Agricultural Competitiveness White Paper Submission - IP633
Richard Nankin
Submitted 22 April 2014

Richard Nankin
[redacted]

17 April 2014
Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600
www.agriculturalcompetitiveness.dpmc.gov.au

SUBMISSION TO THE AGRICULTURAL COMPETITIVENESS WHITE PAPER

Please find attached my submission to the above Agricultural Competitiveness Taskforce Inquiry. I have provided my analysis put forward proposals that address most of the major issues raised in the Issues Paper and I agree to my submission being a public document.

Please note that I have ten years experience working as a self employed farmer. I have successfully obtained full Organic Certification on the three farms I have managed over this time. My farming experience includes three years managing a 20 acre apple and pear orchard and as well as seven years managing intensive small acreage horticultural and poultry production, growing vegetables in row crops and establishing citrus, pome and stone fruit orchards with integrated production of free range poultry and flowers as well as the fruit and nuts. The has enabled me to provide the task force with highly relevant hands on experience.

Yours faithfully

Richard Nankin

Introduction:

Food is a necessity of life, not just another commodity and another industry. Agriculture and Food Production and Supply is not just another sector of the economy for governments to try to manage reasonably well. What do we mean by Food Security? Clearly, to have any meaningful level of real Food Security requires a healthy and thriving Agriculture Sector both locally and globally. It is the responsibility for all governments to not simply deal with this sector solely through an ideological framework.

It is in this context that I entreat the Agricultural Competitiveness Taskforce and the Department of the Prime Minister and Cabinet, as well as the current and future governments, to let go of past ideologies and old policy paradigms and instead develop and enact new and more effective policies, such as those referred to in my submission, with the express aim of ensuring a return to and then the maintenance of a healthy, thriving and internationally competitive Food Processing and Agriculture sector in Australia.

Australia's Agricultural Competitiveness

The primary focus of this White Paper is on “Competitiveness of Australian Agriculture”. Although how this is defined is not made clear, any objective analysis of events over the past quarter century reveals that over this period, as a result of the combination of both external circumstances and of misguided government policies, Australia's farmers and its food processing sector have probably suffered more damage to their competitiveness than farmers and food processors anywhere else on the planet.

The Exchange Rate Disaster

The Rise and Rise of the value of the $A has been the single most profound cause of damage to our Agricultural competitiveness.

In order to underwrite capital inflows and to support a long term balance of trade deficit, for many years the Reserve Bank in Australia has been setting local interest rates at significantly higher levels than those of most of our major trading partners. This has had the effect of driving up the $A exchange rate. Over the last decade or so the effect of the Mining Boom combined with this monetary policy has been to further push up the value of our Australian currency. Since mid 2013, as the heat has come off the Mining Boom and Reserve Bank Bond Rates have settled at historic lows, but rates that are still well above international averages, the Australian Treasury has finally begun to publicly acknowledge the $A has been overvalued for many years and it continues to be overvalued. The Treasury has at last begun to express its concern that our overvalued currency has caused for a decade or more and continues to cause significant damage to the competitiveness of our exporters and of our import-competing businesses.

The recent period of just over ten years from 2001 to 2012 has seen the almost ***doubling*** of the exchange rate from well under U$60cents to over U$1.05. This skyrocketing rise in the exchange rate has had profound consequences on Australia's international competitiveness as a food grower, processor and exporter. Thanks to these exchange rate movements, caused by factors ***completely outside the control*** of Australian farms and Food Processing businesses, in barely a decade, for international buyers the relative cost of our Aussie food exports was doubled, whilst over this same relatively brief period the price of imported foods competing with locally made products was halved. This exchange rate Armageddon has already delivered a fatal blow to many Australian food producers and seen a massive shift from locally grow to imported food consumption in Australia.

1. Ensuring food security in Australia and globally

Expanding Agricultural Production in Australia: From Adversity Comes Opportunity

Unlike farmland in much of the rest of the world, there is an abundance of good quality farmland in Australia that is being seriously underutilised.

Recent decades have seen of a combined run of bad weather, bad local prices, bad exchange rates, high borrowing costs, bad trade and tariff policies from governments and bad behaviour by our international competitors, all combining to make for many farmers and food processors very poor returns for extended periods. Today many Australian farms are grossly under capitalised and producing at far below their full potential. There are many farms in the long-established farming regions throughout southern parts of the continent with good soils and in higher rainfall zones that nowadays run a few cattle or sheep but that once were and could again be growing a far more diverse range of other produce.

If the viable local markets were there; if new policies are enacted to reinvigorate investment, innovation and demand for locally grown produce, then there is potential for significant expansion in the quantum, quality and value of production from the existing farmed land and Agricultural sector in Australia. Just ask any bankrupt fruit grower from the Goulburn Valley who has been forced to rip out the orchard their grandparents first planted, or any owner of a destitute abandoned old apple orchard in the Huon in Tasmania, or any out of work sauce tomato grower from Queensland. Let's just be honest about how much of Australian Agriculture and particularly it;s food processing sector has been reduced to a shadow of it's old self over the past couple of decades. It is no wonder the vast majority of young folk are not interested in a career on the land. It is true there are still survivors and success stories in Agriculture in Australia. But the reality is that in Australia we could be producing much more good quality food **if the market settings were right.**

My experience in farming encompasses growing many types of Fruit and Nut trees, Free Range Poultry production both for eggs and meat and intensive Horticulture as a Market Gardener. I also have some experience in small scale food processing in growing, making and marketing value added products.

