

2005-2006

PRE-BUDGET SUBMISSION

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1. Executive Summary

Farming is a significant contributor to Australia's economic, social and environmental fabric. Farming provides a secure and quality supply of food and fibre, provides employment and economic opportunities, particularly in rural and regional Australia, and farmers are at the front line of environmental efforts.

Despite the challenges Australian farming has faced over recent decades, with droughts, ever-increasing competition from overseas, and other challenges too numerous to mention, Australian farming has a strong record of achievement.

The farm sector has worked in partnership with successive Federal Governments to implement often-difficult reforms. These reforms have made not just the farm sector, but the whole economy, stronger, more resilient to external shocks and able to keep pace in the lead pack in the race of international competition. Our current economic environment, with low interest and inflation rates, is testament to these reforms.

The proposals in this submission are not intended to be a comprehensive reform or policy agenda, but outline some key initiatives that can be usefully pursued in the Budget context. Not all proposals require additional resources from government. In some cases, proposals request that reviews and agreements be undertaken as a sound basis for assessing the effectiveness of existing Government spending and to ensure that any potential future programs and extra spending is best targeted to deliver effective outcomes. Below is a summary table of proposals.

NFF GOALS AND BUDGET PROPOSALS	BRIEF DESCRIPTION (cost included where relevant)
Overarching	
<i>Long term vision and framework for Australian agriculture</i>	A White Paper for Australian Agriculture
Reducing the red tape burden	
<i>Assisting farmers to enhance Australia's fertiliser supply chain security.</i>	\$99 million – short-term grants to assist farmers meet the compliance costs associated with the new national security regulations
Telecommunications	
<i>Implement recommendations of the regional Telecommunications Inquiry</i>	A commitment to guaranteeing the ongoing provision of equitable telecommunications services and service quality for ALL Australians
Improved transport Infrastructure	
<i>Need to consult more closely with NFF and industry representatives in setting investment priorities under AusLink</i>	NFF members have identified key farm infrastructure priorities which need to be better and more transparently factored into investment planning under the AusLink package
<i>Remove income tax penalties for infrastructure investment – sections 16D and 51AD of the Income Tax Act</i>	This proposal will enhance private sector incentives to invest in infrastructure
Macroeconomics	
<i>Improving intergovernmental funding arrangements and minimising cost shifting</i>	It is necessary to review existing financial transfers to the states and local governments to ensure cost shifting is minimised, policy implemented effectively and improved outcomes delivered
Farm Costs	
<i>Removal of the 5% and 3% tariffs on farm inputs</i>	Cost \$95 million, they are contrary to government rhetoric and damage farm sector competitiveness
<i>A review of Australia's anti-dumping laws</i>	To stop any inappropriate trade protection through hindering the importation of cheap farm inputs
<i>No reintroduction of indexation to fuel excise</i>	Highly beneficial measure introduced in 2001
<i>Assist with getting greater application and awareness of the popular e-grant in the farm sector</i>	Program introduced in 2003/04 so that fuel excise rebate recipients can claim their rebate at the pump. Has significant cash-flow benefits. Take-up increasing but scope for many more to access the facility
<i>Bring forward excise reforms announced in the energy white paper</i>	Broadening access to excise rebates which will help significantly bring down fuel costs
Taxation	
<i>Reduce complexity and lower tax rates if surplus allows</i>	Greater attention should be given to tax reform, particularly given strong economic conditions
<i>Review tax zone rebate program</i>	Has not been updated since introduced in 1993, fallen in real value and zones no longer accurate
Trade and Quarantine	
<i>Cairns Group and Office of Trade Negotiations</i>	Extra resourcing to ensure we achieve the best results possible in trade negotiations for agriculture
<i>A recommitment to Australia's border protection</i>	Ensure that adequate resourcing is given to quarantine
<i>Boost awareness to combat animal rights groups attacks</i>	Support for industry programs to answer claims made by animal rights groups
Competition	
<i>Horticulture Industry Code of Conduct</i>	Ensure adequate resourcing is provided to implement the new Horticulture Code under the TPA
Environment	
<i>IGA on native vegetation resource security through COAG</i>	Intergovernmental agreement to increase certainty for farmers
<i>Implement National Water Initiative</i>	Currently delayed by the pulling out of the agreement by state Premiers
<i>A National Environment Management Program</i>	\$250 million per annum to support farm level public-good environmental activities
<i>Independent Review of NHT and NAP</i>	To ensure the NHT and NAP are most effectively delivering environmental outcomes
<i>Targeting exotic plants and animals</i>	Ensure agriculture is protected from weeds and feral animals
<i>Research into the impacts of climate on agriculture</i>	Additional research is needed to help farmers understand and adjust to climate change
Agriculture Programs	
<i>National Drought Policy reforms</i>	Necessary to improve drought preparedness and ensure EC delivers timely and effective assistance
<i>A consolidated annual Australian Farmer Survey</i>	Too many ad hoc surveys, scarcity of quality data a problem means it is necessary to improve arrangements
<i>Certainty for rural education and training programs</i>	Contracts expire on 30 June 2005, seek a new 3 year contract to ensure these effective programs continue

