



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

**Submission to the
Agricultural Competitiveness Issues Paper**

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Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission in response to the Agricultural Competitiveness White Paper – Issues Paper (the White Paper). This submission has been made in order to assist the White Paper process to identify pathways and approaches for growing Australian farm profitability and boost agriculture's contribution to economic growth, trade, innovation and productivity.

The NFF is the peak national body representing farmers and the broader agriculture sector across Australia. It is one of Australia's foremost and respected advocacy organisations. The NFF strongly supports the Government in its consideration of the long-term policy requirements to ensure Australian agriculture remains a significant contributor to the economy and local communities.

In 2013, the NFF launched the Blueprint for Australian Agriculture (the Blueprint). The Blueprint was the first sector-wide effort to set out a strong and sustainable future path for Australian agriculture towards 2050. The Blueprint identified major issues and priorities across the sector, articulated broad strategies to deal with these issues, and suggested pathways for implementation to drive greater coherence and coordination of the agriculture sector's efforts into the future.

The NFF sees the Blueprint and the White Paper processes as complementary. In our view, the Government policies and initiatives articulated in the White Paper should align with the direction articulated in the Blueprint.

Australian agriculture is a powerhouse. We provide economic, social and environmental benefits across the country. Australian farmers have a proven record of productivity growth, innovation and labour efficiency improvements, all achieved while exposed to international market forces—and with less government assistance than any of our international competitors. There are, however, serious issues that must be addressed to ensure farmers, and the broader agriculture sector in Australia, have the capacity to continue to grow and be viable. These issues are intrinsically linked to competitiveness.

The World Economic Forum¹ defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The level of productivity, in turn, drives the level of prosperity that can be reached by an economy. The productivity level also has a large influence on the rates of return obtained by investments in an economy, which underpin growth rates. In other words, a more competitive economy or sector is one that grows faster than others over time. The Australian agriculture sector needs a collaborative whole-of-government approach to policies and programmes that drive growth and contribute to on-farm profitability and competitiveness. Without such an approach, the sector will not grow, the contribution the farm sector makes to the national economy will decline and the communities and regions that rely on agriculture will inevitably suffer.

While the Productivity Commission reported in 2005² that productivity growth is central to the performance and international competitiveness of Australia's agriculture sector, the NFF

¹ *The Global Competitiveness Report 2013–2014*: World Economic Forum -The Global Competitiveness and Benchmarking Network.

² Productivity Commission (2005), Trends in Australian agriculture, *Productivity Commission Research Paper*, Commonwealth of Australia, Canberra.

is of the view that productivity growth provides no advantage to a farm business unless it also provides an opportunity to increase profitability.

The Australian Farm Institute³ suggests the international competitiveness of the agriculture sector is determined by the productivity of that sector relative to non-agriculture sectors in that country. This then needs to be compared with relative agricultural productivity to Australia's major international competitors. Australian agriculture must be profitable at the local, industry, national and international levels. That is, individual farm businesses must be competitive with their neighbours and the region in which they are operating. The industry must also be competitive against other sectors in the domestic economy, and utilise resources productively. This requires the agriculture sector to be able to compete with other domestic sectors for key inputs including labour, energy, transport, natural resources and capital. Further, the industry must be competitive globally. With approximately two thirds of agriculture products exported, international markets are vital to the improved profitability of farmers and the agriculture sector across Australia.

Government policy needs to be clear and aligned with the sector's perception and expectation of competitiveness. This White Paper has competitiveness defined as:

the ability to efficiently use our nation's land, water, and human and other resources to achieve sustainable improvement in the standard of living for all Australians and growth in profit for our businesses

The NFF's view is that the definition of competitiveness should be amended to reflect on growth in farm and broader agriculture sector profit as the key outcome with an improved standard of living for Australians as a broad objective stemming from a more profitable agriculture sector.

The White Paper raises the interaction between competitiveness, productivity and profitability. While these terms are often used interchangeably, the NFF's view is that they are individual components of a competitive sector comprises. In simple terms, competitiveness is the ability to make a sale in a given market for a profit. Profitability relates to the required return on an investment, and productivity refers to units of input compared to units of output, or how efficient you are at doing what you do.

Competitiveness of the sector must encompass a number of initiatives, issues and circumstances. Similarly, from a policy-development process, the approach must be whole of government and include a commitment to partner with industry. It is the combination of these factors—the recognition that profit, productivity and competitiveness will vary, and the policies required to achieve a competitive sector need to be supported by a whole-of-government approach, as well as being flexible—that will really underpin competitiveness.