Our farm is in West Gippsland which is the heart of Australia's prime Dairy producing region. Although there is an abundance of land in this region that is not running dairy cows, the majority of this land is dedicated to Beef Cattle. I eat red meat and consume dairy products and have nothing against Dairy or Beef. I have friends and neighbours who are beef producers and dairy farmers. But there is a potential for a huge increase in total food production on much of the high rainfall country around here that consists mainly of 100 to 500 acre farms mostly covered with pasture grass and running livestock. If some of the best areas of each farm were planted out to orchards, cropping and intensive horticulture, these areas could grow orders of magnitude more food compared to using this rich ground for growing only pasture fed animals. This region already has a great foundation in Agricultural diversity. Although the dominant land use is Dairy and Beef, there are significant pockets of Wine, Vegetable growing and other Horticulture as well. As well as large scale dairy processing, there is a thriving and growing food processing and value-adding sector in the region for other produce on both small and large scale. If less of the rich land in this region was dedicated to pasture and hard-hoofed animals and more land was turned over to growing of tree crops, fruit, nuts, vegetables, poultry and other crops, then there is huge potential for higher agricultural production. A shift to more land under orchard, tree crop and other intensive production would mean improvements in soil and soil carbon. A move to more intensive tree crops and horticultural production could see an increase overall food production whilst at the same time also free up areas on many of these farms for other uses and in particular provide an opportunity to devote increased areas of many farms to re-vegetated native habitat and for timber production.

We certainly do *not* need to open up new farming regions in the remote Deep North to achieve a significant expansion of Australia's Agricultural Production. Rather, we need to see changes in market conditions and policy settings that result in long term improvements in prices and demand for locally grown produce. That includes a need to focus not only on Agricultural exports but also on import replacement.

2. Challenges to global food production: Doubling, What Doubling??

If predictions of the scale of growth in global food demand over the coming decades eventuates, the international demand for food is likely to within the next ten years far outstrip the overall supply.

On a global scale, humanity simply does not have available a magic bullet or new technology or farming system that will rapidly and dramatically increase total yields. There is no genie that can snap their fingers or wriggle their nose and miraculously produce nearly twice as much food in ten or twenty years than the planet produces today. Rather than increasing food production, there is an acceleration of the rate at which significant areas of prime agricultural lands all over the planet that are being **taken out** of food production.

As urbanisation continues unabated, prime agricultural land all over the planet is being built-over to accommodate growing populations and encroaching urbanisation. On top of this, previously productive farmlands in places all over the planet are being made unsuitable to farm any more as rural lands become further diminished by surface mining, underground fracking, industrial waste dumping, overuse and abuse of toxic agricultural chemicals, and from over-use, contamination and rapid depletion of both surface and groundwater resources.

A prime example is the consequences of the poorly regulated rapid industrialisation of China over the last 20 years. This has created a toxic catastrophe where **at least 5% and possibly as much as 20% of China's remaining prime agricultural land is now too polluted to grow food that is safe to eat.** Another example is the shift to reliance on groundwater resources for the food bowl of India and Pakistan, the Punjab. The "Agricultural Revolution" of the 1960's saw the introduction not only of new varieties of seeds, it also saw the large scale introduction of irrigation and the unregulated use of pesticides. The last couple of decades has seen increasing unreliability of the monsoon rainfall in this region and has led to a rapid increase in reliance on and the extraction rates of groundwater for irrigation. As irrigation wells all over the region are forced every year to drill ever deeper to find water, over-use on a massive scale of their rapidly shrinking and now highly contaminated groundwater resources means large parts of the Punjab region is today teetering on the verge of a collapse in its food growing capacity.

There is another factor that is set to damage Food Security and simply cannot be dismissed. On a global scale, the Climate is becoming less stable. Climate variability is increasing and all the evidence indicates that extreme weather events will become more frequent and be more extreme.

So Food Security on a global level is not looking very resilient. Clearly, every day sees a reduction in global availability of uncontaminated healthy food producing lands and clean water. Over recent years as we have also seen a litany of serious land and food contamination issues and scandals arising in many countries around the world. Today consumers all over the world are rightly more conscious and concerned than ever before about the quality of the food they are eating.

It is clear that the global demand not just for food in general, but particularly for genuinely "clean and green" foods, is set to boom in the coming years.

3. Expanding Agricultural Production: Import Replacement

Of all the sectors of Australian Agriculture, it is our Food Processing sector that has over the last 25 years experienced the most dramatic decline in competitiveness. Whilst it is only referred to in one paragraph on page 18 of the Issues Paper, there has in fact been a massive transformation occurring in the Processed and Packaged food supply and consumption patterns of Australia over this period. Despite our good international reputation as high quality and reliable suppliers of bulk agricultural and food commodities and in contrast with the level of competitiveness for our bulk food exporters, the import-competing sector of our food industries has not fared well at all.

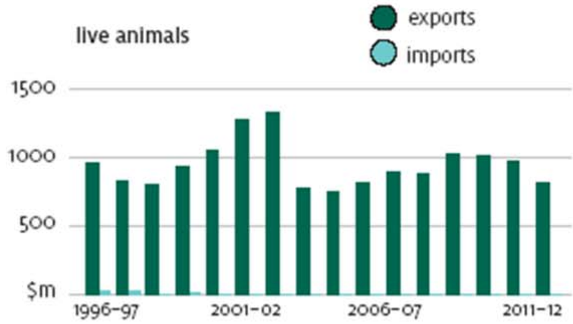
Over the last decade in particular, there has been a severe decline in ability to compete in the local and international marketplace by local food processors. For the Processed and Packaged Foods sold in Australia, the total volume and the market share that are either fully imported or re-packaged locally from wholly imported primary ingredients has grown.....and grown....and grown.