2. Overview

The National Farmers' Federation Pre-Budget Submission provides a general overview of the conditions facing Australian farmers and presents a set of Budget proposals based on NFF policies, which will help Australian agriculture reach its full potential into the 21st century.

With the return of the Coalition Government for a fourth term, winning an increased majority and gaining control over the Senate, the Federal Government will be able to pass much-needed industrial relations reforms through the Senate. Farmers, who have a lot to gain from decentralisation of the current system, will welcome these reforms. They will not only be good for farm businesses, they will also be good for overall employment and social conditions in rural Australia.

Also high on the Government's agenda is the sale of the remaining Government shareholding in Telstra. This will be the biggest single public share offering in Australia's history, if not indeed one of the largest offerings in the world.

The NFF position on Telstra is clear. Levels of service in rural and regional areas are to be equivalent to those in urban Australia before NFF will consider any further sale of Telstra, and the Commonwealth Government must provide appropriate mechanisms to guarantee ongoing provision of equitable telecommunication services and service quality for ALL Australians.

Government policy plays a critical role in the health of the economy and farm sector. Over the past 20 years we have seen the floating of the exchange rate, deregulation of the financial system, significantly lower tariffs, a more flexible approach to industrial relations, tax reform and the dismantling of price stabilisation schemes for agricultural products.

These reforms are helping keep Australian agriculture competitive in increasingly globalised world markets. Reform helps keep inflation and interest rates low, productivity growing and, with wise fiscal policy, gives the Government a tool for supporting the nation's economic, social and environmental infrastructure.

NFF therefore places a high priority on fiscal discipline, policies to keep interest rates low, inflation within its target range, productivity growing and where possible, provide for further tax cuts.

The future of Australian agriculture lies in being able to take advantage of new technologies, increasing productivity, finding innovative ways to market products to consumers and gaining access to new markets through the liberalising of agricultural trade. At the same time, farmers will need incentives for being at the front line of delivering environmental services for the wider community, protecting threatened species, habitat and waterways.

The future reform agenda must therefore address some of these new challenges as well as the unfinished business. It should build on the lessons learned from previous initiatives such as National Competition Policy which, while important for the overall health of the economy, has been poorly implemented, particularly in regional Australia.

In this regard, NFF considers that there is a strong case to improve the delivery of services and implementation of reforms through more explicitly targeted, tied payments to the States and local governments.

At the heart of sustainability lies the alignment of economic, social and environmental goals and this requires more than lip service to the principles of sustainable development to which everyone agrees.

While progress has been made through individual policies such as the \$3 billion Natural Heritage Trust and the Agriculture Advancing Australia Package, there is still no strategic vision or national blueprint for Australian agriculture. It is essential that this blue print be developed in close consultation with farming and other rural interests. This blueprint would bring together all of the Government's program in a coordinated and integrated policy aimed at supporting the economic, social and environmental objectives which are necessary to help agriculture achieve its full potential into the 21st Century.

The Federal Government also made a series of election commitments during the 2004 Federal Election relating to Government spending in a range of portfolio areas that cover the agricultural industry. Along with the specific budgetary measures outlined by NFF in this submission, we also expect that any funding commitments made during the Federal Election will be included in the 2005-2006 Federal Government Budget. Examples include \$14 million for a superannuation choice of funds education campaign and \$7 million to establish a network of small business Occupational Health and Safety Advisors.

The NFF Pre-Budget submission contains some of the measures that will help support this vision for the future. It is not a comprehensive statement of all the detailed measures needed by the farm sector, but by initiating some national processes and programs, it will constitute another step forward.

3. The Conditions Facing Australian Farmers

While the farm sector has performed well over the past few decades, current challenges are a timely reminder to decision-makers that continued reform and policy innovation is necessary to ensure the ongoing sustainability of the farm sector.

Current challenges include: drought; ever-increasing competition from overseas; increasing environmental demands from governments and the community; pressure from animal liberationists; labour shortages; excessive red-tape and taxation; and more recently a high exchange rate and record high fuel prices.

The impact of the ongoing drought continues to be a spectre over the agricultural sector.

