



2007 NFF PRE-BUDGET SUBMISSION

November 2006

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Executive Summary

Enhancing the sustainability of farm businesses is critical to creating an efficient agricultural sector and building a vibrant rural and regional community. NFF's 2007 Pre-Budget Submission has focussed on the five pillars of capacity building, environment, supply chain efficiency, labour and biosecurity, which we believe will build sustainability within the farming sector.

1. Capacity Building

Drought

- NFF has welcomed the Federal Government's drought response to date.
- NFF remains in detailed discussion with Government about further appropriate responses, particularly in the areas of on-going management and recovery.

Agriculture Advancing Australia Program

- NFF supports the renewal of funding for the AAA program and we will work to ensure the program is appropriately focused on the needs of the farming sector.

2. Environment

Stewardship Program

- NFF believes that an effective stewardship programme is fundamental to moving towards a market-driven approach to NRM.
- NFF believes that Government needs to develop a world class Environmental Stewardship Program (ESP) to fund landholders to deliver environmental outcomes on their private properties demanded by society. The ESP should fund on ground management actions outlined in property-based agreements between the individual landowner and the funding/administrative body.
- The proposed ESP is a new program that will require Government funding at least equal to the amount within the last NHT round.

Climate Change

- NFF believes that climate change is possibly the biggest risk facing Australian farmers now and in the future. Further resources are needed to build research capacity, design the required policies and deliver on the ground outcomes in a timeframe that provides certainty and security for the agricultural sector.

3. Supply chain efficiency

Auslink Strategies

- NFF is a firm supporter of AusLink in delivering an integrated approach to transport problems, taking into account road, rail, air and sea systems.

Rail Infrastructure Upgrades

- The NFF believes Government needs to maintain and upgrade our key rail networks, particularly for non-bulk and containerised freight, to improve its competitiveness as a means of transport.

National Transport Regulation Uniformity

- NFF believes Government must encourage all state authorities to develop consistent standards and procedures for road and rail regulation to avoid the current inequities and inefficiencies between cross border transport.

Inland Based Transport

- NFF requests further development of inland-based transport systems.
- NFF requests development of the North-South rail corridor (Far Western sub-corridor) linking Melbourne to Brisbane.

Local level transport infrastructure

- NFF requests investment in local level transport infrastructure to compliment efficiency gains delivered by Auslink.

Freight Hubs

- NFF requests funding for development of freight hubs along the major transport corridors, providing greater inter-connectivity between rail and road.
- NFF requests funding to upgrade major shipping port capacity to cater to the changing scale of global shipping infrastructure and draught depths.

National Food Industry Strategy

- NFF believes that the NFIS program is critical to enhancing whole-of-chain strategy and position the Australian food industry for development and growth in an increasingly competitive global market.
- NFF requests a further funding round provided to the program and welcomes the continued involvement of the farm sector.

4. Labour

Foreign resident Withholding Rates in horticulture

- NFF requests that the foreign resident withholding rate (29%) be brought in line with that of Australian residents (13%).

Minimum Salary Requirements for 457 Visas

- NFF requests that the minimum salary for the 457 visa be the same as those within the Federal awards.

5. Biosecurity

Eminent Scientists Group and DAFF Funding

- NFF requests that additional resources be provided to fund the expanded role of the Eminent Scientists Group and the new high level Department of Agriculture, Fisheries and Forestry group to monitor progress of IRA's.

The National Farmers' Federation

The National Farmers' Federation was established in 1979 and is the single national voice for Australian agriculture.

The National Farmers' Federation (NFF) is made up of State farm organisations, commodity councils, and friends of NFF. NFF does not have individual farmer members, but through its members represents the interests of almost 100,000 farmers. By joining a State farm organisation or commodity organisation and participating in branch meetings around the country, farmers contribute to and support NFF.

NFF priorities are the broad national issues - the economy, industrial relations, trade, business investment and costs and the environment. Rural community interests such as rural services, telecommunications, education and animal welfare are also represented.