Concurrent to participating in this White Paper process, the NFF is supporting the development of a White Paper examining the issues associated with the development of Northern Australia. Both White Paper initiatives elevate the importance of agriculture both within government and the broader community. While much broader than agriculture, the Government's commitment to prepare an Energy White Paper, and comprehensively review competition and taxation policy is also welcomed by NFF.). It is critical that, through the Agriculture Competitiveness White Paper that the Government outlines its strategy for

³ *The Future Productivity and Competitiveness Challenge for Australian Agriculture*, Mullen, J., Charles Sturt University *Assessing the Opportunities for Achieving Future Productivity Growth in Australian Agriculture, 2012.*

ensuring that these broader policy development processes, and the associated outcomes, are aligned and coordinated in order to deliver positive outcomes for the agriculture sector.

KEY POINTS

- Australian agriculture's competitive advantage is its ability to produce and supply high-quality, safe, and trusted food and fibre.
- Profitability is a key driver of competitiveness, but a competitive sector is one that is growing, productive, innovative and cooperative across the supply chain.
- Improved competitiveness of the agriculture sector will be the result of a combination of complementary policies and initiatives across all levels of government that recognise the specific nature of the sector.
- A competitive agriculture sector requires a collaborative approach from government and industry.
- The priority for government policy should be to encourage investment, both on-farm and off-farm, to facilitate growth which will lead to improved competitiveness.
- The Department of Agriculture must have a stronger presence, with explicit linkages to central government agencies and a clear focus on driving measures that will improve the profitability and competitiveness of the sector.
- International markets are critical to the future of Australian agriculture. Government policy must be focussed on working more closely with industry on a clear and cooperative strategy for increasing growth in exports that deliver improved on-farm returns.
- A key source of improved competitiveness and growth in agriculture has, and will continue to be, the generation of new knowledge and technology. The cooperative government and industry approach to research and development must be continued, and government policy should focus on getting more return for farmers from the investment.
- Further investigation into alternative and more efficient farm ownership and operation structures is required. The aim is to assist existing farmers and attract investment from domestic and foreign capital markets.
- Investment in freight infrastructure (including road, rail, port and air) to reduce the bottle necks and disruptions that add costs and inefficiencies across the supply chain is critical and must be a central component of agricultural competitiveness policy.
- Reducing the red and green tape burden on Australian farmers is required to reduce the cost of doing business and to enable farmers to make decisions that improve their productivity and profitability.
- Competition policy and legislation in Australia must be revised to respond to a range of market-place concerns impacting on the farm businesses.
- Improved and more flexible policy (including taxation and finance) could reduce the weight of the existing farm debt pressures and promote a more adaptable and competitive farm business landscape.
- High and growing levels of urbanisation in Australia can foster a lack of understanding between our city cousins and contemporary farm practices. While the key onus of responsibility for bridging this gap lies with agriculture, governments have a role to play in supporting agricultural industries in providing factual information to urban Australia about modern agriculture.

Issue 1: Ensuring food security in Australia and globally

- What opportunities exist to expand agricultural production in Australia and how can we take advantage of them?
- How can farm businesses, food manufacturers and the retail sector be more responsive to domestic and global food demand and better integrate into domestic and global supply chains?
- Do farmers have access to timely, relevant and accurate information to fully inform production decisions to meet domestic and global food demands?
- What opportunities exist for exporting Australian agricultural technology, marketing skills and expertise to improve global food security outcomes?

Australian farmers and the agribusiness sector underpin our national food security, and contribute to global food and fibre security—both directly through food produced, and indirectly through transfer of knowledge and skills to other nations. The continued profitability of farm businesses underpins the ability of the sector to expand and take advantage of the opportunities of a growing global population with an ever-increasing demand for high-quality, safe food.

The competitive advantage of Australian agriculture is our ability to produce and supply high-quality, safe, trusted products, which are fully traceable from farm to consumer. Our industries have worked hard with governments over many decades to build the finely balanced policy and regulatory framework that underpins our competitive edge. It is important that we continue to use this to our advantage—to improve market access, and to attract price premiums for Australian produce. We need to maintain, improve and promote the strength of our traceability systems that guarantee food and fibre quality and safety, and provide consumers with full confidence in Australian products.

To harness the opportunities for Australian farmers and the agribusiness sector provided by the global food security challenge, the sector needs to understand its markets. Australian farmers and agribusinesses must have the right market information and intelligence available in a timely manner. The more producers and processors understand the market, the better the response and the greater our capacity to meet consumer expectations.