Today imports account for around three quarters of all the processed and packaged foods sold in our supermarkets. With around 75% of all the processed and packaged foods we consume in Australia today being either fully imported or repackaged locally from mostly imported ingredients, there is a huge potential for import substitution to expand Australian Agricultural production. If we could reduce our food imports by even a relatively minor percentage, enacting policies that lead to an increase in the Australian grown and made ingredients used in the processed and packaged foods consumed in Australia, this would translate to a massive increase in the size of the local food growing and processing sector.

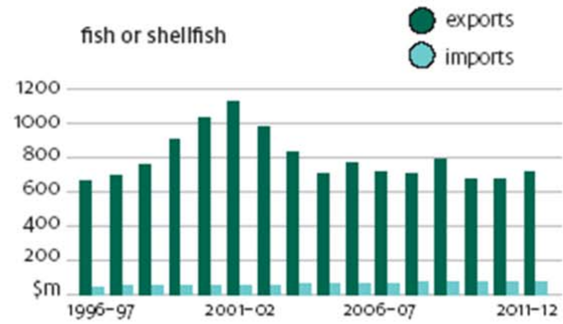
The table below is from DAFF's "Australian Food Statistics 2011-12" report. It shows the massive increases in imports and net trade deficit in most categories of processed and value-added foods that has occurred in the last 15 years. The rise and rise of imports is clear in almost all categories other than Wine and our traditional bulk commodity exports – Meat, Grains, Oilseeds, Sugar and Flour. Consider for example the figures for imports vs. exports for the categories of Fresh/Chilled Vegetables, Processed Seafood, Processed Fruit and Vegetables , Soft Drinks and Cordials, Other Processed Foods and Bakery Products. These categories provide a clear indication of the collapse over this period of competitiveness of local processed food producers and the resulting recent declines in exports in these categories along with significant rises and in many instances, booming levels of imports.

There is no doubt Australian farmers and food processors could potentially replace virtually every item of the $1Billion a month of food that we nowadays import, with products of the same or higher quality than many imports, if only governments could let go of ideology and get the policy settings right and begin to actually give local producers meaningful and long term support.

