

Federal Budget Submission 2011

rebuilding regional Australia



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Federal Budget Submission 2011

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Message from the President

After a decade of the worst drought on record, broken only by unprecedented floods through six states, followed by cyclone Yasi cutting a swathe through far north Queensland's coastal and inland communities, farmers Australia-wide are in recovery mode and desperate to get back on the front foot.

Belted but unbroken is a situation we know well. Our farmers have copped all that nature can throw at us and still we plan for the next season. We simply have to.

Likewise, the best laid plans for this years' Federal Budget are in tatters. Post-election government Budget planning turns to rebuilding and recovery but, equally, it must be geared to the opportunities before us.

Regional Australia has been thrust centre stage of what must be a broader nation-building vision for Australia. The Gillard Government has to recognise and grasp the new possibilities that a dramatically changed landscape affords.

It's more than a massive recovery effort, though it is certainly that. Genuine regional development must now be a priority for 2011 and beyond, not just to rebuild what we've lost but to make it better based on driving long-term economic growth and efficiency, social and economic inclusion of inland Australia and proactive environmental management.

We can, as a nation, finally address Australia's population explosion that sees our major cities choking while the regions cry out for people, services, infrastructure, businesses and employees.

Correcting this historic imbalance that sees 97% of the landmass under-developed is now not only possible but essential.

With 88% of our total population crammed into and around small coastal recesses covering just 3% of the landmass – namely Sydney and Newcastle, Melbourne, Brisbane and the Gold Coast, Adelaide and Perth – that's an unsustainable population.

Our immediate priority post-floods and cyclone Yasi is, naturally, focussed on ravaged communities in Queensland, remembering that floods also engulfed vast areas across NSW, Victoria, Tasmania, South Australia and Western Australia. Those immediate needs are paramount.

But it would be remiss not to recognise and seize the once-in-a-generation opportunity that emerges from the carnage... rebuilding better, smarter and for the long haul.

Debate over the sustainability of Australia's population has had scant attention since the 2010 federal election. The Government's Inter-Generational Report, released in February 2010, projected a population of 36 million by 2050. This prediction that is as valid today as when it was a year ago. Nothing has changed.

Solutions to these population pressures are interwoven in the various policies now needed to respond to, and bounce back from, nature disasters, including:

- Regional development;
- Productivity;
- Infrastructure;



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- Population – including domestic relocation and immigration;
- Competition; and
- Sound environmental management.

Mounting congestion in Australian cities will only compound unless governments, at all levels, recognise and act on regional development and the role it can play, and must play, in relieving the stress.

The obvious solution has been neglected for too long – build and develop regional Australia as a viable and attractive place to live and do business.

People in our crowded cities are understandably reluctant to grasp the opportunities in regional areas because relocating means putting up with subpar services.

It's time to seriously invest in nation-building endeavours, address the need to develop and populate inland Australia, ensure regional business can meet its productive capacity and provide more Australians with more opportunities and better living standards.

Our *Federal Budget Submission 2011* provides the background to specific budgetary responses under each NFF initiative.

It will assist the Federal Government, MPs and Senators from across the political divide, departmental officials, media and, indeed, the broader community, in understanding the role modern farming plays in the economic, environmental and social wellbeing of Australia... and the essential need to ensure farmers remain a mainstay of Australian enterprise, ingenuity and adaptability.

Kind regards,



Jock Laurie
President
National Farmers' Federation

Statistics on Australian agriculture

There are approximately 135,996 farm businesses in Australia (99% of which are family owned and operated), utilising approximately 54% of Australia's landmass. The agricultural sector, at farm-gate, contributes approximately 3% of Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2008-09 was \$41.8 billion-a-year.[1]

However, when factoring in the vital value-adding 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% of GDP (approximately \$103 billion in 2004-05 dollar terms) in the six years ending 2003-04.[2]

In 2009 Australian agricultural exports were valued at \$32.1 billion[3]. These exports account for approximately two thirds of Australia's agricultural production. In 2008-09, agricultural products accounted for 14.7% of Australian merchandise exports[4].

The future of Australian agriculture depends largely on conditions in overseas markets. However, with declining terms of trade in agricultural commodities, Australian agriculture has been 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.

Despite 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 average 2.8% over the past 20 years, consistently out-performing other sectors.[5]

As of November 2009 there were 318,000 people directly employed in Australian agriculture. This number has decreased from 385,000 (20%) in 2001-02.[6] The complete agricultural supply chain, including affiliated industries, provides over 1.6 million jobs to the Australian economy (1-in-6 of all jobs). 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.[7]

[1] Australian Bureau of Statistics, *Value of Agricultural Commodities Produced, 2008/2009, Catalogue No. 7503.0*

[2] Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

[3] ABARE, 2009 Australian Commodity Statistics, Canberra

[4] Department of Agriculture, Fisheries and Forestry, *At a glance 2010*

[5] Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

[6] Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

[7] Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

Overview

The summer of 2010-11 has been dominated by natural disasters besetting all six states of the country. Unprecedented flooding from central Queensland down through New South Wales and into Victoria and South Australia, in conjunction with record floods in the Gascoyne region of WA, as well as in Tasmania, have taken a human, economic, social and environmental toll.

Similarly, in the wake of cyclone Yasi, far north Queensland is mopping up, counting the costs and wondering what's next.

The tragic loss of life associated with these events has been well documented. Next most directly affected are impacts to homes, businesses and community resources. Farms, crops, livestock and on-farm infrastructure (shed, equipment, machinery, fencing, irrigation works, soil loss, feed, etc.) have literally been washed and/or blown away.

Next in the cascading chain of devastating affects is the impact on vital community infrastructure... roads, rail lines, communications... all of which are essential to the economic and social survival of regional, rural and remote communities.

Australian farmers recognise the immediate need that this has precipitated, replacing and improving on the critical infrastructure destroyed. This clear and present need will understandably impact on the Government's ability to fund its full suite of fiscal priorities.

We are seeing a disaster unprecedented in our history and, for farmers, decimating a sector that underpins the very existence of regional communities, but more than that, continues to be the backbone of our national economy.

These disasters are unparalleled in both scale and severity.

As such, a recovery effort on a magnitude akin to post-war reconstruction is warranted. It is imperative that industries and communities get back on their feet quickly and that genuine investment in rebuilding is two-pronged – targeted at short-term recovery and long-term productivity.

Our priority right now is, naturally, with those communities mopping up and counting the costs.

Any failure or delay could spark an even greater negative impact on the national economy, dislocating a large portion of the regional population only to place yet more strain on urban centres.

Mounting congestion in Australia's cities can only compound unless governments, at all levels, recognise and act on regional development and the role it can play, and must play, in relieving the stress.

For this reason, the flood and cyclone rebuilding process is vital in the context of regional development and its crucial role in the national population debate.

The NFF has welcomed the increased focus on regional development following the 2010 election, culminating in a Government agreement with independent Members of Parliament.

As the Government stated within its *Commitment to Regional Australia* document from the 7 September 2010:

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“Their (residents of regional Australia) labours drive our nation’s prosperity, particularly through the small businesses they run, but too often they have not been given their fair share of Australia’s successes.

“The quality of healthcare, education, broadband, transport and infrastructure has been allowed to fall behind that of other parts of the nation, leading to continued urbanisation and discontent in regional areas.¹”

In this, the NFF and Government are in complete agreement.