While State farm organisations represent the interests of the agricultural sector in their respective States and national commodity councils represent individual commodities on national issues, NFF is responsible for the national issues which affect more than one State or more than one commodity.

Federal Governments of all political persuasions continue to look to NFF for leadership on these issues. It is through NFF that many of the most important policy decisions have been made affecting the rural and farm sector. These have included expanding our markets through trade, industrial relations reforms and improved resource security for water.

Friends of NFF status can also be extended to recognised State and national bodies having aims and objectives similar to those of NFF.

Introduction

Agriculture remains a key contributor to the Australian economic landscape despite a number of setbacks in 2006. Drought, the suspension of the Doha Round of World Trade Organisation (WTO) talks and the escalation in the world price of fuel, have been the headline issues for our 130,000 commercial farms. These factors have challenged farmers' resilience, while eroding their global competitiveness and profitability.

In no other goods sector are trade barriers as high as those in agriculture, with average tariffs more than three times higher than in non-agricultural goods. However, Australian farmers cannot be accused of creating this situation, with our Producer Support Estimate (PSE) of only 4 per cent being the second lowest amongst the Organisation for Economic Cooperation and Development (OECD) countries. This has heightened the disappointment of Australian agricultural producers over the suspension of the Doha Round of WTO trade negotiations.

While the suspension in talks does not mean Australian farmers will be worse off, it has further delayed the realisation of new trading opportunities for the sector. In 2004-05, Australian agricultural exports were valued at \$27.6 billion accounting for approximately 65 per cent of Australia's agricultural production volume and 75 per cent of value. In 2004-05 agricultural products, including processed food and beverages, accounted for one fifth of Australian merchandise exports - all this, despite the massive inequality of the global trading environment within the sector. Government efforts in this area must be maintained with the knowledge that farmers' resolve for comprehensive global, bi-lateral and regional trade reform has never been greater.

Since 2003, crude oil prices have increased from approximately US\$27 per barrel to the current rate of US\$60 per barrel, an increase of over 120 per cent. In addition, experts in the field see no foreseeable easing in the fuel price. Not only does the increasing price of fuel have a direct bearing on direct costs of fuel purchases to run farm machinery, but it also has significant indirect effects on farmers through increased prices for fuel based fertilisers and transport. This is placing significant pressures on the Australian farming sector, which will continue to escalate over time.

The rising cost of fuel has also raised the emphasis on alternative sources of energy, particularly the adoption of biofuels such as ethanol and biodiesel. NFF supports the development and expansion of an Australian biofuels industry, with the recognition that this would provide the Australian population with environmental and health benefits, substitute

imported fuel with a sustainable source of locally produced renewable fuel, and inject life into rural and regional communities.

NFF is currently undertaking more research, analysis and consultation with the broader agricultural community in the area of biofuels. While the issue is of major importance to the Australian farming sector, we recognise that it is vital that Government makes the correct policy decisions in the area to ensure genuine, sustainable outcomes are delivered into the future. Current work by NFF will provide guidance to the Government in making these correct decisions into 2007 and we will inform all political parties of these findings in the lead up to the next Federal Election.

NFF believes that enhancing the sustainability of farm businesses is critical to creating an efficient agricultural sector and building a vibrant rural and regional community in which the sector predominantly resides. Issues such as drought, the management of our environmental resources including native vegetation and water, access to labour in rural and regional Australia, biosecurity, and supply chain efficiency including building domestic transport capacity continue to have a significant impact on the agricultural sector. The NFF believes that these are significant constraints on agricultural sustainability and are having flow through effects on the ability for the sector to build on its already significant contribution to the national economy. These issues are the core pillars of NFF's 2007 Pre-Budget submission and are addressed extensively within sections 1, 2, 3, 4 and 5.

Statistics on Australian Agriculture

There are approximately 130,000 farm businesses in Australia (99 per cent of which are family owned and operated), utilising approximately 60 per cent of Australia's land mass. The average value of farming operations in 2004-05 was \$124,000, with 16 per cent of farms under \$22,500 and 14 per cent worth \$500,000 or more (ABS, 2006).