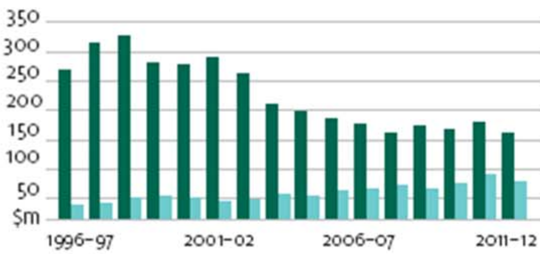
live animals



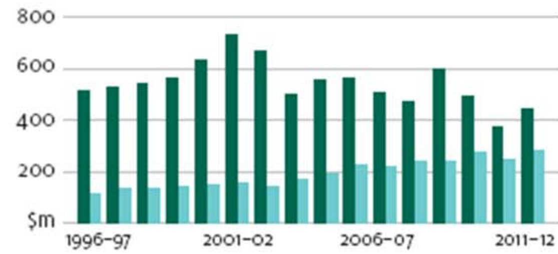
fish or shellfish



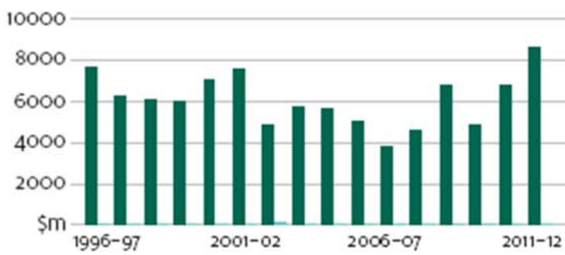
fresh/chilled vegetables



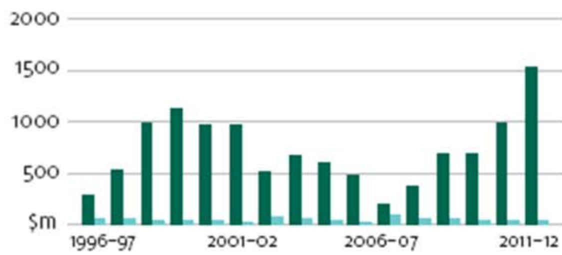
fresh/chilled fruit and nuts



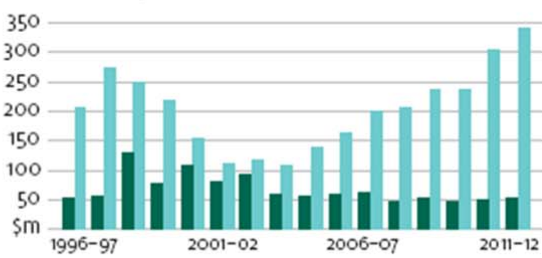
grains



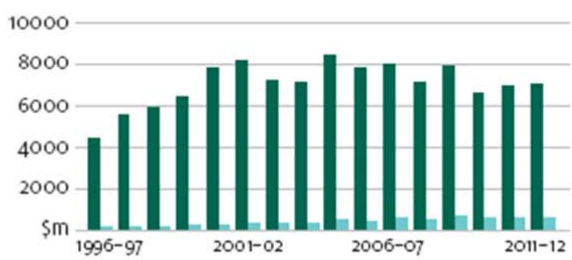
oilseeds



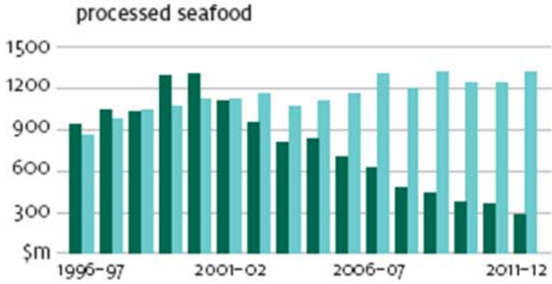
other unprocessed food



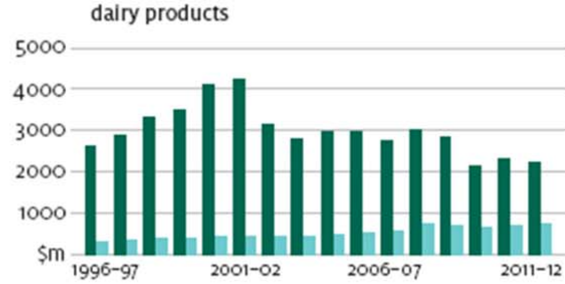
meat

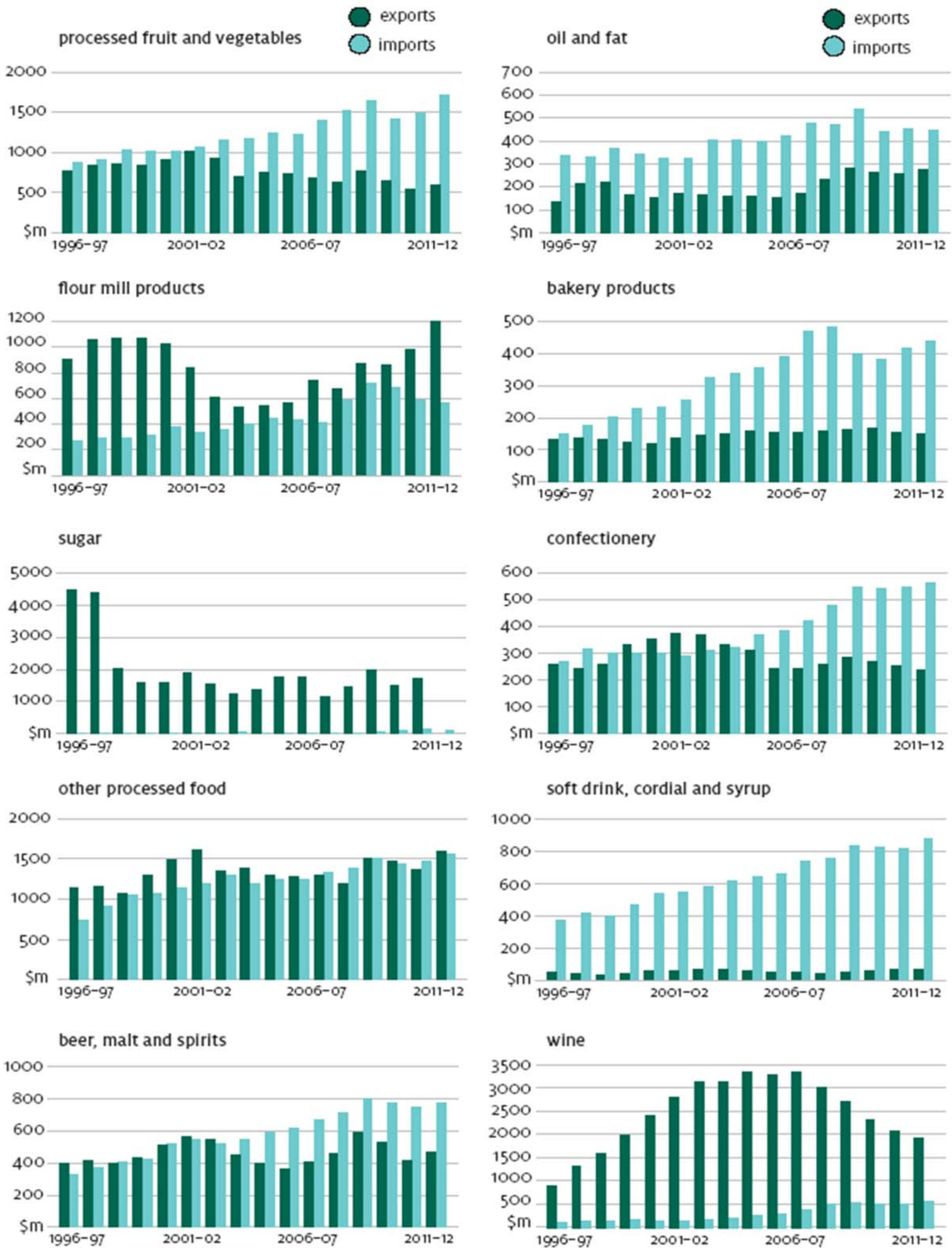


processed seafood



dairy products





Imagine if the situation could be reversed, if we could somehow make policies that led to a time where three quarters of the Processed and Packaged food that Australians consume every day came from locally grown ingredients and was locally made and only one quarter of what we purchase was imported. In order to supply this larger portion of the processed foods eaten by our own population, most sectors of our local food processing and packaging industry would have to grow to about triple their current size. Local import replacement alone at this scale would save about $8 or $9 Billion per annum off our spending on imports. Clearly, a reinvigoration of food processing in Australia would make a total contribution to the local economy that would be massively more than just the savings on imports, once you take into account the flow on benefits of all the additional demand for our farming sector to grow all those additional ingredients and all the services and goods and other inputs the growth of this sector would require. Then on top of this there would in addition be the likely flow on benefits of new export markets for some of those new locally grown and made processed food lines. The quantum of new local jobs that would be created by such a change could be counted in the hundreds of thousands and has the potential to counterbalance the loss of manufacturing jobs set to disappear in Australia over the next few years as we lose our local car manufacturing industry.