We have been at great pains over many years to highlight the glaring inequities faced by people living and working in regional Australia. Our position is supported by research released in November 2009 entitled: *Essential Services in Urban and Regional Australia – a Quantitative Comparison* (conducted by the National Institute of Industry and Economic Research and commissioned by the Australian Farm Institute), that compared the costs of essential services between metropolitan, urban and rural residents.

It found that, on average, it costs rural residents five-times more to access essential services than metropolitan residents pay.

Without a significant flood rebuild package, in conjunction with a suite of forward-looking policies to strategically enhance the services available to regional Australians, this disparity will only widen and grow more stark.

Regional Australia plays a too often understated role in supporting the Australian economy and providing insulation from global shocks. The Global Financial Crisis showed how important the regional economy is in delivering important economic diversity and effectively reducing the risk of severe and prolonged national economic downturn.²

Our primary industries, contributing over nine percent of GDP (at farm-gate level alone), 60% of exports and 5% of employment were integral in shielding our economy and keeping Australian out of recession.³

Despite other sectors of the economy going backwards at a rate of knots during the height of the Global Financial Crisis, Australia’s national accounts revealed that the farm sector, in seasonally adjusted terms, grew by 10.9% and 13.4% in back-to-back quarters, preventing our national economy from slipping into recession.

Our farm sector continues to perform despite recent climatic hardships – first a prolonged drought and, now, the most widespread flood damage in living memory.

Indeed, in the September quarter for 2010 Australia recorded national growth of 0.2%. Again, it was the farm economy’s 21.5% growth over the same period that prevented the national economy from sinking into negative territory.

Contributions like these to the national economy are too often forgotten.

Regional Australia is, therefore, central to the nation-building opportunities ahead of this country and must be a priority in 2011 and beyond, not just to repair the damage but to make it better and spur genuine opportunities for future growth and efficiency.

¹ The Australian Labour Party & the Independent Members (Mr Tony Windsor and Mr Rob Oakshott) (‘The Parties’) – Agreement, 7 September 2010, Annex B

² Keogh M, Gaetane P, 2010 *Primary Industries in the Australian Economy*, Farm Policy Journal, Vol. 7 No. 4, November Quarter 2010

³ Productivity Commission 2007,

<http://www.pc.gov.au/projects/study/regulatoryburdens/primarysector/researchreport>

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The NFF has been buoyed by the agreement with the Independent MPs and, in particular, its commitment to the following elements relating to broad based regional development:

Regional development policy development processes and accountability

- To establish a Minister for Regional Australia and a regional Australia subcommittee of Cabinet,
- To establish a regional Australia coordinating unit within PM&C,
- To strengthen Regional Development Australia,
- To establish an office of Northern Australia,
- To establish a new House of Representatives Committee on Regional Australia to focus on Infrastructure, R&D and Agriculture,
- To establish a Regional Development Policy Centre (think tank),
- To improve reporting on Government expenditure within Regional Australia; and
- To review of the Rural and Regional Funding Framework.

Regional telecommunications

- To ensure fair and equal access to affordable high speed broadband through a uniform national wholesale price.

Regional health

- To create a Regional Priority Round (starting on 1 October 2011) within the Health & Hospitals Fund,
- To create a dedicated regional Australia fund towards upgrading GPs, primary care and community health services and Aboriginal Health, and
- To establish a regional Australia health and aged care agency.

Regional education

- To ensure new and existing education initiatives (e.g. Critical Skills Investment fund, Reward payments, Facilitation payments) direct around 32 percent of funding towards regional Australia Critical Skills Investment fund,
- To create a Regional Priorities Round for universities and TAFE funding from the Education Investment Fund, and
- To develop a regional education and skills plan.

Regional infrastructure

- To establish a new Priority Regional Infrastructure Program.

The NFF expects the 2011 Federal Budget will commitment funding to these programs, services and policy processes in full.

The NFF is particularly focussed on the establishment of the Regional Development Policy Centre and looks forward to the opportunity to present and further explore our already formulated ideas on policies that meet the long-term needs of Australia's regions – that is, policies for all times and for all regions.

Further, the NFF has proposed a series of solutions including tax breaks, domestic relocation, immigration and infrastructure to aid in attracting and retaining businesses and employees to regional areas.

Regional development must not be seen through the limitations of current regional population but the population potential, developing new commercial hubs and alleviating the choking cities.

Genuine tax incentives and the commercial opportunities they drive are essential to major businesses setting up substantial and long-standing operations in regional areas. With businesses come more jobs, prosperity and growing communities.

Governments can't make people move to regional areas, but by creating the case for businesses to start-up or relocate operations off the back of innovative and worthwhile tax advantages, people will follow the employment opportunities for themselves and their families.

Previously the NFF calculated that over 100,000 jobs – 80,000 for skilled labour and 22,000 entry-level positions – need to be filled in agriculture for farms to return to full production. Once flood-recovery is fully underway, work needed in regional Australia will see those numbers grow exponentially.

Specific proposals that the NFF would like further discussion on include:

- Using the taxation system more effectively as a tool in correcting the inequities between city and country living and working and easing metropolitan population pressures. This includes reviewing the effectiveness of the existing zone tax rebate scheme for individuals as a starting point in this discussion. Tying migrants to regional locations – that is, requiring new migrants to Australia to live and work in regional areas.
- Domestic relocation is a key, with the bulk of unemployed Australians in capital cities, policies must attract them to regional areas via a combination of carrot and stick approaches.
- 457 visa rethink to reinstating the regional concessions for migrants temporarily working in Australia.
- Undertaking a strategic review of both soft and hard infrastructure in regional Australia and developing an integrated plan for implementation.

This program of delivery is imperative not only to address the current inequities of living and working in regional Australia, but importantly to ensure that the needs of regional Australia are front and centre in the Government's policy decision processes.

A silo approach to developing policy without taking into account the impact on the regions must not be allowed to emerge, rather a whole-of-government mentality is essential.

Similarly, policy must increasingly account for the impact on domestic food production through the development of Australia's first National Food Plan.

The 2011 Federal Budget offers a once-in-a-lifetime opportunity to demonstrate that the Gillard Government is genuinely committed to the future of regional Australia and, thereby, the major issues besetting Australia as a whole.

This relates to vital headline issues ahead, including:

Productivity,
Infrastructure,
Competition and
Environment.

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Productivity

Natural Disaster Relief and Recovery Arrangements

Budget need: The NFF asserts that recent events have demonstrated that the business support element of the Natural Disaster Relief and Recovery Arrangements (NDRRA) package can be enhanced. The NFF encourages the Government to explore additional measures within the NDRRA to leverage private capital in the rebuild effort.

Australia's Natural Disaster Relief and Recovery Arrangements (NDRRA) have been tested in recent months as floods and a category five cyclone have ravaged vast stretches of the Australian continent and left in their wake human tragedy and massive infrastructure damage.

While the measures under the NDRRA have been a welcome boost to many individuals and businesses looking to clean up and rebuild from the disaster, the NFF asserts that recent events have highlighted a number of ways that the business support element of the assistance package can be enhanced.