In 2004-05, the agricultural sector contributed 3 per cent of Australia's total Gross Domestic Product (GDP) of \$854.9 billion. The Gross Value of Farm Production in 2004-05 equated to \$36.2 billion (ABARE, 2006).

Including the value-added activities that occur to farm outputs post farm-gate, and the value of all the economic activities supporting farm production in the farm-input sector, agriculture has averaged a contribution of 12.1 per cent of GDP (approximately \$103 billion in 2004-05 dollar terms) in the six years ending 2003-04 (Australian Farm Institute, March 2005).

In 2004-05, Australian agricultural exports were valued at \$27.6 billion. These exports account for approximately 65 per cent of Australia's agricultural production volume and 75 per cent of value (ABARE, 2006). In 2004-05 agricultural products, including processed food and beverages, accounted for one fifth (20.8 per cent) of Australian merchandise exports (www.dfat.gov.au).

For farm commodities, the index of unit export returns is forecast to decline by 0.9 per cent in 2006-07, following an estimated rise of 2.0 per cent in 2005-06. While world indicator prices are forecast to average higher in 2006-07 for wheat, corn, soybeans and cotton, the effects are expected to be more than offset by lower prices for beef, wool and dairy products (ABARE, 2006).

Therefore the future of Australia's agriculture industry depends largely on conditions in overseas markets. However, with declining terms of trade in this sector expected to continue on world markets, Australian agriculture is being challenged to maintain a low cost base in order to remain competitive. Indeed, Australia's balance of payments is strongly dependent on this being the case.

Farmers' terms of trade in 2004-05 were 9.9 per cent lower than they were in 1997-98 and have been steadily decreasing since 2001-02.

However, in the face of declining terms of trade, Australian farmers have been able to remain internationally competitive and sustain their businesses largely through productivity growth. The productivity growth in Australian agriculture has more than doubled over the past 14 years, consistently outperforming other sectors (Productivity Commission, 2005).

In 2004-05 there were 312,000 people directly employed in Australian agriculture. This number has decreased from 386,000 (19 per cent) in 2001-02. ABARE expects this trend to continue in 2005-06, with the number of people employed in agriculture to decrease to 305,000 (ABARE, 2006).

The complete agricultural supply chain including affiliated industries accounts for over 1.6 million jobs to the Australian economy. For every million dollars of Agricultural Sector GDP, there are 22 jobs in the Agricultural Sector and an additional 65 jobs in the rest of the value chain (Australian Farm Institute, March 2005).

1. Capacity Building

1.1. Drought

It has been well reported that Australia is experiencing one of, if not the worst, drought on record. The Bureau of Meteorology indicated that August 2006 was the driest August in the historical record from 1900, as well as being the warmest since high-quality monthly temperature records began in 1950. This dry pattern continued throughout September, October and November 2006.

As a result, The Australian Bureau of Agriculture and Resource Economics (ABARE) downgraded its forecast for the wheat crop to 9.5 million tonnes, representing a 63 per cent decrease on last year's crop. Depending on the eventual price of harvested grain, this is expected to remove between 2-3 billion dollars from grain producer's incomes.

Yet the effects of the continued dry are not only impacting on grain producers, the livestock sector is also bracing itself for poor availability of feed this spring and summer. At the end of September 2006, Meat and Livestock Australia (MLA) reported a 20 per cent increase in the numbers of cattle sold during the month, while lamb sales trends are reflecting the same de-stocking patterns as that of the disastrous 2002-03 season. The combined effects of the dry have brought about predictions of a 0.7 per cent decrease in gross domestic product, and ABARE has more recently forecast a 35 per cent decline in farm production values to its lowest level in 12 years.

Farmers' average incomes have decreased by almost 70 per cent over the past five years as a result of the drought, in conjunction with the high Australian dollar and rising fuel costs. These factors have effectively offset the recent gains from higher commodity prices.