The NFF is of the view that there must be improved cooperation and collaboration along the supply chain—between farmers, processors and retailers. Such collaboration will reduce the distance between retailers, who are at the forefront of understanding consumer preferences and trends, and farmers, who must innovate and adjust to meet the changing needs of the market. Critical to the success of action in this area will be the delivery of transparent market information, healthy levels of competition and ensuring fair market dealings. Both farmers and processors agree that for long-term financial viability there must be equitable risk and reward arrangements across all parts of the supply chain. It is essential that all parts of the supply chain have the opportunity to be profitable.

To compete globally, Australian food and fibre production must be cost effective. While farmers will look to drive efficiency within the farm-gate, we need to continue to drive efficiency in the processing and transport of food and fibre for both the domestic and international market. We need to ensure that our supply chains can efficiently and effectively deliver products from our farm gate to the consumer. This means that we must have the

infrastructure and regulatory frameworks that support the efficient transport of goods from farm to port, or from farm to shelf.

The NFF supports the continued participation of the Australian Government in the global effort to ensure that the growing world population has a secure and safe supply of food. Agencies such as the Australian Centre for International Agricultural Research provide a strong platform for the export of Australian research, knowledge, expertise and technology to the developing world. It is important that such efforts are aligned closely with the economic interests of Australia and produce benefits for Australian farmers. Australian Government investment should facilitate, and not crowd-out, the development of private markets for the transfer of knowledge and agricultural education by Australian businesses. We need to look for greater opportunities for collaboration between the research and development (R&D) efforts of our domestic industries, and the Government investment in international agricultural R&D. This can facilitate the flow of benefits to both Australia and the developing nations that require our support.

Underpinning all these efforts must be an ongoing commitment to ensuring free, fair and open access to global commodity markets, so that Australian farmers can harness the opportunities presented by a growing global population.

To support the sector, the NFF's view is that the role of Government is to:

- Underpin public investment and to facilitate private investment in the freight infrastructure required to support our supply chain.
- Maintain and improve its investment in the collection of relevant market information, through agencies such as the Australian Bureau of Statistics and the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). Data needs to improve to provide farmers, industries and supply chain participants with more timely information that is relevant to decision-making.
- Ensure that regulatory frameworks continue to maintain the integrity of and enhance the value of our production and traceability systems.
- Drive regulatory efficiency in the freight sector.
- Ensure expenditure on international aid and international agricultural research and development is aligned with Australia's economic interest and provides benefits for Australian farmers.

Issue 2: Farmer decisions for improving farm gate returns

- What are the drivers and constraints to farmers adopting alternative business structures, innovations or practices that will assist them in improving farm-gate returns?
- What tools, skills and advice do farmers need to effectively adapt and respond to the risks they face?
- What alternative actions or measures by governments, farmers or others would result in improved financial performance at the farm gate?
- What approaches could be used to encourage improved drought preparedness?
- During drought, what measures are most effective in ensuring long term resilience?
- How can new farmers be attracted to agriculture and how can they succeed?

Improving farm gate returns must be at the forefront of thinking as the Government considers policies that affect the agriculture sector. Throughout the development of the White Paper the key question must be how proposed policies affect farm gate returns.

There is a range of drivers and constraints that farmers face in making changes to improve their farm-gate returns. Farms are diverse businesses, each dealing with a different set of resources. There is no on-size-fits-all solution for business structures or farming practices. Ultimately, individual businesses will make decisions that suit their circumstances. It is important that farmers are able to access reliable and robust information and advice to assist them when making decisions.

The first step in shaping the role for Government is to develop a better understanding of the business environment in which Australian farmers operate. Factors such as high capital investment requirements, tight profit margins and direct exposure to a volatile climate and international markets means that agriculture requires a different approach to other sectors in the economy. While the ABARES analysis in the White Paper identifies some common characteristics, there is limited examination of the 'features which contributed to better performance'. Work currently being conducted by Rural Industries Research and Development Corporation (RIRDC) seeks to better understanding farm business performance and the demographics of farm businesses in Australia. The NFF's view is that further work that builds on RIRDC's investigations is required to provide a strong, evidence-based foundation for policy development in this area.

The NFF's view on the future of public and private investment in innovation, research, development and extension are explored later in this submission.

Australian farming businesses have adopted a range of business structures. It is estimated that Australian farms are 95 per cent family owned and operated, with the majority operating as sole traders or partnerships. As family farm businesses increase in size and complexity, they often adopt trust or incorporated company structures. Large corporate farming operations, with ownership by external entities and often institutional investment, have always maintained a role in Australian agriculture.

Given that the majority of Australian farms are family owned and operated, farming decisions are often made with considerations broader than simply profit maximisation. The complex interaction that exists between family and business in a family farm means that trade-offs are often made. For example, while many farms may improve their returns by increasing investment in areas such as new technology and equipment, the increased debt increases their

risk profile and reduces their resilience to factors such as climate variability and international market forces.