These include the following areas:

- **Red tape** – NFF members have highlighted that accessing the NDRRA business support grants and concessional interest rate loans is plagued by cumbersome red tape that has added unwelcome angst to those in desperate need of assistance. An urgent government review of the systems for providing support to those affected by disasters to ensure they are appropriately geared for those with little or no access to communication facilities or even personal identification as a result of the disaster.
- **Debt levels** – The NFF acknowledges that the NDRRA provides concessional interest rate loans for small business operators and primary producers to fund the repair and/or replacement of damaged plant and equipment, buildings or stock. The Government is correct in identifying that some small businesses, such as farms, may require access to affordable finance to fund the rebuild effort. However, there is a significant reluctance within the Australian farming community, particularly following a disaster, to incur plunge deeper into debt in a time of uncertainty. Instead, Australian farmers suggest that for many farm businesses, support with existing debt repayments would be a more effective relief measure.
- **Extensions to the grant and loan access criteria** – Under the current NDRRA access criteria, grants are available for clean up, recovery and concessional interest rate loans are available for the repair and/or replacement of damaged plant and equipment, buildings or stock. While welcome, the NFF suggests that the access criteria should be extended to cover reinvestment back into the ongoing productive capacity of the business to, for example, cover the costs of replanting.
- **Freight subsidy access criteria** – Under the current NDRRA access criteria, freight subsidies for primary producers are available for the movement of foodstuffs, building/fencing materials, fodder, machinery/equipment, fuel and restocking of livestock as a result of the event. The NFF suggests that access to the subsidy needs to be extended to include the transport of water to tree and vine crops where critical community or farm infrastructure is damaged or where suitable water is not available.

In addition, the NFF encourages the Government to examine additional assistance measures within the NDRRA that can leverage off private capital in the rebuild effort. These include:

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- **Taxation-based measures** – This should include zero tax on drawdown from Farm Management Deposits required in flood affected areas and/or 100% write-off of the depreciated value in year one for costs incurred on on-farm infrastructure in disaster affected areas.
- **Dollar-for-dollar grants** – Dollar-for-dollar grants for monies spent on on-farm infrastructure in disaster-affected areas or for preventative measures (i.e. flood proofing, such as investment in levies, pumps, etc).
- **Employer wage relief** – The NFF commends the Government on its recent announcement of wage assistance for employers, including primary producers, equivalent to Newstart Allowance for up to 13 weeks to help maintain the viability of businesses and the local community. This period may be extended to 26 weeks depending on the speed of the recovery. This will enable producers affected by a natural disaster to continue to employ staff and assist in re-building. This would be at no additional burden to the taxpayer as the alternative would see the employee lose his/her job to take up Newstart allowance anyway.

National Food Plan

Budget need: The Government must elevate the status of the National Food Plan to a 'white paper' to shape a whole-of-government approach to these pressing issues, and that the development of the Plan be sufficiently resourced to achieve this outcome.

The NFF has been calling on the Government to develop a vision for Australian agricultural industries and has supported the subsequent announcement that it will develop Australia's first National Food Plan.

This Plan is crucial to identifying the needs of regional Australia and how it can continue to make a vital contribution to the national economy.

A recent policy briefing by the Food and Agriculture Organisations of the United Nations reported that:

“Recent bouts of extreme price volatility in global agricultural markets portend rising and more frequent threats to world food security. To reduce countries’ vulnerability, policies should improve market functioning and equip countries to better cope with the adverse effects of extreme volatility.”⁴

Under these global circumstances it is prudent for Australia to develop a National Food Plan.

The NFF has not been alone in recognising the need for, and importance of, a national approach to addressing food security challenges in Australia. Indeed, some have gone further with the Prime Minister's Science, Engineering and Innovation Council's Expert Working Group of Food Security⁵ recently recommending that a stand-alone agency be established to coordinate Government policy and programmes related to food security.

In its agreement with the Independents, the Government has promised a National Food Plan that will better integrate policy related to the food chain from paddock to plate. The commitment made by the Government includes how Australia will address the challenge of growing more food, more sustainably, as well as addressing both domestic and international food security.

⁴ <http://www.fao.org/docrep/013/am053e/am053e00.pdf>

⁵ http://www.chiefscientist.gov.au/wp-content/uploads/FoodSecurity_web.pdf

The agreement recognises that the impacts of development on Australia's best agricultural lands and water availability are also issues that will need to be considered under the National Food Plan.

Its development is not a trivial matter and will need to be properly resourced. For the Plan to be relevant and have an impact, a whole-of-government approach will be required.

Food issues are dealt with across a range of government portfolios. For example, the Department of Agriculture, Fisheries and Forestry deals with agricultural production, biosecurity and elements of innovation; other aspects of innovation in the sector, as well as food processing and manufacture, is dealt with by the Department of Innovation, Industry, Science and Research; trade is lead by the Department of Foreign Affairs and Trade; aid to assist International food security and food production in developing Countries is managed through AusAID; health and nutrition in Australians is led by the Department of Health and Ageing; and a range of agencies have responsibilities related to the management of Australia's water resources. These departmental silos will need to be broken down if a coherent and effective National Food Plan is to be developed.

In recent years the report *Creating our Future: agriculture and food policy for the next generation*, from the Agriculture and Food Policy Reference Group (2006) and the subsequent Government response⁶ came part way to establishing a national plan for food production.

However, over the past four years the challenges have multiplied (and become magnified) and departmental responsibilities have shifted. It is time for this area to be re-examined and resources made available to address this important and emerging issue, while outlining how to implement any recommendations.

Experience has shown that if a National Food Plan is to generate the level of cross-government discussion and commitment to the outcomes required, then a significant consultation process is required.

The NFF contends that the Government elevate the status of the National Food Plan to a 'white paper' to shape a whole-of-government approach to these pressing issues, and that the development of the National Food Plan be sufficiently resourced to achieve this goal.

Integral will be the challenge to find better solutions for the sector to deal with climatic risk that can so evidently play havoc with our production systems and affect the availability of healthy, nutritious Australian produce throughout the nation.

This process must also examine the appropriateness of our Natural Disaster Relief and Recovery Arrangements in dealing with events such as floods and cyclones.

Agricultural research and development

Budget need: The Government must reverse the decline in agricultural research and development funding, and work with the sector (and across government agencies) on a plan to ensure sustained productivity gains and to continued to re-enforce Australia's position as a leader in international rural research.

Australian farmers are adamant that innovations derived from research and development play an increasingly vital role in boosting production and driving efficiencies in agriculture. As

⁶ http://www.daff.gov.au/_data/assets/pdf_file/0005/56363/corish-response.pdf

a major part of Australia's modern economy, research and development plays a critical role in securing agriculture's future.

The benefits to industry, the national economy and the Australian community are significant. Analysis by the Rural Research and Development Corporations (RDCs) in 2008 indicates that the return on investment over a sample of projects delivered an average return of \$11 for every dollar spent.

The NFF notes that the Australian Government has recognised the importance of innovation in driving agricultural productivity in the agreement between the Government and the Independent MPs. This agreement notes that the growth and prosperity of agriculture requires partnership between government and industry to continually improve agricultural productivity.⁷

Over the last two Federal Budgets the NFF has repeated its call for the Government to address and reverse the decline in agricultural research and development funding, and work with the sector (and across government agencies) on a plan to ensure sustained productivity gains to reinforce Australia's position as a leader in international farm science.

This call has been echoed by the Australian Government's Rural Research and Development Council, which recommended increased investment in Rural Research, Development and Extension.⁸

The NFF asserts that a national strategy for rural innovation would assist to:

- Establish a clear vision and direction for Australia's rural innovation system;
- Provide clarity on government and industry expectations and priorities for research and development outcomes;
- Clearly identify stakeholders and agencies with responsibilities for leadership, decision making and coordination;
- Ensure that data on funding and performance is collected across the rural innovation system and provide consistency in reporting on performance against objectives;
- Build on the strengths of existing organisations and initiatives identified in the draft report, including the Rural Research and Development Corporations, as well as the work of the Primary Industries Standing Committee (PISC), National R, D&E Framework, the Rural Research and Development Council.