NFF welcomes and appreciates the Federal Government's extension of Exceptional Circumstances (EC) provisions as a measured and timely response to a disaster on a national scale.

The Federal Government, by moving to deal with the 'here and now' issues first, notably the need to help farm families to survive the worst drought on record by extending the EC safety net and making it more flexible to catch more families is very important. With the drought deepening across much of the continent, the knowledge that support is now ongoing will be a great relief to many farm families.

NFF has also welcomed the announcement by the Federal Government that support will be provided to small businesses in Exceptional Circumstance (EC) declared areas whose income is dependent on farming. It is well known that it is not only farmers and their families who are impacted by such a severe drought event. Small businesses in drought-affected areas are also under significant pressure.

NFF is closely monitoring the drought situation and remains in detailed discussion with Government about further appropriate responses, particularly in the areas of on-going management and recovery.

1.2. Agriculture Advancing Australia Program

NFF supports the Federal Government's Agriculture Advancing Australia (AAA) program, aiming to assist farmers be more competitive, sustainable and profitable. AAA programs include:

- FarmBis training (business and natural resource management skills)
- Rural Financial Counselling Service
- Farm Help
- Farm Management Deposits Scheme
- Industry Partnerships Programme
- International Agricultural Co-operation

NFF has been involved in many aspects of AAA programs since its launch in 1997.

NFF welcomes the Australian Government's evaluation of the Agriculture Advancing Australia (AAA) program as announced in its response to the Agriculture and Food Policy Reference Group.

NFF looks forward to working with Government in the development of a new AAA package as part of the 2007 Budget with a focus on approaches that improve flexibility and effectiveness in the areas of information/advice, training opportunities and the support of individuals, regions and industries during difficult periods.

2. Environment

Sustainability is one of NFF's key strategic priorities. With 130,000 commercial farms in Australia utilising approximately 60 per cent of Australia's landmass, 80 per cent of the productive land base and on average over the last 5 years, approximately 60 per cent per cent of our

water resources, we believe that it is vital that the agriculture sector is recognised for its ability to have a genuine, positive involvement in the management of our natural resources including dealing with climate change.

In preparation for the cessation of funding for Natural Heritage Trust (NHT) and National Action Plan for Salinity and Water Quality (NAP) at the end of June 2008, NFF has been working closely with the Australian Government to review existing programme arrangements and to determine the most effective future Government involvement in natural resource management (NRM).

2.1. Stewardship Program

NFF believes that an effective stewardship programme is fundamental to changing the current regulation based NRM approach to a market-driven approach based on incentives.

Farmers currently provide, either voluntarily or by legislation, a range of environmental outcomes on behalf of the entire community yet they bear up to 100 per cent of the cost with little public recognition. Many governments, environmental groups and community groups now acknowledge that this can no longer be the case if we are to optimise outcomes for our scarce natural resources. Farmers rightly view themselves as environmental managers and have huge potential in delivering environmental outcomes demanded by society. NFF recognises the opportunity to re-build the trust and understanding between farmers and the Australian community to harness this potential.

In many instances, NFF believes that current regulation has set onerous environmental standards that sit well beyond 'duty of care' and in some instances contribute to perverse environmental outcomes. A good example are the current laws dealing with native vegetation land clearing.

It is imperative that we move away from a system of ad hoc environmental actions and regulations to one that is supported by clearly defined outcomes that are fully integrated in delivery. Through articulating these principles, benefits can be attained through streamlining all levels of government, providing stakeholders with a better understanding of the importance of their contributions, increasing resource certainty, and being better able to measure performance.

Good environmental outcomes cannot be achieved where support is provided in certain areas without acknowledgement of the broader

environmental interrelationships. Only by doing this will we achieve exponentially better environmental outcomes.

Stewardship is therefore a vital mechanism to moving away from such shortfalls of a regulation-based framework and pushing towards a market based structure that enhances accountability for stakeholder actions.