4. Australia's Food Security:

Whilst it is true that in bulk staples Australia grows far more than we consume locally, we do not eat only basic staples. For the vast majority of the processed and packaged foods that we eat, we are dependent on relatively low cost imports. With around three quarters of all our food processing done by overseas processors and/or the ingredients going into the processed foods we eat being grown overseas, any interruption to the flows of all these imported foods and ingredients would lead rapidly to severe shortages of many of the foods we all eat every day in Australia.

For the around three quarters of our primary producers that grow and raise the bulk agricultural commodities we sell to the rest of the world, our food exporters, as well as for all of their associated support services and suppliers, there are other risks and threats to their security.

Our food exporters are completely dependent for their economic survival of on the continued stability and viability of export markets. They are subject to the vagaries of international commodity prices, exchange rate fluctuations and changes in importing country tariffs, quotas and other policy changes. As the recent live cattle export problems demonstrate, a more extensive interruption to export markets for our export dependent agricultural sector could spell severe hardship for many Australian farmers. There are other serious threats to the security of our food exports. These include extreme weather events and international economic instability as well as other unforeseen events such as terrorist attacks or wars. All these have happened before and if/when they occur again they can place the security of our export dependent agricultural sector at risk.

Our food security is also precarious for another reason. Australia relies almost exclusively on diesel fuel for transport. We not only rely on diesel to provide the fuel for the ships that transport all the bulk commodities we export and all the containers of processed and packaged food we import, we rely almost exclusively on diesel fuelled transport to distribute all the food we consume, weather it is grown or made overseas or locally. We have slipped into dependence on imported diesel fuel for over 90% of our needs, including all our bulk freight transport, with almost all the refining of Australia's daily dependence on imported diesel fuel coming from refineries in Singapore. If for some reason the daily shipments of refined diesel fuel from Singapore to Australia was interrupted, we would run short of transport fuel virtually overnight. Many other countries, including many less dependent on fuel imports than Australia, have large strategic fuel reserves in place. In Australia we have only three weeks of transport fuel in storage across the nation. Any interruption to the flow of imported diesel fuel could within a month see many Australians facing starvation,, even if there is food in the warehouses and silos or on the wharves! By any objective assessment, Australia's food supply is, in reality, precariously insecure.

5. The Importance of Trade

International trade in food and Agricultural products is even more important to Australia than to most countries that are net food importers. With the value of our food exports being around $36Billion and our expenditure on food imports at around $12Billion, it is true to say that Australia, at least in total net dollar terms, is a net exporter of food.

But when you drill down into the details behind these figures, when you go beyond this simple statement to examine it more closely, it soon becomes clear there is a massive imbalance in the make up of these two figures.

Virtually all our Agricultural exports other than Wine consist of primary commodities and bulk raw ingredients with minimal value adding done locally: Bulk Grains and Oilseeds, Bulk Sugar, Bulk Skim Milk and Cheddar Cheese, Bulk Meat, live sheep and cattle, Unprocessed Wool and so on.

On the other hand, almost all our food imports are made up of elaborately transformed processed and packaged foods and ingredients. We are in fact net food exporters of bulk commodities and net food importers of processed and packaged foods.

Unfortunately, Governments from both sides of Australian politics have enacted policies driven by the ideology of “Free Trade”and the blinkered belief in a so called “Level Playing Field”. This has given us policies which have done much to both diminish the competitiveness and to hinder the potential growth of Agriculture generally and the Food Processing sector in particular, in Australia. Government Policies over the last 25 years have been a key driver in the demise of the local food processing sector and it's ability to compete with subsidised imports that has driven the concurrent boom and record levels in imports of processed and packaged foods.

Australian farmers and what remains of the Australian food processing industries are *exceptionally* productive, efficient and competitive by global standards. Given the factors over the last ten or more years, the combination of extreme weather and the meteoric rise in the exchange rate as well as the many other pressures on their costs and incomes, how could those local producers still surviving in Agriculture or food processing be otherwise?

To reinvigorate our local food processing sector it is the policy settings that need to change, not the capability of our farmers and industry to competitively grow and process good quality affordable food.

The ideology of “Free Trade”and the concept of a “Level Playing Field” are particularly misplaced in the responsible governance and analysis of our Agricultural and Food Processing sectors. To strengthen the competitiveness of the Agriculture and the Food Production industry in Australia, there are a range of critical changes to policy and regulation needed. These changes can only be effective if policy makers are prepared to relinquish commitment to the ideology of “Free Trade” and in their blind belief in the existence of a “Level Playing Field”. The rest of the world simply does not share the self delusion of these two misconceptions that for some reason blinkers almost all our politicians, analysts and commentators in Australia.

The “Free Trade Is Real and all Tariffs are Evil”” Elephant In The Room: Everyone Else Plays By Different Rules

The key justification for Australia leading the world in the scrapping of import tariffs was to allow countries with lower labour costs to supply us goods more cheaply than we could produce the goods here, particularly as a consequence of our relatively high wages and expensive workers. A substantial part of the recent boom in imports, including the boom in imported processed foods, has been supplied by countries that not only have much lower wages and living standards for their workers than we have for Australian workers, these countries also have significantly lower environmental standards, much less reliable food contamination and quality control standards and lower or non existent worker occupational health and safety standards.