The importance of innovation

Australia's farm community is alarmed at the petering out of the benefits of the 'green revolution' in the 1960s and 70s and the declining trend in productivity growth in many parts of agricultural industries. These concerns are echoed by the findings of the Australian Government's Rural Research and Development Council which concluded that:

There is mounting evidence that productivity growth in the rural sector is slowing, in Australia and in other developed countries. Continued productivity growth in the rural sector will be an important source of economic growth for Australia in the future.⁹

The recent Productivity Commission inquiry into the RDCs has fallen short of delivering policy recommendations that can shape Australia's rural research and development system

⁷ <http://www.alp.org.au/getattachment/293a73cf-a0d7-46b4-a3ea-7ab7a3773f8f/government-agreements/>

⁸ http://www.daff.gov.au/_data/assets/pdf_file/0012/1884774/draft-national-strategic-rural-rd-investment-plan.pdf

⁹ http://www.daff.gov.au/_data/assets/pdf_file/0012/1884774/draft-national-strategic-rural-rd-investment-plan.pdf

to ensure agricultural industries innovate to meet future challenges and Australia retains its leadership role in this area.

The narrow focus of the Productivity Commission's work on the operations of the RDCs is a significant weakness of the report. These weaknesses would best be addressed through the development of a whole-of-government strategy for rural innovation, developed in partnership with industry. This plan should recognise the role of the RDCs within Australia's National innovation system and the importance of innovation for agricultural productivity and sustainability.

Indeed, in its submission to the Productivity Commission's inquiry, the Department of Innovation, Industry, Science and Research (DIISR) cites an OECD report that states:

“developing the innovative effort, including formal research and development, is the sine qua non of growth” (*essential condition) (OECD, Innovation and Growth: Rationale for Innovation Strategy, (2007).¹⁰*

Australia as a global hub for research

Australia currently occupies a leadership position in agricultural research, but is noticeably falling back to the field, which is accelerating fast.

Food security is a notion slow to take hold in Australia, with many people taking our abundant supply of high quality home grown food and fibre for granted. However, internationally, there is a serious and concerted research push to produce more from finite resources.

As the NFF has asserted, it is time for Australia to establish itself as a global hub for agricultural science to shore-up and bolster its research capacity and to ensure our agricultural sectors maintain productivity. This would assist the Government in meeting Australia's international commitments to improving global food security.

In DIISR's submission to the Productivity Commissions inquiry into the RDCs the department observes that OECD work on innovation is increasingly recognising the concept of 'smart specialisation', where countries focus on areas in which they have internationally-recognised capacity and work to build competitive advantage.

The DIISR's submission explains that:

“smart specialisation involves the use of knowledge and innovation networks to assist in knowledge and technology transfer and thereby increase value added for individual countries and regions. ... Smart specialisation aims to complement the country's productive assets and regional strengths to create future domestic capability and interregional comparative advantage. Many European countries are adopting this approach in response to the global financial crisis in order to ensure sustained long term growth.”

In its submission DIISR acknowledges that the RDCs are an effective example of smart specialisation in Australia's innovation system as they target innovation expertise and strategic investment across the rural sector where Australia has internationally-recognised strengths.

This strength and comparative advantage was also cited in the 2010 Report on *Australia and Food Security in a Changing World* by an Expert Working Group to the Prime Ministers'

¹⁰ http://www.pc.gov.au/data/assets/pdf_file/0012/104511/subdr289.pdf

Science Engineering and Innovation Council (PMSEIC)¹¹, which considered the role of innovation in dealing with national and international food security.

This Expert Working Group recommended that there be an increased investment in agricultural research and development and that Australia should take a lead role in national and international programs targeted at improving low input farming systems.

Small business taxation arrangements

Budget need: A renewed commitment to reducing the company income tax rate to 29% for the 2013-14 income year and to 28% from the 2014-15 income year, in conjunction with the introduction of the MRRT. The NFF also seeks a renewed commitment to a 1 July 2012 expansion of the existing capital allowance concessions available for small businesses.

The Government used the release of the Henry Taxation Review to announce a number of significant tax-based budgetary items, some of which offer real advantages to the small business sector, of which agriculture is a significant player.

Many of these tax concessions for small business were offered subject to the Government's implementation of the Resource Super Profits Tax (RSPT), later renamed the Minerals Resource Rent Tax (MRRT).

The NFF is seeking a renewed commitment to implementing the following small business tax concessions nominated within the Henry Taxation Review announcement:

Reduction of the company income tax rate

The NFF seeks a renewed commitment to reducing the company income tax rate to 29% for the 2013-14 income year and to 28% from the 2014-15 income year, in conjunction with the introduction of the MRRT.

This measure reduces the company tax rate to 28% for eligible small business companies from the 2012-13 income year. Therefore, eligible small business companies will have a lower tax rate than other companies until the reduction of the general company tax rate to 28% in 2014-15.

It should be noted that even with the reduction, Australian company tax rates will still be the 17th highest in the OECD.

While the NFF notes that only a relatively small percentage (less than 10%) of farm businesses are incorporated, these changes will be positive for those farm businesses and meet the agreed small business thresholds.

The NFF looks forward to consultation with Government about the agreed small business thresholds and ensuring that they acknowledge the specific needs of high turnover, small margin industries such as agriculture. This will be particularly relevant for any threshold that relies on company turnover as a gauge.

Small business instant asset write-off

The NFF requests a renewed commitment to a 1 July 2012 expansion of the existing capital allowance concessions available for small businesses by:

¹¹ http://www.chiefscientist.gov.au/wp-content/uploads/FoodSecurity_web.pdf

- allowing small businesses to immediately write off assets valued at under \$5,000 (this is up from \$1,000 under the present law); and
- allowing small businesses to write off all other assets (except buildings) in a single depreciation pool at a rate of 30%.

Infrastructure

Freight transport

Budget need: Australia needs a sweeping strategic overhaul of freight transport infrastructure. While overtures have been made towards this vision, through the publication of the National Ports Strategy and work to develop a National Freight Strategy (which still needs to be delivered), to make any difference, plans need to be developed to implement these strategies and resources dedicated to turning these reports into actions. Resources need to be available to ensure that these strategies are turned into on-the-ground infrastructure.

Recent floods have caused extensive damage to Australia's freight infrastructure network and threatened the capacity of the regions to continue to operate effectively, let alone efficiently.

Treasury preliminary estimates are that in 2010-11 the loss resulting from the floods is likely to be around half of one percentage point of GDP and agricultural losses around \$1 billion. The NFF believes that these estimates are very much on the conservative side.

The NFF has, therefore, welcomed the Government's proposed injection of \$5.6 billion to fund the infrastructure rebuild effort and has highlighted that a fair share of these funds will need to be channelled into regional Australia's freight infrastructure network.

Wherever possible, this spend needs to be centrally coordinated and linked with future strategic infrastructure needs to leverage up local and state government input.

The Federal Government must realise that capacity constraints will be experienced by the local government network and without some centralised planning the outcomes are likely to be sub-par and miss the golden opportunity to rebuild a freight infrastructure network that is more appropriate for today and future needs.

Fast-tracked spending from the Priority Regional Infrastructure Programme must not be wasted and Government should remain steadfast in ensuring that it delivers on its intended purpose to enhance, not just maintain, the standard of regional infrastructure.

