



National Farmers'
F E D E R A T I O N

**Submission to the
National Commission
of Audit**

29 November 2013

MEMBER ORGANISATIONS



**CORPORATE
AGRICULTURAL
GROUP**



CANEGROWERS



**COTTON
AUSTRALIA**



GrainCorp



RIDLEY



Contents

1. Introduction	4
2. The need to review and streamline	5
3. Importance of Australian agriculture	6
4. Role of the Department of Agriculture	7
5. Conclusion	10

1. Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission on the National Commission of Audit process announced by the Treasurer on 22 October 2013.

The NFF was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises all Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF. Following a restructure of the organisation in 2009 a broader cross section of the agricultural sector has been enabled to become members of the NFF, including the breadth and the length of the supply chain.

NFF has for almost 35 years consistently engaged in policy interaction with government regarding a range of issues of importance to the sector including trade, education, environment, innovation to name a few. The NFF seeks to represent the agriculture industry and provide high-level advice and guidance on issues of critical importance to the future of the Australian farm and agribusiness sector. The National Commission of Audit process presents a valuable opportunity to communicate the farm sectors views on government roles and responsibilities and the need for measures that improve overall efficiency and effectiveness of government services and policy delivery.

The NFF would welcome an opportunity to meet with the Commission to expand on the issues raised in this submission. Contact in the first instance should be to:

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2. The need to review and streamline

The NFF recognises that it has been some time since there has been a review of the scope, efficiency and functions of the Federal government portfolios and agencies. During this time industry and government have changed and the NFF supports the review of the activities of the Commonwealth government to ensure taxpayers are receiving value-for-money. It is important that duplication between the activities of the Commonwealth and other levels of government are reduced and there is a pathway to improve the overall efficiency and effectiveness with which government services and policy advice are delivered.

Notwithstanding this, it is clear that the programs and measures provided to the agriculture sector have already received significant cuts, including programs such as Caring for Our Country, the Carbon Farming Initiative and aspects of the Landcare program. Previous programs such as FarmBis and FarmReady have been removed and never replaced and in addition, the Department of Agriculture has had key responsibilities (for example around water productivity) removed. In the transition to other departments, the focus previously placed on such activities has also at times shifted (for example from water productivity to ecosystem health).

The NFF holds a firm view that while streamlining and reducing duplication across government services should be undertaken, there should not be a further reduction in the effectiveness of government effort in relation to agriculture. Any reduction in either services or resources would be contrary to the government commitment to take advantage of growing global markets for food and fibre around the world, particularly in Asia. It would also significantly hinder the ability of the industry to remain competitive on the global market. This is particularly important to note in light of the fact that Australian farmers compete in the most distorted sector of the global economy and receive the lowest level of government support in the entire OECD¹.

While efficiencies have been delivered by the Department in recent years, the agricultural industry believes that it would be detrimental to the agriculture sector if the Department continued to lose its capacity. This is particularly important in the trade policy and market access area. More than ever the agricultural sector seeks tangible outcomes from the range of bilateral and multilateral negotiations currently in progress. In the absence of increased capacity within the Department to help facilitate outcomes from these trade agreements and address specific technical market access issues, the NFF fears opportunities to facilitate further agricultural exports may be missed and Australian export industries outcompeted by competitors that are subsidised and also have preferential trade arrangements.

The NFF acknowledges the need for effective regulation. Regulation provides important protections for the business owners, employers, workers, and the community, and sets a minimum level of performance required to meet community standards and expectations. However, it is important that regulation and the structures that oversee it are appropriate, clearly defined, and that its impact is minimised as far as possible to avoid perverse outcomes. Governments also need to purposefully consider whether a regulatory approach is the best way to achieve the desired outcome.

¹ <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm>

The NFF recently completed paper, *Red Tape in Australian Agriculture*², provides a current snapshot of the issues surrounding regulatory burden in Australian agriculture. The paper will contribute to the ongoing dialogue with government on ways to reduce the burden of unnecessary and duplicative regulation impacting farm businesses.