All these lower standards contribute significantly to these countries' ability to sell their goods to us at lower prices. That there are higher risks of contamination and poor quality control standards in food imports from countries with lower standards than ours is amply demonstrated by the fact that one in every six containers of food imported from China that is inspected by Australian Customs is rejected, usually due to contamination. Major scandals relating to overuse or abuse of antibiotics, pesticides and other chemicals are a regular occurrence in Vietnam, Thailand and China, all of whom are nowadays significant suppliers of processed and packaged food imports to Australia. The recent building collapses and fires in clothing sweat shops in Bangladesh is another reminder that cheap imports often carry a high price for the workers in the countries where these cheap goods are produced.

All these “low cost” countries with not just lower wages but also lower standards than ours are able to out-compete our local producers on price not only because their workers are subject to third world living standards and conditions but also because they apply significantly lower standards than we do to protect their workers from injury, protect their local environment from contamination and to protect consumers from sub-standard, tainted or even toxic food products.

The world is moving towards free trade, isn't it? Well no, actually. Australia is unique in the world and is the world leader in open door policy to any and all imports. The most up to date figures I have come across showed as of 2012 that 94% of Australian imports were zero tariff, including almost all food imports, whilst the next closest country in the zero tariff stakes is the USA with 28% of its imports zero tariff, almost all from their NAFTA trading partners, not from Australia. The rest of the world is way way below Australia and the USA in the no-import-tariff-applies trade stakes.

So here in Australia where tariffs are politically incorrect, we are world leaders in the scrapping of import tariffs, quotas, protection and subsidies for Agriculture and Processed Foods. Yet every one of our major trading partners and every one of the countries we have signed so-called “Free Trade” Agreements with still apply High Tariffs, Import Quotas and Big State Subsidies for the majority of their Agricultural sectors, Primary Producers and Food Processors.

Almost without exception, all the overseas markets we are trying to sell our food exports to apply a comprehensive range of high tariffs and trade barriers and other imposts specifically intended to protect their local producers. Also almost without exception Governments in all the countries that we import food products from assist their farmers and food producers with a combination of either direct subsidies and/or export incentives and/or they enforce dangerously low standards of heath, safety and environmental protection that all act to advantage their producers and diminish any competing Australian producers capacity to be competitive.

There is no “level playing field” in international trade and Australia has ample justification to introduce a modest new tariff on food imports to assist what remains of our food processing sector to survive and hopefully begin recovering from being completely overrun by cheap imports.

6. The Role of Technology

Changes and innovations in technology have had and continue to have a profound impact on how we farm in Australia. Australian farmers are already great users, innovators and developers of farming technology and have experienced decades of pressure to either get smart or get out.

The main effect of all these technological improvements is to add to Australia's already world leading Agricultural productivity levels and efficiency. As much as we need technology and look forward to further technological improvements, there is no technological fix that will create the changes to the marketplace, the better prices and better demand for locally grown produce that need to occur in order to revitalise and grow our Agriculture output and the changes to government policy that will restore our global competitiveness.

That said, we cannot afford to let slip our technological leadership in the Agricultural sector. There has been a massive contribution to Australia's economy and improvements to Agriculture (as well as many other sectors) from the work of government funded bodies, in particular the CSIRO. The support of the Quarantine and Customs services and of course the Bureau of Meteorology have all been critical to the survival and thriving of many crops and associated industries.

At this time when Australia and the whole of humanity faces over the next twenty to thirty years both the greatest challenges and the greatest opportunities to food production in history, there cannot be any justification for cutbacks to funding and support for our R & D and support services for food production in Australia. At this time , with the increases in food production required in the coming few years, any deliberate cutbacks in the budgets and support of the CSIRO and of the other federal and state based support services for farmers and food processors would not only be irresponsible, it amounts to an attack on the food and economic security of Australia.

2. Farmer decisions for improving farm gate returns

In the long term the best farm gate returns come from farms that focus on building, protecting and nurturing their key capital asset which is their soil and the perennial plants on their environmental capital of the farm. All well managed farms weather they are certified organic or not are working with nature not against it essentially following organic principles.

With consumers both locally and internationally prepared to pay higher prices for Certified Organic foods it is clear moving to certified Organic production is one of the decisions that farmers can make to ensure improved farm gate returns.

There must be more active encouragement, support services and training provided to assist all farmers in Australia to improve their “Clean and Green” farming practices even further as well as to provide more substance, verification and traceability to these claims.

7. Enhancing Access to Finance

The Cost Of Money
Because farming and food processing are capital intensive activities, the cost of money is a crucial factor in the competitiveness of farmers and food processors in different countries. Agricultural production and food processing require a substantial investment in land, in equipment and in living, growing assets. As it is one of the most highly capital intensive sectors of the economy, how does the cost of money compare for our overseas competitors and for Australian farmers and Food Processors?

Thanks to a combination of factors completely outside their control the investors and managers of Australian farms and Food Processing businesses are forced to pay uncompetitive real interest rates, with borrowing costs that are substantially higher for our indigenous food producers compared to many of their international competitors.

A major factor in the relatively high cost of capital that burdens all Australian businesses including Australian farmers and food industry is our Reserve Bank's long term policy of setting local interest rates at significantly higher levels than those set by most of our major trading partners. This makes it harder for our local Agricultural sector to be globally competitive. This policy is further exacerbated by the situation regulators in Australia have allowed to develop where Banks and other lenders in Australia enjoy operating in a less competitive environment than overseas lenders. They consistently generate higher profit margins than overseas lenders. Local Aussie borrowers are charged from at least 2% to well over 4% above the Reserve Bank bond rate for mortgage finance and from at least 3% to well over 6% above the government bond rates for business finance. Local Banks and other lenders enjoy charging borrowers margins around twice as high as most overseas financial institutions charge to their borrowers.
Today, farmers and food processors in Japan pay less than 2% and those in USA and Europe are paying at most around 4% to 5% for their borrowings, whilst outside of drought relief funds, local Australian growers and food processors have to pay from 6% to 12% for their capital funds.