NFF believes that there remains a significant shortfall in support for farmers delivering long-term environmental outcomes on behalf of the broader community. An informal NFF/Department of Agriculture Forestry and Fisheries (DAFF)/Department of Environment and Heritage (DEH) Stewardship Group was established to undertake preliminary work on how the Australian Government might more effectively reimburse landholders for specified voluntary positive actions that improve the environment over and above landholders 'duty of care' requirements.

From these discussions, NFF believes that Government needs to develop a world class Environmental Stewardship Program (ESP) to fund landholders to deliver environmental outcomes on their private properties demanded by society.

The ESP should fund on ground management actions outlined in property-based agreements that complement and in some cases assist in refining regional plans. These would be agreed between the individual landowner and the funding body.

The property-based agreements would be simple and:

- Identify environmental values on private land that require conservation, ongoing management or enhancement activities on behalf of society;
- Clearly outline the actions and outcomes that society is purchasing from the landholder; and
- Establish management payments for the delivery of identified actions and outcomes.

While there are some concerns with the effectiveness of some regional bodies in some states, NFF trusts that the Federal Government would determine the most appropriate administrative arrangement in consultation and genuine agreement with farming, environmental and community groups.

The proposed ESP is a new program that will require Government funding. NFF believes that there is potential to develop an additional

industry specific funding stream to the Australian Government's new flagship environmental programme that will take over from NHT2 in June 2008.

We refer the Expenditure Review Committee (ERC), to the July Cabinet considerations of the stewardship concept and their subsequent request to the NFF/DAFF/DEH Working Group for a detailed plan that will outline how the stewardship program will be delivered. This is due for consideration before the end of 2006, at which time the necessary Budget allocations will become clearer. Preliminary indications suggest that for this program to be effective in delivering its intended outcomes, it will require at least equivalent resources as that contributed to the NHT program, if not more.

2.2. Climate Change

NFF believes that climate change is possibly the biggest risk facing Australian farmers now and in the future. As a sector so dependent on natural resources, climate change poses a significant challenge.

Over the last twelve months, NFF has placed an increasing focus on climate change, particularly the issues of emissions trading, adaptation, mitigation, research and development and education and awareness. We have committed to becoming a member of the Greenhouse Challenge Plus Programme, have established an NFF Climate Change Working Group and continue to make a meaningful contribution in Government policy development processes.

What is apparent, however, is that there is considerable scope to better position agriculture with regard to national and international markets and managing resources in the context of a changing climate. On these aspects we cannot wait. The bottom line is that a vastly increased research effort is needed to enable primary industries to respond to greenhouse and climate change challenges.

At present we do not have enough information or knowledge to plan responses - in many cases the information simply does not exist. This is particularly the case in relation to:-

- Precision and resolution of climate change projections;
- Identifying fundamental processes of emissions and factors affecting the rate and magnitude of these emissions;
- Measurement of emissions from agriculture;
- The potential for bioenergy to reduce emissions; and
- Development of cost effective options for mitigation and sequestration.

NFF's initial assessment of the current programmes designed specifically to address climate change in agriculture suggests that sufficient resources are not being allocated to the issue. This is particularly the case in regard to building research capacity, designing the required policies and delivering on the ground outcomes in a timeframe that provides certainty and security for the future of the agriculture sector. Further resources are required in these areas.

3. Supply chain efficiency

As outlined in the Agriculture and Food Policy Reference Group, the Australian agriculture and food sector must be coordinated along the supply chain, from the retail shelf back to the farm gate, in order to effectively adapt and respond to market signals. Therefore it is vital that efficiencies within the farm production sector are not constrained by inefficiencies in other sectors such as transport, processing, retail, food service or export. In effect, our agricultural supply chain is only as strong as its weakest link.

NFF believes that the key budget items for the Government to focus on through this supply chain pillar are transport infrastructure and improvement of 'demand chain' practises through the National Food Industry Strategy (NFIS).