A clear example of regulatory duplication that would be of interest to the Commission of Audit is the cost, delay and lack of integration between Commonwealth and State environmental regulatory regimes. The issue is explored further in the NFF's Red Tape paper with an outline of how some of the duplication and perverse outcomes could be avoided through the development of a one-stop-shop for environmental approvals.

3. Importance of Australian agriculture

As part of the review of government roles and responsibilities it is important for the Commission to recognise the significant contribution Australian agriculture makes to Australia's social, economic and environmental sustainability.

There are approximately 135,000 farm businesses in Australia, 99 percent of which are family owned and operated. Each Australian farmer produces enough food to feed 600 people, 150 at home and 450 overseas. In 2009, Australian farms produced 93 percent of the total volume of food consumed in Australia. Recent data from the Australian Bureau of Statistics has found that the number of Australian farmers has fallen by 100,000 over the three decades from 1981, yet at the same time, the value of Australian agricultural exports has grown from \$8.2 to \$32.5 billion, and is today sitting at \$36.4 billion.

The agricultural sector, at farm-gate, contributes 2.4 percent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2011-12 was \$46.8 billion. Yet this is only part of the picture. When the vital value-adding processes that food and fibre go through once they leave the farm are added in, along with the value of all the economic activities supporting farm production through farm inputs, agriculture's contribution to the GDP averages out at around 12 percent (or \$155 billion).

Australian farmers are environmental stewards, owning, managing and caring for 61 percent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 percent of Australian farmers actively undertaking natural resource management. At the same time, climatic and other impacts on agriculture and the environment can add additional pressure for farmers and land tenure security is under strain as other sectors such as mining and onshore petroleum are expanding into traditional farming areas.

While Australians view food and fibre as an essential part of national wellbeing, farmers enjoy a reputation as a trusted profession and there is much optimism about the prospects for agriculture as world food demands rise, this is not always reflected in the priority placed on agriculture on the national stage. The agricultural industry and farmers clearly have a role to play. However, it is critical that this is a collaborative and complementary arrangement with government. The role of government in a competitive agriculture industry cannot not be underestimated and the NFF is of the view that agriculture should be afforded a higher priority within the Federal government and Parliament, beyond basic recognition that the

² <http://www.nff.org.au/get/4228.pdf>

sector is one of the pillars of the Australian economy. To meet future needs and to ensure there is a strong and viable agriculture and food supply chain in Australia there needs to be an improvement of the awareness and understanding of agriculture and its practices.

Competitiveness

A competitive and productive agriculture sector will contribute to overall domestic economic growth but also provide ongoing economic opportunities across rural and regional Australia. While the sector is well placed to take advantage of opportunities that exist in expanding markets, it is clear that a renewed focus on growth and efficiencies will be required to remain competitive against other nations. High costs of production and over-regulation threaten to reduce Australian agriculture's profitability and global competitiveness. In addition, ageing infrastructure and lack of investment will constrain efficiency, growth and sustainability. Australia's pest and disease free status is vital for the farming sector, both in production and marketing terms. A robust, efficient and science-based quarantine and biosecurity regime is fundamental to protect Australia's environment, biodiversity and agricultural systems. This needs to be underpinned by access to critical farm inputs such as agricultural and veterinary chemicals, also underpinned by a robust, efficient and science-based regulatory regime.

Across the board Government have moved away from taking an active role in agricultural supply chains and now play a minimal role and this has contributed in some ways to innovation and efficiencies. However, in the area of extension and uptake of research and development outcomes, it has resulted in the opposite effect which has been to the significant detriment of the industry. Therefore it is critical that the few provisions and initiatives that remain available to the agriculture sector be safeguarded and governments consider how to better service the sector using those limited resources. Anything less would be to the detriment of the entire Australian industry and more broadly the entire population.

The NFF is of the view that the Government budgetary process should provide a much-needed increase in areas including research, development and infrastructure. Other cost-effective measures such as building a 'Brand Australia' presence in overseas markets and developing novel approaches to farm ownership and finance structures for new entrants into farming should be explored. The Commission of Audit should recognise the importance of the agriculture industry in Australia, maintain existing resources and confirm commitments to ensure it will continue to contribute to the economic growth and export earnings at a national level and also on a regional and local level.