For the 2001-02 year, before the onset of the drought, the net value of farm production was almost \$11 billion¹. Over the past three years, including this year's forecast, the net value of farm production has averaged \$5.4 billion – a cost to the agricultural sector of around \$15 billion. Indeed, the drought is estimated to have cut GDP growth by a full 1 percentage point in 2002-03, or around \$6.6 billion².

For 2002-03 and 2003-04 the net value of farm production was \$3.5 billion and \$7.3 billion respectively and the forecast for 2004-05 is expected to be \$5.5 billion.

Although timely rainfall in mid-2004 lead to optimistic projections for winter crop production in many areas of Australia, limited stored soil moisture, unseasonable temperatures and below-average finishing rains through September and October 2004, ultimately lead to crop losses and disappointing harvest results across many grain producing regions. These crop failures are reflected in the latest Crop Report (November 2004) from the Australian Bureau of Agricultural and Resource Economics (ABARE). The 2004-05 winter crop forecasts were 21 per cent lower than the previous season, with the greatest downgrades observed in Victoria, South Australia, Western Australia and Queensland. The disappointing 2004-05 winter harvest results represent the third successive crop failure for grain producers within many of these regions, placing significant pressure on farm finances.

The latest statistics from ABARE estimate crop production in 2004-05 to be down 10 per cent on 2003-04, from \$20 billion to \$18 billion.

The same unseasonably hot and dry conditions also impacted on spring pasture growth for livestock producers, requiring farmers to endure the costs and challenges of hand-feeding stock through the warmer months. While strong livestock prices provided reasonable income for farmers looking to further destock their enterprises, these market conditions worked against farmers looking to rebuild their herds and flocks in regions that observed improved conditions. Although many livestock producers have commenced rebuilding stock numbers, this rebuilding process may take up to 5 years, during which time producers will forego significant income as they retain stock for breeding.

¹ ABARE, *Commodity Statistics*, 2004.

² Truss, W 'Historic national Drought Round Table', Media Release, 13 April.

The continuing impact of drought on farm incomes has been recognised by the Federal Government, with around 22 Exceptional Circumstance (EC) declarations being extended for a third year and numerous other extension applications currently under consideration. NFF recognises the ongoing commitment of the Government towards EC assistance, however there is an urgent need to reform the EC program as outlined in this submission.

With surface temperatures in the western to central Pacific remaining close to El Niño thresholds, increasing the risk of hot and dry conditions particularly in parts of northern and eastern Australia during the early part of 2005, NFF encourages the Federal Agriculture Minister and the National Rural Advisory Committee (NRAC) to continue to closely monitor seasonal conditions within EC declaration regions.

As drought conditions ease, farm businesses are likely to face further cost pressures replanting or restocking their enterprises and reinstating drought preparedness and risk management strategies such as Farm Management Deposits (FMDs) will be vital for farmers during this recovery phase. This will help ensure Australian farms are better able to prepare for future severe drought events.

Another factor currently cutting into farm returns is the unsustainably high exchange rate. While easing back in December and January, it is expected that the exchange rate will continue to average around USD\$0.74 for 2004-05, driven up by the devaluing of the US dollar. This is about USD\$0.10 above where the long-term trend suggests the exchange rate should be. NFF estimates that a 1 per cent change in the exchange rate against the US dollar leads to about a \$115 million reduction in farm returns on rural commodities.

However, exchange rate forecasts, like the weather, are unpredictable and can change rapidly. For example, last financial year the Australian dollar fluctuated from a low of USD\$0.64 in September 2003 to a high of USD\$0.80 in February 2004. As a consequence, managing the risks associated with exchange rate movements and the weather are fundamental to primary producers and exporters.

High fuel prices are also impacting on farm profitability and confidence. Fuel costs comprise almost 10 per cent of total farm cash costs and with the fuel cost of farmers estimated to increase by \$200 million in 2004-05, farmers will be hit hard in the hip pocket. These sustained high prices will also have an impact on the Australian and global economies, creating inflationary pressures and a trigger to higher interest rates, as well as slower global and domestic demand.

Farmers are also experiencing significant difficulties in securing appropriate staff for a range of jobs that cover the full spectrum of requirements from unskilled, semi-skilled and skilled labour. NFF seeks the assistance of the Federal Government in developing an across-Government strategy to respond to the growing labour shortages that are likely to dramatically impact on the capacity for farming businesses to meet full productivity. Left unchecked, these labour shortages will reduce the ability of the farming sector to maximise its contribution to economic growth.

