provided to regional communities. This funding is delivered through various means including state rural adjustment authorities to support the maintenance of viable business and alleviate the worst of the human cost of disaster events. This assistance is essential and welcome but a more strategic approach needs to be developed and implemented in relation to building the next generation of primary producers and growing the viability of regional towns.

In our view there are significant opportunities to create better incentives to invest, live and work in regional Australia. Each of these ideas has merit and should be developed and explored further as part of the white paper. These ideas have the capacity to work as standalone suggestions or in combination to drastically increase the attractiveness of regional Australia as a place to invest, live and carry on business.

The first issue that should be considered is the consolidation of the various state rural and regional adjustment authorities into a national development bank with a focus on regional areas and primary production. This Bank could:

- Continue to administer the various state based loans schemes;
- Be tasked with the administration of any future natural disaster recovery support;
- Be issued with a mandate to expanded the sources of funding for investment, such as superannuation funds and other investment sources; and
- Be used as a channel to direct investment and support to viable business operating in food and fibre production areas.

In combination or separate to the development of a state bank the development and implementation of an effective Zonal taxation model would greatly increase the capacity of regional business to raise necessary financial and human capital.

The Farm Management Deposit scheme provides a successful model that enables farmers to effectively manage some of the risks associated with variable climatic conditions and the seasonal nature of the business. One of the limitations on the scheme is that it stops at the farm gate. This scheme should be extended to incorporate some processors of Australian produce. This should not be a carte blanche extension. Some criteria for the extension should include:

- a. The businesses must be Australian owned and operated;
- b. Engaged in food manufacture or processing; and
- c. Directly tied to the natural climate and condition fluctuations in agricultural production within Australia.

This would further strengthen the confidence of investors in the Agricultural and food processing sector.

*How can foreign investment best contribute to the financing and productivity growth of Australian agriculture?*

Finally, if investment is to be provided from international sources there should be detailed joint venture requirements contained in the foreign investment review process to encourage the development of local businesses along with international investment and trade.

Bindaree feels strongly that foreign investment should create wealth in Australian companies as well as benefiting the foreign investor. The stipulation is simply that there should be Australian involvement on agreeable terms prior to major investment being supported.

Each of these initiatives should be considered as part of the development of the green paper.

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## **Issue 6. Improving the competitiveness of inputs to the supply chain and Issue 9. Assessing the effectiveness of incentives for investment and job creation**

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

Greater labour market flexibility can drive down the cost of production and will provide greater incentives for involvement in the processing and agricultural sectors.

The current operation of the 457 visa category whilst an important source of workers for the industry needs to be seen as only part of the solution to labour and skills shortages.

Bindaree maintains a policy of employing domestic workers. Despite advertising, many positions need to be filled with 457 and 417 visa holders. The company would like to see a regional 457 visa category with recognition of semi-skilled and unskilled categories. The Company is currently working to investigate humanitarian program employees, this program will need proper investment in services for Inverell. The Company sees this as an investment in a new domestic workforce. We will consult extensively within our community prior to commencing this program.

Greater investments in training and higher incentives for the employment of long term unemployed Australians could greatly contribute, along with other investment options outlined above to

strengthening the confidence and returns received by Australian farmers. There needs to be investment in general amenity and infrastructure for new housing infrastructure in Inverell if more domestic employees and their families are to be attracted to the town.