4. Role of the Department of Agriculture

The NFF recognises and supports the role the Department of Agriculture plays in responding to all aspects of the agriculture supply chain including biosecurity, natural resources, climate adaptation and management, water, import and export and elements of competition, education and workforce development.

The NFF requests the Commission of Audit adequately recognise the important role the department plays in regulating and deregulating across the industry and the measures it oversees in relation to biosecurity and export certification, for example. These measures are critical to ensure that the agriculture sector continues to be able to supply global markets with the minimum of administrative burden or delay.

It is particularly important that the Department is adequately resourced with appropriately skilled employees. This does not mean that the Commission of Audit should not countenance a change of operation within the department to be more effective. In developing and implementing policy and programs for the agriculture sector, it is vital that there is a clear understanding of the relevance and impact of the policies on Australian farm businesses.

Change in Focus

The NFF view is that the role of the Department should be (re) focussed on driving competitiveness and profitability of the industry. The NFF is of the view the Department can improve its understanding and engagement with the agriculture sector. This will improve the ability to effectively partner with industry to drive positive change across government and industry. The Department should more effectively cooperate with central agencies and build the basis for sound policy debate that will allow agriculture portfolio to influence the work of other stakeholders and result in better outcomes for the industry.

It is critical that agencies continually and more effectively engage across jurisdictions to ensure complementarity in policies and programs and efficient service delivery. From a farmers perspective, service delivery could be improved and confusion reduced if agencies across jurisdictions and portfolios (whether they look after agriculture, environment, social services etc) worked collaboratively to provide single points of access for all information and a whole of government approach, rather than each not willing to provide information or discuss matters outside their direct responsibility.

Further consideration of the multitude of delivery agencies, from Regional Development Authorities, to regional Natural Resource Management Authorities would also be worth considering in streamlining service delivery in rural areas. The NFF is of the view that it would be appropriate for these matters to be considered through existing Ministerial Standing Councils, then centrally through COAG.

Regional Australia Service Delivery

The NFF notes that the Federal government has a multitude of agencies delivering services in regional Australia, such as Medicare, Centrelink, Regional Development Australia (RDA) and the NRM Regional Organisations. NFF suggests that would also be worth considering how streamlining service delivery in rural areas might lead to greater efficiencies. For example, could the RDAs and NRM Regional Organisations be delivered through Local Government, similar to the NZ model.

Need for sound policy development

The future of the Australian agriculture industry relies on the existence of a profitable and global competitive farm business base. To achieve this farmers and businesses need to be able to have access to up to date government data, the latest technology and progressive policies and programs that complement the on farm activities that are being undertaken. The NFF is of the view that it would be worth considering whether Administrative Arrangement Orders should be reviewed to allow the agriculture department to take primary responsibility

key issues of specific relevance to the food agriculture sector including food labelling, food processing, agricultural biotechnology, specific transport and infrastructure development, education and training and trade and market access initiatives.

Importance of R&D

The productivity of the agriculture sector is underpinned by ongoing investment in research, development and extension (RD&E). An evolution of agricultural RD&E systems has been occurring over a number of years. While the NFF encourages a greater level of private investment, time has shown that this cannot replace well targeted public investment for bodies such as the rural research and development corporations.

The Department of Agriculture plays an important role in collecting, matching and distributing industry levy funds that are used for RD&E that contributes to improving farmer profitability and also to the general public through improvements to food production, distribution and management of natural resources that deliver a wide variety of ecosystem services. Farmers, and the broader food and fibre supply chain see it critical that government's continue to invest in rural RD&E and do not see a need to significantly change the model of the research and development corporations or cooperative research centres. On the other hand, withdrawal of state-funded agricultural extension services is a concern for the farming community as the adoption of cutting edge research can become limited without clear pathways for farmers to receive and consider information. The NFF views that a combination of public and private funding are required to improve the situation and the government can play a crucial and beneficial role in assisting with the establishment of private extension models.