Lack of resource security in relation to both water and land continues to be a major issue for Australian farmers. NFF is concerned that farmers are increasingly being expected to deliver public-good environmental services for the broader community

through new legislation and agreements between Federal and State governments. While some progress has been made regarding security over water resources, little or no progress has been made regarding security over land resources and the impact of native vegetation controls. This continues to undermine investment, profitability and confidence within the farm sector.

According to a recent Australian Government report *Tracking to the Kyoto Target 2004*, native vegetation restrictions in Queensland and New South Wales have reduced annual greenhouse emissions by an additional 25 million tonnes and 6 million tonnes per annum respectively in 2004. This 31 million tonnes per annum is on top of the 37 million tonnes per annum of greenhouse emissions savings already achieved through land clearing regulations implemented between 1990 and 2003.

NFF considers that there should be appropriate support when governments require farmers to provide public good environmental services for the benefit of the broader community at a cost to the farmer.

The detrimental impact of regulatory burdens on business, particularly for small business operators, which comprise the majority of Australian farmers, continues its stranglehold without dissipation. It is critical to the overall benefit of the Australian economy that businesses are not unnecessarily hampered with restrictive regulation that places limits on their ability to meet their full potential. The Federal Government has always acknowledged that red tape is not conducive to effective business. NFF argues that further significant work needs to be undertaken to remove the regulatory burdens on Australian farming businesses.

Productivity growth has been the key to the farm sector meeting the challenges it has faced in the past. Agriculture is one of the few industries in Australia, along with telecommunications and IT, which has consistently delivered 3 to 4 per cent productivity improvement per annum over the past two decades. As international competition has intensified, with a fall of 50 per cent in the terms of trade faced by Australian farmers since 1960, the farm sector has risen to the challenge. This has involved a tripling in the volume of farm product produced (from an index measure of 37 in 1960-61 to 107.6 in 2003-04) and tripling real gross value of farm product from \$10,557 million in 1960-61 to \$30,338 million in 2003-04³.

The farm sector constitutes 3.4 per cent of GDP, 24 per cent of Australian exports and directly employs about 380,000 people. Australian farming has a proud and strong history of contributing to the Australian economy and while the composition of the economy has changed from being based primarily around agriculture to be primarily services-based – farming is still close to the heart of our national heritage and identity and will always play a key role in our economy.

³ *Australian Commodities*, ABARE Table 17, index of 'prices received' used as a price deflator (base=1997-98).

4. Budget Proposals and NFF Goals

The following budget proposals are aligned with the NFF goals to: increase profitability by reducing costs; increase markets and revenue and to improve sustainability.

Stretching across these areas is the need for an Agriculture White Paper to bring together all Government programs affecting agriculture under one coherent national blueprint for the future.

Over-arching

Proposal

Long term vision and framework for Australian agriculture

Australia needs a long-term vision for agriculture. It is time to sit down and develop a strategy to plan for future generations of farm industries and the rural and urban communities which depend on them. Without such an integrated, national vision, the ongoing sustainable production of clean and fresh food and fibre from Australian farmers cannot meet its potential.

NFF is calling on the Australian Government to work with industries and commence a process of consultation with a view to developing a long-term vision and framework for Australian agriculture. Agriculture cannot be looked at in isolation. It is important to ensure that we take into account all of its impacts on the rest of the nation. Farming has linkages into many other sectors and issues which need to be included in the development of a national vision.

Increase profitability by reducing costs

Reducing the red tape burden

Proposal

Assisting farmers to enhance Australia's fertiliser supply chain security.

Cost: \$99 million – a short-term grant program to assist farmers meet the compliance costs associated with new national security regulations.

Australian farmers recognise the importance of enhancing fertiliser security to prevent these products from being used to make explosive devices. While NFF has not opposed COAG's decision to impose greater regulations on users of security sensitive ammonium nitrate products, the Federation has consistently argued that given enhanced ammonium nitrate security will benefit all Australians, it is unreasonable to expect that farmers should bear the entire compliance costs of delivering these national security objectives.

A recent survey of NFF members affected by the new regulations indicates that on average, farmers will face compliance costs in the order of \$5,500 per business. These costs relate to the requirement for the farmer to upgrade fertiliser storage facilities, to undergo police and ASIO checks and to obtain a Security Sensitive Ammonium Nitrate (SSAN) licence.

In recognition of these costs, NFF calls on the Federal Government to provide a tax-free SSAN Compliance Grant to help meet the direct compliance costs farmers will face under the new regime. A full copy of NFF's SSAN Compliance Grant proposal is presented at

http://www.nff.org.au/pages/policies_printfiles/SSANCG_December04.pdf

NFF also calls on the Australian Government to provide resources to enable a comprehensive communications campaign to inform farmers of the new SSAN Regulations and their obligations. This campaign must recognise the cultural diversity within affected industries and cater for farmers from non-English speaking backgrounds.