Beyond the flood infrastructure rebuild effort, the NFF has called on the Federal Government for a sweeping strategic overhaul of freight transport infrastructure. Regional Australia and agriculture need efficient and effective road and rail networks, and it is essential that these networks are linked up with metropolitan and regional ports to support our internationally competitive export industries.

The Government has made some steps towards this vision – through the publication of the National Ports Strategy and work to develop a National Freight Strategy – which still needs to be delivered. These two important initiatives must ensure Australia is better positioned to deal with challenges in efficiency of freight movements in the future.

However, to make any difference at all, plans need to be given action to implement these strategies and apportion appropriate resources for turning these reports into reality. The NFF will judge these strategies not by their aims, but by the relevance of on-the-ground infrastructure to our mounting freight task.

Strategic investment in freight infrastructure

In a way, Australia dodged a bullet on transport infrastructure in 2010-11.

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Up and down the east coast of Australia rural and regional communities were preparing for bumper harvests, and debate was brewing as to how the road and rail infrastructure could cope with moving all that produce.

A year of above average rainfall had Australian farmers pondering how old and inadequate rail infrastructure would meet demand, and communities considering the realities of convoys of trucks hauling grain to ports on regional roads.

Sadly, in many regions floods and high end of season rains put paid to the promises of the season. This has allowed the Government to fudge the inevitable questions that had been brewing about the capability of transport infrastructure in regional Australia, and a need to explain the lack of planning and investment in Australia's transport network.

In essence, our transport infrastructure was shielded from a true test of its capacity to meet the needs of its primary sectors by the devastating rains.

In addition, the rain and flooding that eventuated in eastern Australia has led to serious damage to the established transport infrastructure. There is now a pressing need to invest in the repair and reinvest in Australia's transport infrastructure network, much of which will not be able to wait for the Federal Budget announcement later in the year.

There are critical infrastructure needs that must be addressed across Queensland, northern NSW, and parts of Victoria, WA and Tasmania.

The NFF will be advising that wherever possible that investment in the Transport Infrastructure Network is done with a view to the future. It is critical that work is done to repair damaged infrastructure in regional Australia is aligned with the Strategic infrastructure needs identified in the National Ports Strategy and the National Freight Strategy.

A disappointing outcome from the rebuilding effort would be that the bridges and infrastructure is rebuilt, but to a standard that is not compatible with future needs. New infrastructure should not be future bottlenecks waiting to happen.

Implement the National Ports Strategy

In terms of meeting Australia's long-term freight infrastructure needs, the NFF has been involved in the development of the National Ports Strategy from its inception, and is supportive of the work to date.

Key elements of the NFF's advocacy that have been adopted in the Strategy include a focus on improving landside access to ports, underpinning infrastructure planning with good data and the need for strong links to the National Freight Strategy to ensure that freight modes are interconnected – so Australia has a seamless transport system that is more consistent across borders.

The National Ports Strategy is, however, only a Strategy to ensure better planning of ports and the supporting transport infrastructure. It does not nominate ports or freight corridors that require attention and makes no commitments on spending on port Infrastructure. It is also not clear what regional ports will have to be developed to take on greater roles as larger ports become congested over time.

Clearly, there is much work yet to be done. This will require significant resources if it is to make any long-term difference to the operation of Australia's port infrastructure. A key approach in the Strategy is the need for plans for ports to be generated at port operator, regional (i.e. local government) and state level.

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The Plans will only be as good as the efforts of each stakeholder, and federal support may be required to ensure that this happens.

The Strategy also identifies a range of supporting work, including roles for the Bureau of Infrastructure Transport and Regional Economics and the Australian Bureau of Agriculture and Resource Economics, in producing forecasts of trade by commodity, activity and corridor-usage to input into planning. These various recommendations will need to be adequately resourced.

These things aside, a National Ports Strategy remains vitally important and, although a huge amount of work remains to be done, it is a step in the right direction.

Telecommunications

Budget need: Regional Australians have many lingering unanswered questions and require information on how the Government intends to roll out the National Broadband Network to regional communities through fibre, satellite and wireless technologies. How much will it cost people? How will the NBN be upgraded as technology advances? Will upgrades be guaranteed?

The NFF acknowledges that Government intends to make a significant financial commitment to improving access to information technology in regional Australia.

Farmers and others living and working in regional Australia are looking for outcomes and for telecommunications solutions that are affordable and can be upgraded as technology advances.

Modern farming practices are increasingly reliant on information technologies for production, risk management and marketing activities. Information technology is used in water trading, futures trading, water telemetry solutions and remote sensing.

Education and healthcare delivery are increasingly underpinned by state-of-the-art telecommunications. In distant communities, telecommunication services are not 'nice extras', they are necessities.

For improved telecommunication infrastructure to be fully realised in regional Australia requires a focus on how to build the skills of individuals to use emerging technologies, as well as supporting the development of businesses that can help to diversify regional economies on the back of new technologies.

The NFF continues to call for information on how the Government intends to roll out the National Broadband Network (NBN) to regional communities through fibre, satellite and wireless technologies.

How much will it cost people? How will the NBN be upgraded as technology advances? Will upgrades be guaranteed?

Increasingly, questions will also be raised on what strategies the government will put in place to ensure the infrastructure is put to use to realise productivity gains and diversify regional economies.

Competition

Australian Consumer Law – education

Budget need: The Government must support development of educational materials to assist farmers to proactively safeguard their interests.

With the implementation of the new Australian Consumer Law (ACL), governing consumer protection and fair trading in Australia, the NFF insists it is vital that farmers are effectively advised about its new provisions.

This issue has been particularly relevant in recent times as some retailers look to impose standards or conditions on Australian farm produce that have a direct and immediate cost impost on production systems – costs that farmers need to recover to remain viable against their international competition.

Contractual clarity and information about farmers rights and responsibilities throughout commercial operations will be increasingly vital in combating these pressures from the supply chain.

While the NFF notes that the principles underpinning the new *Competition and Consumer Act* (previously the *Trade Practises Act* [TPA]) are consistent with those in current consumer protection legislation – such as fair and honest trading – a number of new provisions are of great relevance to Australian farmers. These include:

- New powers and penalties held by the Australian Competition and Consumer Commission (ACCC),
- New unfair contract term provisions applying to standard form consumer contracts,
- New consumer guarantees applying to all goods and services purchased by consumers from 1 January 2011,
- New laws around sales practices and product safety; and
- New 'grown in' country of origin labelling laws.

The ACCC is making a concerted effort to advise stakeholders about these new ACL provisions and this has been appreciated by the NFF. However, through this ongoing education process there is an opportunity to expand the information delivery services by government relating to the complete *Competition and Consumer Act* and its application for farmers.

The *Competition and Consumer Act* plays an important role in addressing competition concerns but it does not, nor will it ever, offer a universal solution to all farmers' concerns.

Farmers must be made aware of these limits so that they may exercise due caution and responsibility in their commercial dealings.¹²

The NFF is, therefore, determined to increase its focus on attempting to address market power issues by, wherever possible, educating farmers about their rights and responsibilities under the *Competition and Consumer Act* and how they can avoid compromising market power situations before they occur.

¹² Baker & McKenzie, 2010, *Review of the Trade Practices Act 1974 – Report to the National Farmers' Federation*, November 2010

In essence, the NFF wants farmers to take a proactive, rather than a reactive, position to addressing the inequality of bargaining power in the marketplace that can hurt farmers from time to time.

