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Agricultural Competitiveness White Paper –
Submission IP72
Australian Table Grape Association
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Submission to the White Paper on Agricultural Competitiveness

Known Issues Faced by Horticulturists

Everyone knows the majority of eastern Australia is in the grip of drought. Farmers, graziers and horticulturists are wondering when that year will come when they can make a profit. Farmers expect drought. In many areas they expect floods, storms, hail and frosts. All these events can cause severe damage and lead to financial losses of varying degrees. Conversely, they can also lead to high prices and hugely profitable years for those lucky to escape the serious weather events. Most farmers can live with this as it is beyond their control, and doesn't reflect their ability to grow a viable crop or product.

Decreasing Farm Gate Returns

Prices fluctuate, but generally there has been little change in farm gate prices for 20 years. We have seen general farm wages rise from $10/hour to $20/hr. Sending a pallet of fruit from St George to Brisbane has risen from $70 to $179.51 including a 17.9% fuel levy. A 256% increase. Agent fees have gone from 10% to 15%. The cost of production has increased dramatically, yet the farm gate return is pretty much the same.

Throwing money at the agricultural sector to keep it afloat will not solve the underlying problem.

Farmers are price takers (not by choice, it's just how it is) and until farmers can demand higher prices for their produce, at least greater than the cost of production, they will continue to decline in numbers and add to the nation's debt.

Many will say sell up and move, but this doesn't solve anything. It is not that easy to sell a production property at a realistic value, and most farmers have their life invested in this asset so they don't have the luxury of a fire sale. And then, what do they do? Head to the coast and join the dole queue, or take a labouring or delivery job from someone else who needs it just as badly.

There have been calls recently by Governments and Beaurocracies to have the capacity to feed many of our near neighbours in 20 years, but by that time there will only be corporate farms left beholden to the major supermarkets or their foreign owners. These farms will operate only until they are not profitable, and their profitability now is highly variable. They will be enjoying some tax losses now, but will need to show some net income in the near future.

The Solution

1) ***Provide food for International Aid rather than Money***

Growers suffer the most when they have a good production year**.** They need to absorb the extra production in these times so that they can benefit from the occasional good year to enable them to negotiate the bad years caused by weather without needing to be bailed out by government handouts. Growers need to develop a system whereby this surplus production can be channelled to those countries whose populations are in need of food. As a nation we currently spend $2-

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3billion dollars a year on overseas aid and while many are calling for this to stop, this is not an option. Farmers badly need overseas markets to handle the majority of their product so getting a recipient nation offside by withholding badly needed aid would do more harm than good. A slight twist in policy, and the government could substitute food for cash. There is generally a surplus of produce at most times, and whether this is potatoes, citrus, table grapes, wheat, beef or sugar, farmers almost always have produce in surplus. Paying the cost of production plus 20% would provide some reasonable returns to growers during those surplus times. When growers have a good growing season there is generally a surplus, prices go down to try and stimulate demand to get rid of the surplus. So, a good year means prices go down and no one makes any money. In a bad year, prices rise, consumers complain and the grower receives good money for what he has, but what he has is not enough to cover costs. Hence another disaster. The starving cannot eat cash. If the recipient Government or charity receives money, what do they do with it? Buy food? From who? It would be a travesty to think that government is supplying money so that food can be purchased from another country that is more than likely a competitor for our export markets. This may seem simplified as aid is often in the form of shelter or medical help or logistics, but government can still utilise an enormous amount of overproduction as part of their aid packages. A committee of CEOs of industry and commodity groups could be formed advising government of production volumes for their respective industries. Informed decisions on what is available from where could then be made. Growers could pay transport costs to nearest major port or market as they do now.

2) Set a Realistic Baseline Price

If fruit and vegetable retail prices are to be used in inflation calculations or increases used as triggers for inflation, then there is a need to set a realistic baseline price. It is untenable that general increases to a level at or below cost of production for growers should be deemed an "inflationary trigger"**.**
The economy of this nation is being driven by the creation of products from primary production but the spoils don't go to the grower. They are enjoyed by chemical and fertiliser companies, their resellers, freight companies, fuel suppliers, itinerant workers and backpackers, wholesale agents, providores, grocery stores and supermarkets. Plus, all the people who work for the above including the government that enjoys all the taxes created. For Example as at 8/2/14, growers are being offered $1.45/kg for their premium table grapes. Coles are on special at $1.90/kg. In rural Queensland grapes retail between $6-$9/kg! Estimated cost of production is $1.50-$2.00/kg!

3) **Amend Casual Worker Payments**

Some relaxation of rules re payment to casual workers would also assist in reducing costs. Many industries rely on overseas workers for their seasonal work. The general rules are good to protect workers' rights. Growers however are paying good money for poor output on many occasions. They should be able to pay for effort. The current law on minimum wage is adding huge additional costs to production, and in many instances has doubled per unit costs. Growers are having to pay inexperienced people a premium. These people require training which is non-recoverable and in many instances they leave their employment and the growers have to invest again in training. The number of workers required per farm per seasonal job has risen, placing pressure on accommodation facilities, supervision and availability. This issue is not

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easily solved, and most growers accept this, but it is difficult to pay good money to unmotivated people because of a Labour Government policy.

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St George