Improved telecommunications

NFF's policy on Telstra is that levels of service in rural and regional areas are to be equivalent to those in urban Australia before considering any further sale of Telstra, and the Commonwealth Government must provide appropriate mechanisms to guarantee ongoing provision of equitable telecommunication services and service quality for all Australians.

Proposal

The Government should move to implement all recommendations of the Regional Telecommunications Inquiry, particularly in the Budget Context, the recommendation that where market failure occurs that:

“The Government should provide funding for future service improvements in regional, rural and remote Australia, rather than imposing financial obligations on industry”. [Recommendation 9.5]

NFF has consistently highlighted telecommunications service and service level inequalities which continue to exist and are of strategic importance to farmers and communities in rural and regional Australia.

Improved transport infrastructure

NFF has welcomed the Federal Government's commitment to extend funding to AusLink, bringing the total Government land transport commitment to \$12.5 billion over five years.

There is much to be done in upgrading our roads, rail lines and ports. NFF, through its member organisations, has a list of transport infrastructure priorities, which urgently require attention.

Proposal

NFF seeks a commitment from the Federal Government to consult with NFF in identifying key transport infrastructure investments. This is critical to ensure that funding targeted to assist the farm sector is allocated in a transparent way, involving farmer representatives, so that the community can feel confident that key funding needs are being addressed.

To put this into effect, NFF has requested that a representative from the farm sector be appointed to the National Transport Advisory Council, which is yet to be formed.

If agreement with the States is unable to be reached to establish this Council, then an Industry Advisory Forum should be established to directly advise the Australian Transport Ministerial Council (ATC) on matters on their agenda. This advisory forum would meet with Ministers at least once a year.

Some of the current problems farmers face include: grain sitting in storage unable to reach markets in New South Wales due to poorly-maintained rail lines and as a result, grain being transported along country roads which were not designed to transport heavy loads, accelerating depreciation of those roads and imposing safety and other external costs on regional communities. NFF has been advised about trucks being stopped at State borders and asked to offload cattle because loads permitted in one jurisdiction are not allowed in others. There are also examples of ad hoc investments such as roads which have been upgraded by one level of government but where no upgrades have been made to the bridges on those roads which are the responsibility of another area of government, thereby preventing increased mass limits of heavy vehicles on those roads. These are just a few examples of the problems that inefficient and inconsistent investment in, and regulation of, land transport infrastructure is causing farmers today.

The capacity of our nation's infrastructure is also an issue. This is an issue for our roads, rail lines and ports and also of intermodal efficiency. Concerning evidence of emerging problems was recently revealed in the ACCC *Container Stevedoring: Monitoring Report No. 6* released November 2004. The report found that in relation to the first rise in unit costs of stevedoring since monitoring commenced in 1998-99, that it was likely that the higher unit costs in 2003-04 indicated emerging capacity constraints after several years of strong growth in volumes.

Capacity constraints pushing up costs at our ports will no doubt impact on the competitiveness of the farm sector. Farmers, as already mentioned, have been able to rise to the challenge of a 50 per cent decline in their terms of trade since 1960 by significantly boosting their productivity. This has also corresponded with a three-fold increase in the volume of Australian farm production over this period⁴. This long-term trend of increasing volume of farm product is set to continue and pressure on our infrastructure will only be reinforced by growing volumes of exports from other sectors such as mining.

The Federal Government also estimates in the *AusLink White Paper* that the total freight task is forecast to double in the next 20 years and that in addition urban road freight will increase by over 70 per cent between 2000 and 2020.

The Bureau of Transport Economics in their 1999, *Urban transport looking ahead*, Information sheet 14, estimated that the congestion costs to the economy in 2015 would be almost \$30 billion per annum.

Despite the positive policy initiatives under AusLink to address these challenges, our current infrastructure situation is acting as a break to our competitiveness and the challenges are only set to increase. It is for this reason we need greater cooperation between all levels of government – and local government is a key partner in regional Australia to ensure we get the most out of our transport policy.

It will also be necessary to continually assess the effectiveness of the *AusLink Package* both in terms of quantum of resources committed and the efficiency of

⁴ ABARE *Australian Commodity Statistics 2003, table 18.*

investments funded to minimise the drag on the nation's competitiveness and output from the lack of and poor infrastructure.

Proposal

NFF considers that it would help stimulate private sector investment in Australia's infrastructure if the income tax penalties for private infrastructure investment under 16D and 51AD of the Income Tax Act were removed.