Compared to other countries there is still a high level of land ownership by farmers in Australia. Capital growth of land owned by Australian farmers has underpinned the profits of many in an environment where positive cash returns are difficult to achieve. When capital appreciation is excluded, the average rate of return for Australian broad acre farms over the 10 years to 2012–13 has been 1.1 per cent. The average land price for broad acre farms increased sharply, relative to the cash receipts per hectare generated by farming activity between 2001–02 and 2007–08, and then declined slightly to 2012–13. The underpinning role of land ownership in profit affects farmers' appetite for risk and capital investment, and their willingness to consider alternative business models and operating structures.

Land ownership and operating structures aside, management decisions can have a large bearing on farm profitability. A continued focus on developing skills, such as the financial literacy and financial management capacity, and improving the information and tools available to support the decisions made by farmers, will see benefits for farm-gate returns.

Australian farmers are highly dependent on energy for the production of food and fibre. Electricity is a key input to the agricultural sector and even small cost increases have a large impact on farm business income. Energy use is variable across agriculture depending on industry, intensification of operations, location and structure of the business. Intensive agriculture uses large amounts of energy for heating and cooling or irrigation. There are clear signs the cost of on-farm energy is escalating and, in the NFF's view, there is not adequate transparency or equity in the current policy or regulatory landscape.

The NFF is of the view that to assist farm-gate returns, Government policy should seek to reduce on-farm energy costs and improve energy efficiency. Measures that should be considered include assisting to facilitate energy audits, and investigate of specific tariff rates for farm businesses.

One of the factors that sets Australian agriculture apart from other sectors in the Australian economy is its highly variable operating environment. Recognising variability between commodities, agriculture has been the most volatile sector in the Australian economy over the past four decades. The average value of output from agriculture has been almost 2.5 times more volatile than the average for all other major sectors in the economy. Data also indicates Australian agricultural businesses have been the second most volatile of any nation over the 40 year period. Despite this challenge, Australian farmers have consistently driven improvements in productivity that are greater than other sectors of the Australian economy. This increase in productivity has been met while adopting practices to meet changing community expectations on a range of issues, such as environmental stewardship and animal welfare.

Farmers need appropriate tools to manage their production and price risk. The development of appropriate and affordable risk-management tools to help smooth some of the volatility in the sector would provide farmers with increased confidence and capacity to continue investing in efficiencies in their business. The NFF's view is that a clear focus on national drought policy must be clearly articulated in the White Paper.

Australian farmers take drought into consideration in the operation of their business—it is a factor that is part of growing food and fibre in the Australia's variable climate. However, sometimes drought conditions extend beyond what should be expected as reasonable to prepare for. The current drought across much of Queensland and New South Wales exemplifies this. 2013 was the hottest year on record with many regions receiving record low

rainfall, and two years without a wet season in Northern Australia. There is general agreement that a level of seasonal variability is a normal feature of a farmer's operating environment and should be managed like any other risk. However, even the best farmer cannot be expected to cope unaided through a severe or prolonged drought.

Drought policy should include recognition of the need for profitability of the industry, specific policy measures that facilitate drought preparedness, and targeted programs for in-event support. The NFF's view is that it is appropriate that the Government provides drought assistance to businesses in a consistent, structured manner. This provides certainty to businesses affected by the drought and certainty to taxpayers providing the assistance. Drought policy needs to provide a comprehensive suite of measures to help farmers, their families and rural communities cope with the range of business, social and health issues associated with droughts. The flow-on impacts of drought on rural communities is a key reason for the need for government assistance. Through the White Paper, the Government needs to commit to policy settings for the preparedness for, management through, and recovery after, future droughts.

The NFF's view is that the national drought policy set to start in July 2014 is insufficient to meet the challenge and is in many ways is a backward step for drought policy in Australia. The new policy has not incorporated elements from previous drought policies that have helped farmers and assisted government to help farmers. The new approach lacks substantial measures to assist farmers to prepare for drought and it fails to adequately address in a structured way in-drought support.

The NFF's view is that Government policy should facilitate preparation by farmers for future drought events. Policies need to recognise that preparedness requires time, skills and resources to be effective, and must also acknowledge that there may be future drought events which are beyond the reasonable capacity of farmers to prepare for. Improved taxation arrangements and activities that facilitate skills development need to be well-resourced and aligned with other government processes and measures.