3.1. Transport Infrastructure

NFF believes that a sharper focus and greater resources are needed to invest and upgrade our public infrastructure such as our roads, rail lines, ports and other investments on public land. To achieve this, NFF has requested that the Australian Government show leadership and demonstrate its resolve to address the problems farmers face with transport infrastructure.

Too often farmers invest in on-farm transport infrastructure only to face a public road or rail system that is not up to the task of moving their product safely and efficiently. It is vital that farmers have this commitment to ensure the future of our rural export sector.

3.1.1. Auslink Strategies

NFF is a firm supporter of AusLink as a means to improve planning, improve decision-making and fund Australia's national land transport

infrastructure. We believe that the smooth and efficient operation of this network is a crucial element in achieving integration of all transport modes and supporting economic development. We believe that the strategic aims are in line with NFF policy that the Government should take an integrated approach to transport problems, taking into account road, rail, air and sea systems.

3.1.2. Rail Infrastructure Upgrades

NFF believes that greater focus needs to be given to maintain and upgrade our key rail networks. We are concerned about the growing disparity in the competitiveness of Australia's rail freight network, particularly for non-bulk and containerised freight. It is vital that rail is viewed as a viable means of freight within the major corridors, providing genuine options to agriculture supply chain participants looking to build efficiencies.

In particular, NFF supports the planned upgrade of rail infrastructure, especially on the outdated Sydney-Melbourne route, that will improve rail's contribution to the transport corridor. The development of an integrated, reliable and efficient inland-based transport system that will enable Australia to competitively market goods internationally is a key focus for the NFF. We welcome the acknowledgement of the current dominance of road over rail transport and the need to improve the competitiveness of rail as a means of transport.

3.1.3. National Transport Regulation Uniformity

NFF believes that a key to the future efficiency of the national transport networks is the need to have uniformity between state transport/road authorities. We note the inherent differences between state authorities in areas such as header transportation guidelines, livestock loading, multi-trailer restrictions and general permit thresholds, which are creating inequities between transport in various state jurisdictions. For example, livestock loading schemes exist in Victoria and Queensland, however an equivalent scheme does not exist in New South Wales. This adds an additional level of complexity to interstate transport of livestock.

Therefore NFF suggests that Government needs to recognise that different jurisdictions will have varying capabilities of accessing the full benefits of transport infrastructure reforms. In addition, Government should encourage all state authorities to develop consistent standards and procedures so benefits can be shared equally.

3.1.4. Inland Based Transport

NFF believes that the development of inland-based transport systems, in conjunction with the major Auslink corridors, is vital to enabling Australia to competitively market our agricultural goods internationally. We would also argue that work on the inland-based transport infrastructure has the potential to deliver even greater benefits to rural and regional Australia than those for some major transport corridors. This is particularly relevant in light of the increasing projected domestic demand for food and energy, leading to a greater north/south transport of grain and other commodities and increased reliance on the inland transport systems.

NFF believes that the North-South rail corridor linking Melbourne to Brisbane has the potential to be one of the most significant infrastructure projects Australia has seen. We noted with interest the Ernst & Young report into the corridor identifies the Far Western Sub-Corridor as the most cost effective options of the four possible routes.

The Far Western Sub-Corridor proposal has the potential to change the face of transport in eastern Australia and could save farmers millions of dollars a year in transport costs by providing a direct link for farmers to some of their most crucial domestic and exports markets.

The NFF would encourage the Government to move on implementation of the project immediately.

3.1.5. Local Level Transport Infrastructure

NFF notes the importance of ensuring that the Auslink corridor strategies integrate with transport infrastructure branching off the major transport corridors. For example, our members have identified that while there are some major roads accommodating Higher Mass Limit (HML) vehicles, it is difficult for regions and businesses located off these major routes, to fully utilise the benefits. This is because in many instances they must contend with poor local roads leading from the major road corridors, which are not capable of dealing with the HML vehicles. Therefore a farmer may have to use multiple smaller trucks or travel an extra hundred kilometres or more to get access to a main road or train line because the local transport infrastructure is not able to handle the heavier load. This imposes large costs on the farm sector and therefore the economy as a whole and demonstrates that the full benefits of the Auslink corridor strategies cannot be realised in rural and regional areas until there is a significant investment in road and rail infrastructure at a local level.