Macroeconomics

Proposal

Improving intergovernmental arrangements and minimising cost shifting

There is a need to reform fiscal relations between the Commonwealth, the States and local government. NFF has recognised some of these issues in its submission on the Future of National Competition Policy. In that submission, NFF urges governments to use more explicit, targeted payments to assist in the implementation of reforms across jurisdictions, rather than untied payments. NFF considers that there is scope for the provision of greater incentives to local governments to implement regulatory reform at their level and to deliver better services. NFF is also concerned that as local government budgets come under pressure, they have no other choice but to increase rates on landowners. This not only adds to the tax burden facing farmers, but also causes an equity problem particularly in regional areas. The equity problem arises because councils seem not to be adequately funded to service public land and where these areas are large, as in regional Australia, the burden of servicing them falls on a relatively small number of rural rate payers such as farmers.

Farm Costs

Proposal

The removal of the general 5% tariff and 3% "nuisance" tariffs on farm inputs

Cost: approximately \$95 million;

Savings: there will be some administrative savings

Tariffs on farm inputs push up farm costs and artificially increases the exchange rate – both factors which damage competitiveness.

The latest Productivity Commission Trade Assistance Review released in December 2004, has the costs imposed on agriculture by input tariffs jumping from \$80.8 million in 2002-03, to \$94.9 million in 2003-04. This cost materialises in the form of higher prices on imported fertilisers, machinery and other inputs.

Proposal

A review of Australia's anti-dumping laws

NFF supports the Productivity Commission's recommendation that a review of anti-dumping legislation is undertaken to ensure that Australia's current approach to anti-dumping remains appropriate and in the national interest.

NFF is growing increasingly concerned that some Australian companies are looking to exploit the current anti-dumping regime as a means of securing protection from

highly competitive imported products. The abuse of Australia's anti-dumping provisions has the potential to lead to an increase in the cost of farm input products, including fertiliser and chemicals, impacting on the competitiveness of Australian farm exports in global markets. In order to ensure Australia's anti-dumping regime retains transparency, integrity and effectively balances the costs and benefits of dumping on different sectors of the Australian economy, NFF calls on the Federal Government to commission a Productivity Commission inquiry into anti-dumping.

Fuel Costs

Rising fuel costs are significantly impacting on farm profitability and hurting rural confidence. Compared with 2003-04, fuel costs are expected to jump by 10 per cent for the farm sector in 2004-05 up from \$1.6 to \$1.8 billion – at a cost of an extra \$200 million for farmers or about \$1,500 extra on average for each Australian farm.

Given the importance of government policies on the cost of fuel for the farm sector, NFF urges the Government to consider the following proposals.

Proposal

The Government should guarantee not to reintroduce any indexation to fuel excise.

Proposal

The Federal Government should work with NFF to find ways to increase awareness and use of the popular and recently introduced e-grant facility so that more farmers can claim fuel rebates at the pump.

In 2003-04, the first year of the new e-grant facility, only \$100,000 worth of rebate was claimed using the e-grant by agriculture. Data show that in the first half of 2004-05 this amount has increased five times to \$500,000. This is still only a small fraction of the approximately \$600 million worth of rebate claimed by around 100,000 agriculture claimants. There are potentially significant benefits to assist farmers in managing their cash flow, by increasing take-up and awareness of the program in the farming community. NFF requests the assistance of the Australian Taxation Office in a communication campaign to boost take-up of this good initiative.

Proposal

Bringing forward the introduction of fuel excise reforms announced in the Energy White Paper in June 2004.

Taxation

Proposal

NFF considers that renewed attention should be given by government to address the high tax burden on individuals and business and complexity of the tax system. The impetus and scope for further tax reform should be considered a high priority particularly in the light of strong government revenues that have recently been far in excess of outlays.

Proposal

NFF considers that a review of the now-outdated tax zone rebate scheme is necessary to assess whether it is achieving the regional development goals it was set up to deliver. The rebate has diminished in real value as it has remained unchanged since 1993-94 and the zone boundaries are no longer consistent with other government definitions of “remote” and “isolated” areas.

Increase markets and revenue

Trade

Improved capacity for the Office of Trade Negotiations

Proposal

Extra resourcing is needed to ensure the Cairns Group remains a strong force in global trade negotiations and to increase the number of dedicated expert agricultural trade negotiators.

The export-focus of many Australian farm businesses means that future prosperity will be reliant on consolidating and enhancing opportunities within global markets.

Given the highly distorted nature of global agricultural markets, Australian farmers seek a successful outcome of negotiations under the World Trade Organisation's (WTO) Doha Development Round.