Government and Business partnership

There is a large amount of variability between agricultural commodity groups, but overall Australian agriculture is and remains, the most volatile sector of the Australian economy over the past four decades³. The value of output from the agriculture sector has been almost two and a half times more volatile than the average for all the major sectors of the economy. Further, data indicates that the volatility of Australian agricultural businesses has been the second highest of any nation over the 40 year period. That is, Australian farm businesses have faced a more risky operating environment that has been the case anywhere in the world over the last 40 years. Despite this challenge, Australian farmers have consistently found productivity improvements greater than other sectors of the economy and sought to meet the community expectations around running environmentally sustainable enterprises. Even though their operating environment is extremely volatile, Australian farmers are much more self-sufficient of government income supports than their international competitors, while our government rightly pursues a trade liberalization agenda.

Australian farmers work to produce Australia's food and fibre needs in an increasingly variable climate and there are circumstances often out of farmers control that limit a farm businesses ability to make a profit. Australian farmers have long recognised the need for planning and business management skills that take into account the variation in climatic conditions. Farmers are constantly preparing for, managing through and recovering from droughts. This is all done with minimal government intervention and therefore it is important

³ Including Risk in Enterprise Decisions in Australia's Riskiest Businesses, Mick Keogh AFI, Farm Policy Journal vol9. No.1 Autumn 2012.

that when circumstances are beyond what could reasonably be prepared for, farmers have access to a social services safety net and short-term in-drought business support. There is a clear and recognised role for a government and industry partnership approach to manage occurrences that are beyond what could reasonably be expected to be planned for.

The process of drought policy reform is critical, to provide certainty for farmers and governments around what is available to assist preparing for, managing through and recovering from, drought. The Department plays a pivotal role in ensuring that measures delivered by other agencies and other jurisdictions are well designed and meet the specific requirements of the agricultural sector. For example, improving the coordination of the multitude of social support services from the Federal government, state governments and non-government organisations (such as church groups and charities), helps minimise the stress and confusion of farmers and rural communities during drought periods and also helps identify an overlaps or duplication in services and leads to a more efficient and effective response from all parties involved.

People in Agriculture

Developing the skills of the current and future Australian workforce, and ensuring the right skills are in the right place at the right time, is a critical challenge. Governments need to view the education and training system holistically, not just in four discrete silos of early childhood, schools, vocational education and training (VET), and higher education. This does not mean merging the systems, as each brings to the task their own key strengths, but it does mean a recognition that training relevant to the workplace occurs in all parts of the system, with a need for stronger pathways between them. Industry also needs to play a key role across the education and training system, providing advice at multiple levels, from the ministerial advisory level down to enterprises having input into their local education and training institutions.

NFF is of the view that the current overlapping of departmental structures and responsibilities between: Department of Education, Department of Industry, Department of Employment and Department of Agriculture requires *interagency agreements* to be developed. In our view such agreements would reduce unnecessary duplication, increase efficiency and improve productivity in relation to education and skills delivery across Australia.

5. Conclusion

The NFF recognises the government's current fiscal environment, the commitment to bring the budget back into surplus and the role the National Commission of Audit will play in that commitment. We support the high level concept of reviewing delivery and service provision across the layers of government and trust that this will ensure there is a reduction on both costs to government and industry. The outcomes of the process should ensure that the government activities are more targeted and efficient and that there is a reduction in any wasteful expenditure resulting in a more flexible and effective government.

The Australian agriculture sector is a critical contributor to the Australian economy. It provides economic, social and environmental benefits across the country and should be provided a higher level of priority within the government. The industry relies on an effective

and responsive partnership with government across a range of important areas including trade and market access, biosecurity, natural resource management and research and development policies and programs.

Efficiencies have already been delivered by the Department of Agriculture in recent years. The agricultural industry believes that it would be detrimental to the agriculture sector if the Department continued to lose its resources and capacity. Having said that the NFF is of the view that the Department should focus on measures that contribute to on farm profitability and competitiveness. In the absence of increased capacity within the Department to help facilitate a more globally competitive industry the NFF fears the ability to take advantage future and well documented opportunities will be significantly reduced.

The NFF looks forward to working with government into the future to ensure the Australian agriculture industry continues to play a strong and valuable role in the national and regional economy. We would welcome the opportunity to further discuss the issues raised in this submission with the Commission at a convenient time.