In particular, the NFF calls for Government support to develop educational materials to assist farmers to proactively safeguard their interests. These may include:

- The development of standard form contracts for farmers to propose as an alternative to buyers and processors.
- The development of practical checklists of matters for farmers to consider when negotiating terms and conditions with buyers or when determining when a collective bargaining arrangement may be appropriate.
- The development of educational materials to assist farmers to assess whether a claim or remedy might be available to them in particular circumstances.
- The development of a mechanism (e.g. a standard complaint form for farmers) to monitor and assess members' complaints relating to competition concerns.
- Ongoing educational materials relating to the benefits of collective bargaining as a tool for farmers to combat competition concerns and information about where 'authorisation' or 'notification' tools may be appropriate. This might include the development of a template 'authorisation' or 'notification' application template
- Ongoing educational materials relating to the operations of the Horticulture Code of Conduct and funding for a standalone Ombudsman to oversee and take a proactive stance to ensuring compliance with the Code.

Australia's anti-dumping system reform

Budget need: The NFF believes it is inappropriate to incorporate an emphasis on economy-wide impacts in relation to Australia's anti-dumping system.

The NFF is committed to ensuring Australia's anti-dumping system is World Trade Organisation (WTO) consistent, and that industries with legitimate claims against dumped imports have the opportunity to seek remedy through the system.

Australian farmers, for differing reasons, depend on a transparent, efficient and defensible anti-dumping system.

Australian grain growers, for instance, competing in highly-competitive export markets, seek assurance that Australia's anti-dumping system will not allow domestic manufacturers of farm inputs to launch unsubstantiated and tactical anti-dumping action to halt the flow of competitively-priced imported farm input products.

In contrast, other Australian producers supplying the domestic processed food industries may seek the opportunity to access the anti-dumping system to offset the injury they periodically suffer as a consequence of the potential dumping of products, such as frozen concentrated orange juice or concentrated apple juice.

Following the Productivity Commission's (PC) Review of Australia's Anti-dumping and Countervailing System, the NFF understands that the Federal Government will be looking to implement changes to our dumping systems.

The NFF's expresses the following views on the PC report and what changes need to be made to Australia's system:

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Public interest test

It is not appropriate to incorporate an emphasis on economy-wide impacts in relation to the anti-dumping system. The NFF contends that the focus of Australia's anti-dumping system should be focused on ensuring that the principles outlined under the WTO are upheld.

That is, the NFF is firmly of the view that anti-dumping applications should be assessed only if goods are exported to Australia at a price below the 'normal value' of the goods, with the result of causing material injury.

Consumer benefit attained through the advent of cheap, dumped product, should not be factored into the determination process. This is particularly the case as it can often be extremely difficult to foresee the longer-term domestic price outcome of dumping.

For example, if the injury incurred by the domestic industry from dumping leads to domestic participants leaving the industry, in the longer-term this can lead to market power issues and increased domestic prices as competition dissipates.

Close processed agricultural products

Under the current anti-dumping system the injury caused by dumped imported agricultural or food products on Australian producers of raw agricultural products (i.e. farmers), can only be taken into account when these raw agricultural products are deemed to be close processed agricultural products.

The current interpretation of the close processed agricultural products condition has precluded apple and orange growers, or their representative organisations, from initiating anti-dumping action.

Under the current anti-dumping arrangements, it is the NFF's understanding that the application must be supported by firms accounting for at least 25% of the total Australian production of like goods.

This means that growers who wish to take up an anti-dumping case cannot initiate an application without the support of the company (often a processor) who stands to benefit from the availability of cheaper imports. The requirement for Australian farmers to be reliant on a processing company/or companies (in meeting the collective output test) in order to initiate anti-dumping action must be revisited.

Cost of application

It is clear that in the case of many intensive agricultural industries, the time, cost and complexities involved in launching an anti-dumping case are deterring the initiation of potentially legitimate actions to defend industries against illegal dumping.

There are clear opportunities for government officials to provide additional assistance to Australian industries seeking to compile information on overseas markets and competitors. In this regard, the NFF cites practices by the United States Government who provides its domestic industry with detailed domestic commodity price analysis from overseas markets through the United States Department of Agriculture (USDA) GAIN Reports.

It is also appropriate for consideration to be given to assisting industries in meeting the costs of compiling an anti-dumping application.

Clearly any such assistance must not create an incentive for industries to launch vexatious and baseless applications, or compromise Australia's broader WTO obligations.

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It has been suggested that Customs may establish a system where applicants who meet the upfront costs of preparing and lodging an anti-dumping action, which is subsequently proven, be able to claim reimbursement for some or all of their costs. The NFF believes this model warrants further consideration.

Environment

Environmental Stewardship

Budget need: Current funding will expire in June 2011 and must be extended to allow the program to encompass the full suite of ecological communities and endangered species (matters of national significance) identified under the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act) as a matter of urgency. Having committed to sound proactive environmental management via Environmental Stewardship, the Government cannot afford to walk away now.

Farmers rightly view themselves as frontline environmental managers and have huge potential in delivering environmental outcomes demanded by society.

With farmers managing 61% of the Australian landscape, it is recognised that they live and work with the land every day and, over the past three decades, have been increasingly focused on sustainability.

This ideal has been commonplace in regional Australia since settlement and the realisation that the future of their communities is intrinsically linked to the health of the natural resource.

This is reflected by the fact that over 94% of Australian farmers actively undertake natural resource management practises on-farm.

The NFF believes that it is imperative that government policy surrounding delivering environmental outcomes moves 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.

To this end the Government's evolving Environmental Stewardship Program (ESP) is an essential element.

To cease funding now for this program would halt all of the positive momentum that the program is building in enhancing the way in which environmental outcomes are delivered. Moreover, the program has gained significant positive support from governments, Natural Resource Management (NRM) organisations, farmers, and the wider community.

The NFF has been a long-term advocate for voluntary and incentive-based approaches such as the Government's ESP, toward achieving sustainable outcomes in natural resource and environmental management. Such approaches encourage participation, reward those who invest and foster community ownership and commitment to the resolution of issues within regions.

The NFF argues that while regulatory approaches may have a place in circumstances where price incentives may be ineffective in changing consumer behaviour due to myopia and inertia, regulation of inputs and/or outputs to solve environmental problems often leads to high costs, inflexibility, ineffectiveness, and industry capture.

At a maximum, regulation can only ever be credited with slowing down the rate of change but such policies are extremely limited in their capacity to actually enhance environmental outcomes, as is the desire of Australian farmers and the community at large.

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Regulation results in a 'lock up and leave' approach to natural resource management and while technically delivering area based protection, actually does not deliver real environmental outcomes or improved resilience.

The Government, through the ESP, has demonstrated that it is finally coming to recognise these realities.

The program, with funding announced under the 2007 Federal Budget and allocated a four-year budget of \$42.5 million, was launched in 2008 as part of the Australian Government's 'Caring for Our Country' initiative.

The current funding for the ESP will expire in June 2011 and must be extended to allow the program to encompass the full suite of ecological communities and endangered species (matters of national significance) identified under the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act) as a matter of urgency.

Having committed to sound proactive environmental management via the ESP, the Government cannot afford to walk away now.

Achievements of Environmental Stewardship

The White Box, Yellow Box and Blakely's Red Gum grassy woodland and derived native grasslands ecological community (Box Gum Grassy Woodland or BGGW), were selected as the first priority for Environmental Stewardship because of its importance as a critically endangered ecological community that supports a variety of critically endangered and vulnerable species, and because it is largely managed by private landholders.