NFF believes that the WTO should remain Australia's number one trade priority. Australian farmers support the pursuit of bilateral trade opportunities that are in the interests of Australian agriculture, however, these negotiations must not undermine Australia's pursuit of meaningful multilateral trade reform.

Given the critical stage of the WTO Doha Round, NFF believes resources must be committed to increase the profile and strength of the Cairns Group of fair trading countries. The Cairns Group provides Australia with significant leverage in the negotiations.

Further, giving this important stage of WTO negotiations and the proliferation of bilateral agreements, increased resources are required to allow the recruitment and training of dedicated agricultural trade negotiators.

NFF believes Australia is well served by highly competent and professional agricultural trade negotiators, however, given the increased workload, further investment is important.

Proposal

A recommitment to Australia's Border Protection

NFF believes that it is absolutely vital that adequate resources are maintained to provide high levels of quarantine intervention at our borders. It is also imperative that adequate resources are made available to reinvigorate and enhance the reputation of Australia's Import Risk Analyses (IRA) process.

Securing Australia's borders from incursions of exotic pests and diseases is of prime importance to all Australians and especially for Australia's plant and animal industries.

During the 2004 election campaign, NFF reaffirmed its support for Australia's transparent, and science-based quarantine system. NFF has always supported IRAs conducted purely on the basis of sound scientific principles and we expect our trading partners to treat Australian imports in a reciprocal manner.

Proposal

Protecting Australian livestock industries from attacks from Animal Rights groups

NFF calls on the Government to continue to support Australia's livestock industries to enhance animal welfare standards, to develop strategies to combat current and future attacks by animal rights groups, and to develop an education campaign to promote Australia's world's best practice animal welfare standards.

Issues relating to animal welfare loom as one of the biggest threats to the future viability of Australian livestock industries. Destructive and ill-informed campaigns by extreme animal rights groups have the potential to vastly reduce Australia's export income and reduce sales domestically. A current campaign by an extremist animal welfare group threatens Australia's \$7 billion sheep and wool industry.

Competition

Proposal

Adequate resourcing should be provided to ensure proper consultation in the development and implementation of the new Horticulture Code under the Trade Practices Act. Good understanding of the Code will help reduce compliance costs and potential litigation expenses

Improve sustainability

Environment⁵

Proposal

Intergovernmental Agreement on land and native vegetation resource security through the Council of Australian Governments (CoAG).

Farmers do not have resource security under existing land and native vegetation management arrangements.

NFF wants Commonwealth, State and Territory Governments to show the same level of commitment to native vegetation reform as they showed in signing the National Water Initiative in June 2004.

Investment security can only be delivered by the Commonwealth, State and Territory Governments agreeing to develop an Intergovernmental Agreement (IGA) through the Council of Australian Governments (CoAG) that establishes a national framework clarifying sustainable and productive land and native vegetation responsibilities.

⁵ Further detail on individual policies can be found at www.nff.org.au - policies – environment.

Proposal

Implement the National Water Initiative (NWI)

NFF remains concerned at the decision by Premiers and Chief Ministers to suspend their involvement in the National Water Initiative (NWI). NFF has asked the Australian Government to address issues surrounding the NWI through the COAG meeting as a matter of urgency. NFF also urges Australian Government to continue to pursue support for the NWI from Western Australian and Tasmania.

Implementation of the NWI is vital if we are to provide farmers with the certainty they need to plan and invest for the future.

NFF is looking towards the Australian Government to implement the \$2 billion Australian Water Fund to assist in implementing commitments made as part of the NWI including allocating sufficient funds to address currently over allocated and/ or overused systems.

Proposal

National Environment Management Program (NEMP)

NFF is calling on the Australian Government to implement a National Environment Management Program (NEMP) to provide incentives for farmers to deliver environmental services on their properties on behalf of the community. This is a voluntary program. It is a new 10-year rolling program with an initial \$250 million per annum each of the first four years to be reviewed after year 3.

There is currently a gap in natural resource management programs in the availability of direct farmer incentives to deliver environmental services that are demanded by the wider community. The community is calling for farmers to provide environmental services and to achieve environmental objectives on their land. These calls are increasing and yet farmers keep shouldering the bill.

Proposal

Independent review of the Natural Heritage Trust (NHT) and National Action Plan for Salinity and Water Quality (NAP)

NFF is concerned that these significantly funded programs are reviewed to ensure they are delivering tangible 'on ground' environmental outcomes to meet the environmental objectives they were set up to achieve.

It is important that the review be undertaken by an eminent person, independent of government, so that the programs are evaluated objectively.

A National Audit Office review of the NAP was completed in late 2004 and only focused on the administration of the program.