Unless these investments are made at a local level, the pressure placed on roads, which many cases are not designed for the movement of heavy

loads, will increase. This will be to the overall detriment of the transport task and will increase economic, environmental and public safety costs.

Along these lines, NFF questions the lack of information on how the corridor strategies will link in with local roads projects. It would seem ideal that at a time of planning the major corridors, investment for the local roads through Auslink is also aligned to produce the maximum benefits.

3.1.6. Freight Hubs

Finally, NFF would like to see increased emphasis on the development of freight hubs along the major transport corridors, providing greater inter-connectivity between rail and road. NFF believes that it is important that freight hubs in regional centres (particularly where road intersects rail) are important for maximising the efficiency of Australia's agricultural sector in transporting goods to market. Allowing regionally produced goods to effectively gain access to the corridor at the producer's nearest point would help to reduce inefficient mid-transport operations and reduce costs to the supply chain.

In addition, NFF requests that the Government examine the ongoing capacity for our major shipping ports to cater to changing scale of global shipping infrastructure. For example, NFF is aware that the Port of Melbourne can only accommodate ships to a maximum draught depth of 12.1 metres at high tide. However, the global shipping industry has now increased the size of many of its vessels to reduce costs and improve the profitability of sea freight. The maximum draught depth now required is 14.5 metres. Currently, 30 per cent of container ships entering the Port of Melbourne are unable to load to full capacity due to this problem, however it is estimated that by 2030 without deepening of the channel, 90 per cent of container ships will be affected. The expected cost of deepening the Port of Melbourne is estimated by the Port of Melbourne Corporation to be \$545 million.

3.2. National Food Industry Strategy

NFF has continued its involvement with the National Food Industry Strategy (NFIS) both as a member of the NFIS Ltd Board and as a member of the National Food Industry Council. We believe that the NFIS program is critical to enhancing whole-of-chain strategy to strategically position the Australian food industry for development and growth in an increasingly competitive global market. We believe that this is one initiative that can effectively address supply chain inefficiencies that currently inhibit the agricultural sector.

With the NFIS currently scheduled to conclude in June 2007, NFF would like a further funding round provided to the program. We would also welcome the continued involvement of the farm sector in identifying supply chain elements requiring enhancement, taking into account that the farm sector is the cornerstone of the food industry.

4. Labour

The strength in the mining sector, reflecting strong world demand for mineral resources, has seen resource availability in rural and regional Australia become increasingly scarce. As the national unemployment rate reached a thirty year low of 4.9 per cent in May and June 2006, this has placed particular pressure on agriculture's access to labour. In addition, it is proving to be a significant restraint on farm output, particularly within the more labour intensive sectors such as horticulture.

4.1. Foreign Resident Withholding Rates in Horticulture

Horticulture in Australia is a \$7 billion industry with total exports valued in excess of \$800 million. Horticulture is the fastest growing industry in the Australian agricultural sector with 17,273 enterprises, employing 64,000 people. This translates to 20 per cent of the total employment in agriculture.

Access to seasonal employment is a major inhibitor to growth of the Australian horticulture sector. The Report of the National Harvest Trail Working Group of June 2000 indicated that growers, harvest offices and Job Network providers could not obtain sufficient labour to bring in the harvest and to undertake other seasonal horticultural activities at critical times. Horticulture Australia estimates consequent losses amounting to \$700 million in 2006. This continues to be a major problem in the horticulture sector and is intensifying as the unemployment rate reaches its lowest level in 30 years and the mining sector absorbs an increasing share of the available domestic resources.

NFF has identified the current taxation arrangements for foreign residents undertaking seasonal work in horticulture as an inhibitor to productivity optimisation in the sector. NFF notes that foreign residents working in the sector incur a withholding rate of 29 per cent, whereas Australian residents incur a withholding rate of 13 per cent.

