

This paper is not confidential.

Agricultural Competitiveness Issues Paper
Submission from Christine Stewart
17 April 2014

1. Ensuring food security in Australia and globally

Need to provide good support to those agricultural industries that have the capacity to expand their export markets. Market intelligence and support from government would greatly assist, such as helping farmers find new customers overseas. Government incentives provided to trade delegations made up of farmers visiting countries where they are shown the real opportunities to produce a product for which there is a market. For farmers seeing is believing and establishing relationships at the other end of the supply chain is very important along with adhering to cultural and other considerations. So often exporters have had to go it alone and find their own markets at great time and expense and/or they have had to use agents who do not have their best interests at heart.

The Australian clean green product, disease free status needs to be kept constantly up in lights so that the public knows what they are buying is the best. It is also a major selling point when marketing overseas.

Labeling still remains a big issue. A recent visit to a supermarket deli had olives on display saying they were made from local and imported ingredients, the same wording appeared on the bacon rashers. What on earth does this mean to the consumer and how can they make a good buying decision and support Australian producers when you don't know which part of the olive or bacon rash is imported? The need to legislate is in government hands and action is needed asap.

2. Farmer decisions for improving farm gate returns

Farmers need to learn to be price makers not price takers, which is easier said than done. This would require them to work with others and create better returns for themselves by networking, sharing knowledge, value adding products, negotiating new marketing opportunities, using technology where possible etc. The ideal situation being that they understand the entire marketing chain from paddock to plate. Where possible cut out agents or others from the supply chain who do not greatly improve the financial return to farmers.

Look at industries that have been successful and see if there is an opportunity to adopt their model for doing business and perhaps even be able to share markets with them. There are good examples where different industries have set themselves apart ie dairy industry not only produces milk and cheese but has expanded into different varieties of milk and cheeses and produce a wide range of products such as baby formula for the export market. Too much is exported in bulk with little of no value adding eg grain, wool, live cattle and sheep exports.

Agriculture needs to be more attractive for the younger generation to consider as a career option. Farming in particular has become increasingly difficult given all the issues that one has to be involved with to make a reasonable living from. Jobs other than farming have greater appeal to the young – shorter working weeks, paid holidays, sick leave, superannuation and good incomes guaranteed once qualifications and jobs are secured.

These jobs result in securing homes and lifestyles that the newer generation of Australians expect, they are not prepared to wait 20 or 30+ years for.

The mining boom is also having an impact; many local young farm men in particular are leaving the farm to work in mining jobs where they earn large salaries that they could never achieve on the family farm. In one district a team of farmers would go away and earn money by working 3 weeks on, 1 week off – all airfares, accommodation and meals being paid for by the mining company.

There must be incentives (such tax concessions, low interest loans, subsidized training that is accessible and relevant) of some type that are made available to farming families.

Rural Adjustment Scheme – major changes need to be made to this scheme. The Federal Government needs to respond better to farmers affected by drought in particular. Also State Governments need to be monitored on how they re-badge and administer the funds.

3. Access to finance, farm debt levels and debt sustainability

Serious consideration needs to be given to establish a rural finance bank to support the growth and development of Australian agriculture. The disappearance of the Primary Industry Bank of Australia and Commonwealth Development Bank to public-corporate ownership has not been helpful. The influx of merchant banks in the 1980's created much excitement but many disappeared in a short time.

Farmers need to be shown the different ways that farm finances can be structured including looking at finance through using bank bills, having interest only loans and only making principal loan repayments when the timing is right. Educating farmers on the different farm finance options would be a great advantage along with skills to negotiate with banks. Banks also could be more farmer friendly especially those with overseas branches where they could network with their overseas client base to secure more business for their Australian clients.

Many farmers' fingers were burnt when they were sold an overseas loan facility through a major Australian bank. The fall out from this was substantial with many farms not recovering well from it.

Farm finance needs to be more flexible with scope being made available for drought and down turns in commodities. Specialists need to be engaged in accessing farms and their long term viability.

Debt sustainability is always going to be an issue, the very unpredictable nature of farming with changing climates, market challenges, high Australian dollar, not sufficient tariff protection and constant red tape from too many bureaucracies. Government interference - one political decision changed the export of live cattle overnight in Australia, who would have predicted this terrible decision which resulted in immediately stopping the export of cattle to Indonesia. No wonder many banks are not keen on supporting farmers as clients when things beyond their control can change debt levels

Rezoning of farm land into rural lifestyles blocks has changed fertile farming areas into expensive residential-hobby farming blocks. Farm land valued at \$2,000 per acre can have a rezoned rural lifestyle block next to it which values the land at least \$20,000 per acre. This type of activity creates many problems for traditional farming families who perhaps want to

expand their farm land to be more viable for future generations but the land has been rezoned and is too expensive to make a living from.

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

There are many impediments and regulations in the agricultural supply chains. On farm impediments such as increasing costs of power, fuel, input materials, labour (can't attract the right people who want to work on farm), increasing red tape more and more paperwork GST returns, carbon tax, regulations to produce clean green products, farm chemical use, occupational health and safety issues and the expense of making changes on farm. The supply chain post farm is hit with many of the above matters plus other red tape that makes it difficult for them to stay viable ie increased compliance costs eg meat processing and yet we let meat and other farm produce into Australia that comes from countries who do not have as stringent regulations and yet we are expected to export good quality product. There is no level playing field and there hasn't been for a long time. Many overseas countries subsidise their farmers on a level that we could never compete with. We are not a 'farming' loving country and the importance of farming to the Australian economy through its export is not promoted enough. What is the point of being clean and green and you are broke?

Other industry sectors appear to get greater financial support from government eg car manufacturing given large grants where most support for farmers is through interest subsidised loans which have to be repaid.

Value adding across different industries holds much potential. Producing such items as thermal packaged food which is made up of the cheaper cuts of meat and vegetables. The meat and vegetables are placed in special packaging and cooked at high temperature – this produces a high protein food (stew) with no preservatives or additives with a long shelf life. Ideal for single people or it can be dropped from planes into flood disaster zones, this food can be heated in its pack in boiling water or eaten cold – has many advantages over tin product. This could be used to feed people in war torn or drought affected countries, send food instead of cash aid.

Tariffs and the high Australian dollar has lead to the demise of several Australian industries. Government has a role to play in bringing things into line.

There are many opportunities to enhance agriculture in regional communities – opening up for tourism is one of them. The public are very interested in the growing farmers market movement and like to speak to farmers directly about their produce. Some farmers have opened up for tourism and have day visitors and/or offer onfarm accommodation. If farmers want to go down this path they need to make a careful assessment on how much time and money they are going to have to commit to this to make it viable all round. Agriculture can easily piggy back on the tourism industry which is well supported at all 3 levels of government –ie most councils have dedicated tourism officers, State and Federal Government have departments dedicated to tourism promotion.