8. Enhancing agriculture's contribution to regional communities
Agriculture is already the major contributor to rural communities in most of rural Australia. If Agriculture is to maintain and grow its long term and sustainable contribution to rural communities then effective restrictions need to be in place nationally to limit the capacity of short term industrial activities to damage and pollute productive agricultural lands. This includes activities such as mining, particularly coal seam gas-style “fracking” and any other large scale or “smoke stack” industries that take good farmland out of production.

A key area of infrastructure and logistical support for Agriculture to enhance its current contribution to regional centres and communities is improvements in Rail Freight. Dependency on Trucking for much of the transport of bulk goods is a serious cost impediment for many Australian farmers and food processors. There is a need for major improvement in most Australian Regional centres for the Rail Freight services and infrastructure, an area that has for many decades been neglected by most state and federal governments.

9. Improving the competitiveness of inputs to the supply chain
After decades of competition from ever cheaper imports, many of the industries that used to provide the components and ingredients for the food processing sector have gone out of business. Australia's food processing industries are today almost completely dependant on imports for many

of the critical inputs to their food production and packaging. For example, all the glass jars, almost all the plastic packaging and the vast majority of food processing and packaging machinery itself, as well as the vast majority of spices, herbs, colourings and other additives, as well as many key ingredients, are today fully imported. We are perfectly able to make many of these inputs here at globally competitive prices, if the proper policies are in place to allow local inputs to survive and thrive. To assist in improving the competitiveness of the Australian food processing sector as well as increase the availability of ingredients that come from Australian farms, material support must be given to establish new import-competing businesses in Australia that will make the ingredients and other key inputs like glass jars in Australia and will utilise and value-add Australian resources.

Reducing ineffective regulations

The most important area of ineffective regulations that needs addressing is the food labelling regulations. We need effective regulations that make it clear what the country of origin is for all foods.

RECCOMMENDATIONS

RECCOMMENDATION 1:
Strengthening Australia's "Cleen and Green" Credentials

Australian agricultural exporters have a well deserved reputation as suppliers of consistent high quality product. We also promote our Australian Grown produce as coming out of a "clean and green" environment and a well regulated production system. Our countries' "clean and green" reputation is already an important internationally competitive feature of Australian Agriculture.

There are two obvious steps that together would strengthen international credibility and give substance to Australia's clean and green image. The first step is to provide support for more Australian farmers to move to full Organic Certification. The second step is to provide support for all Australian farmers that are not fully Organic in their practices to shift to "minimum chemical" usage and to adopt "integrated pest management" practices.

There is in fact potential to relatively quickly achieve a significant increase the proportion of Australian food production that is Organically Certified. That is, firstly, because there are many farmers around Australia who have not (yet) gone through the three to six year process of obtaining Organic Certification but who could easily become Organically Certified as they are already farming using primarily Organic practices and methods. Furthermore, many farmers are aware demand for Certified Organically grown food products, both locally and overseas, is growing much faster than any for other food sector. There is also a growing interest and respect from many "Conventional" farmers and from many of those in our food, restaurant and catering industries around the country both for our organic growers, farming systems and practices and for the exceptional quality and flavour of much Australian organic produce. So any resources and genuine efforts invested to encourage and to assist our farmers to convert to Certified Organic production would rapidly bear fruit.

In the case of the second step, after years of drought, flood and poor commodity prices, combined with the past decade seeing sky rocketing costs for Synthetic Fertilisers as well as many other inputs such as Pesticides, Herbicides, Fungicides and Veterinary Chemicals, many Australian farmers have been forced to be frugal with their use of expensive inputs and have already developed and adapted their farming practices to be "Minimum Chemical". Australia has some world leading skills, knowledge and practices in Integrated Pest Management as well as in minimum tillage cropping. There could easily be funding increases to assist the CSIRO and the state agriculture support services to expand and build on their current success and expertise in IPM, Minimum Tillage and other environmentally beneficial farming practices. Encouraging the further widespread uptake of these already well established practices simply requires more funding and support from authorities.

Whilst synthetic fertiliser prices have sky rocketed over the last ten years, Organic fertiliser prices have remained stable. Today, for the first time in living memory, the price of natural and synthetic fertilisers is almost comparable. With more technical and other support and with the increasing availability of affordable non-synthetic farm inputs, many more farmers are set to rapidly adopt natural fertilisers as well as “Minimum Chemical”, IPM and Minimum Tillage systems.

RECCOMMENDATION 2:
Introduce a 10% tariff on all imported foodstuffs

If farmers and food processors are going to have a fair chance of competing with imports, we must rebalance the Australian marketplace to reduce the unfair advantages that imports currently have over locally grown and made foods as well as to a small extent counterbalance the high tariffs, quotas and other imposts and restrictions all these countries place on our food exports to them.
I recommend an across the board modest 10% tariff be applied, at least initially, to all food imports. Charging a broad brush across-the-board modest 10% tariff makes it a simple and low cost new tax to administer and to enforce.

As we currently apply zero tariffs on virtually all the around $12Billion of food products we import, this new tariff would initially raise about $1.2Billion in new federal taxes, as well as causing a modest one-off rise in the cost of imported foods.

There are two clear justifications for Australia changing its policy and introducing a new tariff to support our indigenous food sector in particular. Firstly, in order to mitigate to a modest extent the range of factors that together have, as the import/export statistics above clearly show, resulted in processed food imports at present having an unfair price advantage over locally grown and made foods. Secondly, in order to aid in the revival of the food processing sector in Australia. The aim of these policies is to provide the conditions which will see Australian grown and made foods both replace a significant portion of current processed food imports with locally made and grown products as well as to support a revitalisation and see growth in Australia's processed and value-added food exports.