In 2010, the program was expanded to cover Multiple Ecological Communities such as the peppermint box grassy woodland and the iron-grass natural temperate grassland in two projects – one in NSW and one in South Australia.

Key statistics about the program

- Over 850 applicants have tendered to the ESP.
- Of these, 201 land managers across NSW and Queensland have signed contracts for between four and fifteen years (most for 15 years), for a cost of \$70.5 million (initial funding plus the contingent liability). This is an average annualised cost of \$202/ha/year, with variation around the average within and between regions. Interestingly, the inclusion of in perpetuity protection via a covenant (covers around 25% of the contracted land area) has resulted in an additional cost of over \$1,000/ha (or an additional 47%) compared to the average cost of individual projects without covenants.
- Contracted management actions include strategic grazing, weed and feral animal management, biomass control, replanting, ecological thinning, cessation of fertilisation, adding or retaining fallen timber and allowing natural regeneration.
- Over 26,000 ha have been committed under the program, with an additional 4,000 ha from other ESP funded programs.
- The NFF believes that the use of existing third parties with local NRM experience & expertise has enabled an effective and efficient on-ground delivery of the ESP;
- The NFF understands that the total administration costs of the ESP have been around 10% of the program budget. This is comparable to similar programs and may be much lower than for other funding programs. The ESP shows that administrative economies of scale (when compared to smaller programs) can be achieved as fixed costs can be spread across larger areas of conservation.
- Overall, the NFF believes the ESP is well designed, well run, and an effective and efficient approach to conservation outcomes on private land.

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- Importantly, in the face of market failure and the absence of policy intervention, the NFF believes whilst area targets may be met in theory, the condition of ESP key ecological assets would decline.

Case studies

In an October 2010 newsletter, three case studies were profiled. Some of the key outcomes for each case study are profiled below:

- ❖ Don and Anna Colantonio, “Kevic”
 - Developed a management plan with the assistance of the CMA staff;
 - Observed a dramatic environmental improvement with 100% groundcover 100% of the time;
 - Observed that some native grasses are returning (silky brown top and kangaroo grass) and some doubling in volume (wallaby, red and Queensland blue grass) with weeds such as saffron thistles now negligible.
- ❖ Pip and Selwyn Job, “Peedamulla”
 - Observed delicate forbs, orchids and lilies emerging.
 - Benefits to date are ecological (improved biodiversity in the first six months of mandatory resting, improved water holding capacity of the soil), social (piece of mind, mental wellbeing, enjoyment from observing beautiful bush flowers, contributing to a valuable natural asset protected by us) as well as economical (ESP payments are being invested into the long term financial security of the farm).
- ❖ Bob and Mardi Coulton, “Turkey Mountain”
 - Were initially concerned about loss of control of their land but that simply has not happened;
 - Noted that they have widened their network of likeminded people which broadens their knowledge to regain the optimal health of the site.

Improved environmental outcome examples

The extended program timelines (i.e. of up to 15 years) provides sufficient time within which to improve ecological condition and monitor change. The ESP seeks to also achieve long-term attitudinal change.

To document the ecological changes, the Australian National University has been contracted to undertake detailed ecological assessments of the BGGW sites. This assessment is based on independent surveys of reptile, bird, mammal and vegetation on each Stewardship property.

Monitoring to date shows the following highlights:

- Many rare and declining bird species are present;
- Some of the richest bird assemblages recorded in the woodlands (e.g. greater than 40 species recorded in 15 minutes);
- Many range extensions for reptile species;
- Many species of mammal, including some not known to occur in particular areas (e.g. spotted quoll and dunnart);
- Identification of one previously undescribed reptile species; and
- Some woodlands in the best condition ever seen.

Community acceptance levels

- The ESP has resulted in farmers proactively looking for environmental delivery, in stark contrast to the response to regulatory means such as land clearing bans.
- The program review interviewed both successful and unsuccessful land managers and showed that the design and delivery of ESP is very well regarded. All indicated a preparedness to participate in similar programs in the future.

What are the costs of discontinuing the program?

- Losing the administrative capacity. Once the ESP is gone it is gone forever.
- Lose the system set up, audit capacity etc.
- The Government is left with a one dimensional regulatory approach as the sole means to driving environmental outcomes (with all the problems outlined earlier).

The downside, even if this was to occur, is that all existing regulatory approaches (Commonwealth, state, territory, local government) are an insufficient policy intervention to achieve the objectives of ESP.

Importantly, such approaches focus on land clearing bans but these will not enhance ecological condition, where there are net costs to the land manager, suasive approaches are insufficient policy intervention and the ESP fills a genuine policy gap.

Biosecurity (the missing Beale reforms)

Budget need: Significant elements of the Beale review recommendations, particularly those relating to Australia's import quarantine reforms, remain unfunded.

Australia's pest and disease free status is vital for our farming sector – both in production and marketing terms. Fundamental to this country's favourable international position is a robust, efficient and science-based quarantine and biosecurity regime.

Australian farmers are very concerned about what New Zealand's successful challenge to the WTO against Australia's apple import regime may mean for how Australia's quarantine regime is perceived by the international community.

This case has reinforced the need to invest in enhancing the integrity and transparency of Australia's quarantine system by making further investments in our system along the lines of recommendations stipulated under the Beale Review.

Until this happens, Australian farmers as well as consumers both at home and abroad will be able to question Australia's quarantine system and whether our system is moving with the times and implementing world's best practice.

The NFF's submission to the Australian Government's Beale Quarantine and Biosecurity Review in 2008 highlighted glaring failures in proactively protecting Australia's shores from pests and diseases.

These failures were subsequently supported by the Beale Review, released in December 2008. To date, insufficient funding has been allocated towards the implementation of the full list of recommendations.

While subsequent reforms have focused on the export reform elements of the Beale Review, the NFF remains concerned that significant elements of the review recommendations,

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particularly those relating to Australia's import quarantine reforms, remain unfunded and inadequate.

Transparent, science-based quarantine and biosecurity measures to protect Australia's environment, biodiversity and agricultural systems assume even greater importance in this modern era of global movement of people, animals and goods. Australia's quarantine and biosecurity effort simply has not kept pace with modern demands and will come under even more pressure.

All levels of government need to ensure they have the resources and expertise to meet the responsibilities they are charged with. At present they do not.

A significant funding injection is still needed to fix the existing deficiencies, let alone ensure long-term safeguards are in place to deal with new threats as they arise and ensure policy and operational changes prevent deficiencies from reoccurring.

Drought pilot

Budget need: A full assessment of the Drought Pilot must be completed prior to contemplating a further roll out of the policy into other regions of Australia. During this period, the Government must not pre-empt the findings of this assessment by scaling back its contingency budget for current Exceptional Circumstances (EC) support measures. The NFF expects to see EC drought support funding commitments over the forward estimates.

Drought may be the last thing on most peoples' minds given the extensive flooding across the country, but drought management and preparedness reforms need to be bedded down to set Australia up for the next big dry.

The NFF has championed a fundamental shift in the way Australia prepares for, and deals with, drought. It came to a head in 2007 when, then in Opposition, Labor committed to the NFF's proactive approach to better prepare Australia's vital food and fibre production for droughts.