Proposal

Implementing programs to halt and eradicate exotic plant and animal species

NFF supports the need for Australia's strict quarantine protocols to be maintained and further tightened to maintain our clean and green image.

NFF believes that quarantine procedures based on sound science, should be strengthened as a matter of urgency. These procedures should be continually updated to prevent the importation of exotic plant and animal species that could potentially become major agricultural threats.

Programs should be put in place to tackle sleeper weeds (weeds that have the potential to escape from domestic gardens and threaten sustainable production).

Proposal

Research into the impacts of climate on agriculture

Australia's agriculture, forestry and land management interests are exposed to the impacts of climate.

In order to better understand the risk facing farmers, NFF is calling on the Australian Government to support significant additional research into the likely implications of climate on agricultural industries and into strategies for farmers to deal with such change.

Agriculture programs

Proposal

National Drought Policy Reforms

As highlighted by NFF and the 2004 National Drought Policy Review, there is a pressing need to reform Australia's National Drought Policy to encourage improved drought preparedness and to ensure the Exceptional Circumstances (EC) arrangements deliver timely and effective assistance to eligible farmers during periods of severe drought.

The 2002-04 drought, affecting over 70 per cent of Australia's agricultural landscape, has posed an unparalleled challenge for Australia's National Drought Policy. Although government assistance under the Exceptional Circumstances (EC) program has delivered important relief to eligible farmers, the experiences of the 2002-04 drought have reinforced the weaknesses of the National Drought Policy in its current form and reaffirmed the importance of achieving meaningful reform.

Although the Primary Industries Ministerial Council (PIMC) has established drought reform as a top policy priority, with the lapse of nearly 12 months since the National Drought Review, NFF is concerned about the limited progress PIMC has made towards genuine reform. NFF is calling on the Federal Government to take unilateral action in implementing key elements on NFF's National Drought Policy reform priorities, including:

- Tax incentives to promote drought preparedness, incorporating 100 per cent tax deductibility in the year of expenditure for primary producers investing in assets and infrastructure to enhance drought preparedness;
- Refinements to the Farm Management Deposit (FMD) Scheme through increasing the off-farm income threshold to \$75,000, expanding the Scheme to encompass farmers using companies and trusts and increasing the maximum FMD holding limit to \$500,000;
- Additional research into the effects and management of drought and climate variability at both the farm and regional scale;

- Resources to establish a National Production Monitoring System to underpin future EC declarations;
- Accelerating negotiations with State Governments on a refined Exceptional Circumstances program comprising both welfare assistance, and business support grants of up to \$60,000 to eligible farmers.

A full version on NFF's National Drought Policy Priorities is presented at http://www.nff.org.au/pages/election/Drought_Climate_Variability.pdf

Proposal

A consolidated annual Australian Farmer Survey

Given the current level of structural change occurring in Australian agriculture and non-metropolitan Australia, NFF has grown increasingly concerned over the lack of detailed and timely statistical information on the Australia's agricultural industries and the state of our regions. The decision of the Australian Bureau of Statistics (ABS) to reduce the frequency of the ABS Agricultural Census, combined with the ongoing resource limitations facing ABARE and other survey organisations, has impacted on the availability of quality information to underpin both industry strategic planning and government policy development.

To help overcome this problem, NFF calls on the Federal Government to establish a comprehensive and regular Australian Farmer Survey to provide timely and accurate information to better inform agricultural policy, planning and industry development.

Proposal

Continuity and certainty for rural education and training programs.

On behalf of Rural Skills Australia, NFF has identified concerns over the funding that is provided to deliver education and training projects in rural and remote parts of Australia.

The Department of Education, Science and Training (DEST) has allocated funds to two projects namely the Education and Training Advisers (ETAs) under the Industry Training Strategies Programme, and the Engagement with Rural Industries Initiative Project under the Enterprise and Career Education Programme. Both of these Projects have been funded over the past few years and have contracts which are due to expire on 30 June 2005.

While both programs have proved highly effective and continue to enjoy the strong support of NFF, the short-term nature of the contracts for these projects (6-12 months) has impacted on the strategic delivery and continuity of these valuable initiatives. In order to overcome these limitations, NFF calls on the Federal Government to establish 3-year contracts with Rural Skills Australia for the continued delivery of these programs. NFF also calls for an increase in the funding allocation for Engagement with Rural Industries Initiative in recognition of the increase costs of delivering this program in rural and regional areas. NFF believes that an allocation of \$120,000 per year for each project officer (currently \$80,000) would adequately reflect these higher regional delivery costs and also allow RSA to retain competent and talented staff to deliver on this important project.