In order to maintain Australia's standing as the world's leading advocate of lowering restrictions on Trade, we should consider putting in place along with this new modest tax on food imports a standing offer to all the countries we trade with that we will drop our food import tariff to zero for any category or item whereupon that country drops it's import tariff on the same item to 10% and scraps any quotas or other restrictions. The “We'll beat your offer by 10%” position keeps our free trading credentials intact.

RECCOMMENDATION 3:
Provide the Food and Agriculture Sector access to capital at globally competitive rates.

Farming and Food Processing in Australia must have access to capital borrowings at globally competitive rates if they are going to be able to compete fairly with other nations in the global marketplace. I recommend the government expand the existing Rural Finance institutions and establish a non-profit “Farming and Food Processing Bank” with a charter to provide capital to all new and existing farming and food production businesses at an interest rate that is globally competitive. The logical solution is to provide the sector with funds where interest rates are set at a small premium above the Reserve Bank Lending rate.

Whilst there is literally $Trillions of dollars of Australian workers' compulsory savings being accumulated in Superannuation funds, Australia seems so far unable to manage to significantly reduce it's reliance on foreign capital borrowings to fund business, industry and building construction, let alone major infrastructure projects. I recommend the capital required for this new “Farming and Food Processing Bank” be raise by compelling Superannuation funds to set aside a small portion, a fraction of one percent of the Trillions in funds they manage would suffice, as deposits to capitalise this new Bank.

To cover administration and ensure this “Farming and Food Processing Bank” is sustainable and maintains it's capital base over time, this new entity's lending rates would need to be from at least 0.25% to at most 1% above the Bond Rate. The new “Farming and Food Processing Bank” would then be in a position to provide a source of capital for the Agriculture and Food Processing sector at costs comparable to our international competitors.

Of course, having access to borrowings at significantly lower interest rates than other Australian businesses give Agriculture and Food Processing a renewed focus and an advantage over other sectors of the economy. That is the whole point. Agriculture and Food Processing require this lower capital cost than is currently available in Australia in order to be globally competitive and in order to expand. By providing this differential of lower cost borrowings for this sector, the government is actively supporting this sector of the economy, enhancing it's ability to compete with imports and increase its exports in the global marketplace.

RECCOMMENDATION 4:
Establish Strategic Fuel Reserves and Actions to Reduce our Dependence on Imported Diesel

Firstly, it is incumbent on the Federal Government to establish strategic fuel reserves so as to provide a buffer against unforeseen interruption of imported fuel supplies. Reserves of at least three to six months would be the minimum required to make a difference to our transport and food security. A range of other policy initiatives and strategies can in combination begin to reduce our almost total dependence on imported diesel fuel for all our heavy transport needs:

- Introduce an effective rebate and incentive scheme to encourage rapid uptake both by retrofitting and new truck fitting of CNG/Diesel Dual Fuel conversion technology, similar in concept to the private motor car LPG Conversion Grants scheme
- Mandate transport depot service stations to make CNG available
- Support development and rapid uptake of both hybrid fuel/electric and all-electric heavy truck technology.
- Encourage and support existing and new fuel refining capacity in Australia
- Encourage increased local Bio Diesel and Bio Ethanol production from environmentally sound agricultural bi-products
- Invest in upgrading and revitalisation of Australia's rail freight systems
- Scrap the Diesel Fuel Rebate and use some of the billions saved from this to directly assist the farmer and food processing and transport sector's dependence on imported

diesel.

RECCOMMENDATION 5:
Increase the competitiveness of the agricultural sector and its value chains by busting the Supermarket Duopoly

There is only one solution to the systematic exploitation and underpayment of farmers and food processors by Australia's supermarket duopoly. The Federal government needs to enact US -Style "Anti-Trust" monopoly-busting legislation and force the break up of the existing supermarket retail giant duopolies into truly independent different entities that are each has no more than 10% to 20% of the national retail market in each sector.
The issues paper refers to local households that can't afford food, but it does not quantify this, or respond to the implications. Food security is a home grown concern too, not just an international one.

CONCLUSION

Australia is at a crossroads with it's food production and Agriculture sector. The majority of our Agricultural sector depends on food exports to survive whilst the majority of Australian consumers depend on food imports to survive. The coming changes in world food markets and in food supply and demand as well as the world's less stable and changing climate provide Australia's food producers with massive challenges as well as huge opportunities.

My recommendations are designed to form an assistance program that produces new investment and support programs that drive a rapid turnaround and revival in the Agriculture and Food Processing industries in this country.

My key recommendations for a new across the board modest tariff on all food imports and for below mainstream Australian interest rate funding to be made available for all of the Agricultural and Food Processing sectors are both crucial to give substance to and to facilitate this revival. But it is likely that within ten or so years these support measures will no longer be needed.

The world's population gets inexorably richer and hungrier and more numerous every day. It appears inevitable that in coming years the international trade in food and agricultural produce is likely to see prices for all foods to rise significantly above today's levels. It is most likely that within a decade from now most of the high tariffs, quotas and restrictions other countries now apply will become redundant. Food everywhere will be more valuable and high levels of tariff protection and production subsidies won't be needed any more. Many of the cheap food imports we now enjoy will be nowhere near as cheap or affordable for Australian consumers and our locally made processed food products probably won't need much help to compete on price with imports, whilst at the same time demand and prices for our food exports will be at all time highs and be set to stay that way, so Australia's food exporters will no longer need assistance to compete in the global marketplace and thrive. The Age Of Cheap Food is ending.