The NFF called for a pilot in February 2010 and supports the review announced in February 2011. The review panel – Mick Keogh (Chair), Sue Middleton and Bob Granger – will need to be conscious of three key points in making a sensible assessment of the WA pilot and where it goes from here, namely:

- Consideration must be given to the duration of the pilot. Measures implemented over the last 12 months may take years to reveal their full benefits, so results may not be fully formed, let alone be able to be definitively interrogated and assessed.
- That unforeseen seasonal conditions, and their impact on the pilot, must be considered as part of the evaluation. The drought preparedness approach was intended to be conducted in non-drought conditions to give farmers the ability to put drought-mitigating strategies and practices in place. However, with WA slipping into drought conditions during the pilot, this will likely skew data responses and participation numbers.
- We are, therefore, concerned that the Federal Government should not act on or roll out the pilot without evaluations having been fully completed or examining complementary policies that could run in conjunction with drought measures, such as insurance, Environmental Stewardship and climate change research and development.

We all know, especially farmers, that drought relief is just stop gap. The plan the NFF put to the Government, which formed the basis for the WA pilot, is to get ahead of the curve to

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better drought-proof Australian farms by investing upfront in on-farm climate adaptation and mitigation.

This proactive investment in managing climate risk is intended to reduce the strain on farmers and taxpayers during future droughts. It's smarter to invest in drought management and preparedness practices today and, over time, reduce the need for drought relief.

As farmers and communities across most of regional WA are experiencing right now, drought is, and always has been, a reality in Australia. For years we have been calling for a shift in the policy focus from 'drought relief' to 'drought management and preparedness'.

While it may seem ironic that in the wake of record floods – floods that have affected all six states of this country – we are talking about drought measures, this is, in fact, the perfect time to be dealing with drought policy.

We have an opportunity to appropriately gear Australia for the next big dry. We don't want to waste this opportunity nor can we afford to leap to conclusions based on a 12-month pilot.

A new approach

The NFF has advocated that a new approach to managing drought is needed, contingent on it being responsive to individual farmer needs and co-existing alongside prevailing measures until a full transition can occur.

A new approach is needed because:

- Climate data now suggests that extreme drought may be a more regular occurrence, therefore, current Exceptional Circumstance (EC) rules may no longer be the best way of determining access to assistance;
- Current rules and guidelines can be divisive and cause inequity;
- The current suite of drought policy measures have not emphasised enough the importance of drought management and preparedness, and measures working in conjunction with disaster relief; and
- Often drought-related government policy measures are being pursued without reference to a broader and strategic agricultural development model, most notably in the fields of climate change and water policy.

As a result, the NFF has supported the Government's current Drought Review in WA.

In setting out its vision for the Drought Pilot, the NFF set out a series of principles to underpin the Pilot. First and foremost, existing support for families currently in drought must not be changed while the current drought persists.

The NFF recognises that drought-stricken farm families are under immense pressure, dealing with devastating circumstances, and it would be unconscionable to pull the rug out from under them.

With this proviso entrenched, the NFF supported a series of seven overarching principles:

1. The NFF supports the concept of mutual obligation. To access any new scheme farmers must demonstrate a commitment to sustainable and self-sufficient farming through appropriate business and farm management planning.
2. Individual (rather than regional) assessments are needed to reflect differing farm exposure to climate and drought conditions. Different farms have different needs and, therefore, will be impacted differently. These assessments must be based on

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individual needs, not geographical lines on a map as is currently the case. This would overcome inequity issues within communities and between communities (those separated by an arbitrary boundary).

3. The Government must support farmers and rural business with the same basic social welfare safety-net available to all Australians, taking into account the particular nature of agricultural businesses.
4. Support for drought management and preparedness needs to be provided through options suitable to farmers and their particular circumstances. Embracing a range of measures, preparedness needs to be more than just spending money on infrastructure. It is about building an understanding of the working environment and utilising skills, knowledge and experience to best manage local environments.
5. The current Interest Rate Subsidy (IRS) is much-maligned, including by many farmers. While this measure has helped many good producers who, through no fault of their own, have been ravaged by drought, the NFF is open to replacing the IRS with a suite of programs consistent with management and preparedness – including risk management tools, sustainability and recovery from drought applicable to the needs of the farm sector. NFF reiterates that the current IRS mechanism and rules cannot change for those in drought. A transition to a new policy must be the approach, an arbitrary cut off would be completely unacceptable.
6. Industry and government need an emergency provision and trigger as part of the new scheme. There may be climate events beyond the control of the very best risk management and drought preparedness – catastrophes that may threaten agricultural production and regional communities. In such circumstances, what's the plan? These issues and contingencies need to be considered now not later. In such circumstances, government intervention and support will be warranted. However, the intent of the reform is to take the sting out of those events by investing upfront in management and preparedness strategies to reduce the need for future relief measures.
7. As a principle for the future, within guidelines, these measures need to be available to all farmers, applicable to their circumstances, not just those in drought-declared areas.

The NFF has continued in its dialogue with government as the Drought Pilot has been rolled out in Western Australia, and has sought to ensure that these principles are addressed. The NFF is anxious that a full evaluation of the pilot is undertaken prior to its roll out with the close engagement of industry.

Without clarity on the usefulness of the measures included in any pilot in improving drought preparedness, or in addressing the policy principles outlines by the NFF, it would not be prudent to call for a roll-out of the policy.

The NFF is also acutely aware of the changed circumstances in many areas of rural Australia. Unfortunately large areas of Western Australia have suffered drought in 2010, and after an exceptional start to the season across much of Eastern Australia the devastating floods have had a significant impact on many farmers.

A dramatic change in policy will generate significant concern in the community, and only serve to compound the anxiety being felt in areas seeking to recover after the dramatic circumstances of 2010. Extraneous elements such as these must be taken into account during the review process.

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The NFF urges the Government to complete a full assessment of the Drought Pilot prior to contemplating a further roll-out of the policy into other regions of Australia. During this period, Government must not pre-empt the findings of this assessment by scaling back its contingency budget for the current EC drought support measures.

The NFF expects to see EC drought support funding commitments over the forward estimates in the upcoming Federal Budget.

Chemical registration and regulation

Budget need: Increased public funding of the APVMA to develop further efficiencies in its operation is warranted, but must also recognize the public benefits derived from chemical users being able to access new chemicals to manage resistance in pests and avoid adverse environmental and human health impacts.

In its agreement with the Independent MPs, the Government committed to improving the regulation of agricultural and veterinary chemicals through the Australian Pesticides and Veterinary Medicines Authority (APVMA).

The Government committed to provide additional funding of \$5 million over the forward estimates, \$10 million over five years, to boost the APVMA's base funding and support the review of chemicals.

Chemicals are an important tool in underpinning the productivity of many farming systems. The outcomes of this reform need to focus on ensuring farmers and other chemical users continue to have access to safe and effective chemicals, while minimising the cost of regulation.

It must ensure that effective mechanisms exist to allow small agricultural industries (i.e. 'minor-uses') to access the chemicals where chemical registrants do not see sufficient market to register chemicals.

It must also ensure there is a suite of chemicals available to avoid the development of chemical resistance in pest and weed species – species that will become only more prevalent in the wake of the floods.

Australian farmers need a system of chemical registration and regulation that facilitates the introduction of new chemicals onto the Australian market in a timely and cost efficient manner.

Australian farmers compete in international markets, and it is important that they have access to the tools that allow them to produce safe fresh produce in a cost effective manner. The costs of registration and timeframe around this process should not deter registrants from seeking to introduce new chemicals to the Australian market.

The NFF supports the increased public funding of the APVMA to develop further efficiencies in its operation, but also recognition of the public benefits that are derived from chemical users being able to access new chemicals to manage resistance in pests and avoid impacts on the environment and human health.

NFF contact

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