NFF contends that the foreign resident withholding rate should be brought in line with that of Australian residents, citing the following benefits:

- Horticulture depends on foreign workers for a significant percentage of their workforce.
- Horticulture is facing significant labour shortages, particularly at times of harvest, which is inhibiting growth in the sector. Growcom estimates that due to labour shortages its members (Queensland fruit and vegetable growers) lose up to 10 per cent of their crops. In 2000, the Queensland Fruit and Vegetable Growers Association reported losses of \$90 million due specifically to a lack of casual labour.
- Figures from the Bureau of Tourism Research show that working holiday-makers spent a total of \$568.8 million within Australia during 2005. This translates to \$9,295 per visitor at \$76 per night, with an average length of stay in Australia by these visitors is 122 nights. NFF believes that additional cash in hand for foreign residents working in horticulture would increase the average spend per visitor and provide an injection of income into rural and regional economies, as opposed to withholding monies which are refunded upon departure from Australia.

4.2. Minimum Salary Requirements for 457 Visas

The Department of Immigration and Multicultural Affairs has enforced a minimum salary of \$37,665 (attached to a 38 hour working week) for the 457 visas for regional migration. NFF opposes the introduction of this new standard.

The "FarmStaff 2006" report by Holmes and Sackett & Associates indicates that average salaries for Jackaroos, Station-hands and Agricultural Operational positions ranges between \$28,043 and \$52,211. This suggests that a significant proportion of positions in the agricultural industry do not attract basic salaries above \$37,665 per annum. Specifically, NFF is concerned that this minimum salary is attached to a 38 hour working week.

NFF also notes that the proposed minimum salary does not recognise non-monetary benefits such as accommodation, meals and the use of vehicles. The Holmes & Sackett report indicates that on average, around 20 per cent of total salaries across all agricultural positions is made up of non-cash benefits. NFF considers that these benefits represent a significant and quantifiable gain to employees and should be considered as a component of the salary package.

NFF does not consider there is a justification for inconsistency between Australian minimum wage levels and minimum wage levels applying to workers on a 457 visa. NFF has heard no substantial argument supporting the current Government position. The argument that foreign workers are more vulnerable and have less access to services, is only indicative of broader policy defects including the imposition of a higher taxation rate and the denial of access to Medicare. NFF supports the relevant industrial instruments governing the employment of Australians and overseas workers alike.

Minimum working standards are underpinned by the Australian Fair Pay and Conditions Standard introduced with WorkChoices to prevent exploitation and the deterioration of conditions for workers. We are therefore concerned that the introduction of the minimum salary level is inconsistent with the flexibility provided under WorkChoices.

5. Biosecurity

Quarantine and biosecurity are issues of vital importance to the future of Australian farming – they are issues we simply must get right. To this end the NFF has worked closely with the Australian Government over the past year to improve Australia’s conservative, science based quarantine and biosecurity system. As a result the Australian Government recently announced a number of significant changes to the way in which Australia will conduct Import Risk Analysis (IRA’s).

Key changes include: improved consultation mechanisms with stakeholders, regulated timeframes for completion of IRA’s and, an enhanced role for the Eminent Scientists Group. NFF is pleased to see our views reflected in the changes announced.

We are particularly pleased with the expanded role of the independent Eminent Scientist’s Group which will enhance the quality of the analysis and peer review of all aspects of the IRA process; new regulated timeframes; and, what we believe will be significantly improved consultation mechanisms with industry stakeholders.

NFF believes it is now vital that adequate additional resources be provided to fund inter alia the expanded role and work of the Eminent Scientists Group and to ensure its ability to obtain the most relevant specialists into the preparation of IRAs, including from outside of DAFF if necessary; and, the new high level Department of Agriculture, Fisheries and Forestry group which will transparently prioritise and monitor progress of IRAs. Additional resources for these areas would further help

build stakeholder and community confidence in Australia's entire quarantine and biosecurity system.