To support the sector, the NFF's view is that the role of Government is to:

- Build capacity of farmers to make informed business decisions to improve their farm-gate returns.
- Recognise that agricultural policy requires a different approach to many other sectors due to factors, such as exposure to risks, that are outside the control of the sector.
- Work with industry and across jurisdictions to develop an adequately funded, holistic National Drought Policy that improves outcomes for farmers in drought preparedness, management and recovery.
- Ensure that a whole-of-government approach is taken, given the multifaceted issues that emerge as a result of drought, including feral animal control, family welfare needs, social support and business support requirements.

Issue 3: Enhancing access to finance

- How do we better attract private capital into farm investment?
- What examples are there of innovative financing models that could be used across the industry?
- What would encourage up take of new financing models?
- What alternative business structures could be developed for farming that also retain ownership with farm families?
- How can foreign investment best contribute to the financing and productivity growth of Australian agriculture?

Australian farm businesses face a range of challenges in accessing funds to invest in changes to drive efficiency, productivity and growth. Increasing debt levels has characterised many farm businesses over the last two decades. Debt levels across the farm sector have increased at around 9 per cent per annum since the early 1990s. In 2012 rural debt totalled over \$66 billion, increasing more than fivefold over 20 years⁴.

Increasing—and at times, unmanageable—debt-servicing requirements can significantly reduce the capacity of a farm business to invest in more efficient equipment or technology. This has a real impact on the profitability and competitiveness of the business. In some places, albeit not all, farm debt levels are high and the availability of conventional bank-financing options is limited. With the right level of investment and oversight, these businesses could improve their productivity and profitability.

The NFF's view is that the capacity of the Australian farm sector is hampered by insufficient access to capital to invest in additional assets and technology. Highly skilled and innovative operators, with the right investment environment and models, could be more competitive and more profitable.

The policy imperative for the Government is to ensure that the policy settings—including those associated with regulatory compliance and taxation—facilitate the development of business structures that preserve the benefits of a family-based systems (the majority of the farm sector). These policy settings should encourage the exploration and adoption of structures that can drive efficiency, facilitate uptake of new technology, and increase the scale of operations. Improved and more flexible structures could reduce the weight of farm-debt pressures, and promote a more adaptable and competitive farm-business landscape.

Education and understanding of financial products is an area that has traditionally been sought from banks and other financial institutions. As the level of farm debt has increased it is clear that there are possibly different objectives between financial institutions and farming businesses. The farming industry needs to better equip themselves with the ability to understand financial markets and therefore what financial products best suit their operations. For example the loan application process tends to be dominated by the financial advisor. Farmers need to have greater ownership of this process, understanding their business well and being in a position to identify if the financial products are the best fit for their needs.

Investors, whether domestic or foreign, are attracted to options that deliver a return either over time or of a particular magnitude. Given the farm sector is the most volatile sector in the

⁴ *Issues and Options for Farm Financing in Australia*, Kingwell, R., Farm Policy Journal V.10.No.3, Spring 2013

economy, additional measures that reduce the risk profile, or smooth the volatility in returns of the sector, would assist in the attraction of both domestic and foreign investors. While the sector undoubtedly is exposed to environmental risks, preparedness and management of these risks has improved over recent years. The adoption of farm management deposits and other preparedness initiatives demonstrates that the sector will take up models that can provide benefits and reduce fluctuations in farm income.

The NFF supports the investigation of alternative farm ownership and operation structures that may assist in attracting investment from domestic and foreign capital markets as proposed in the 2012 report by Port Jackson Partners⁵. Policies that encourage the adoption of structures that facilitate professional oversight or management of farm businesses—with minimal transactional costs for domestic or foreign investors that do not wish to take an active role in the business operations—should be investigated.

Flexible taxation policies and financing models that encourage the collective investment in assets that can provide a return to more than one entity or business would allow a more efficient utilisation of capital. Similarly, financial institutions should also look to expand the provision of finance for non-land or equipment assets, which will drive improved returns.

Australia's agricultural commodities are traded on the international market, or on the domestic market against imports. This puts Australian farmers at a disadvantage when competing against countries that have direct subsidies, crop insurance, environmental payments, young farmer finance schemes and progressive tax systems. Australian agriculture has done the heavy lifting in recent years, decoupling from direct industry support. However, we are yet to see appropriate investment and policy effort in other mechanisms to ensure the industry remains competitive against heavily-subsidised international competitors.

The flow-on effects from a vibrant industry can have a direct impact on the social fabric of country towns through economic benefits and employment, while providing food security for all Australians. The farm sector in Australia is not seeking the introduction of similar distorting subsidies, but the implementation of policies that can assist investment, access to finance, and adoption of new technology in a way that is efficient and does not negatively impact on the market.

The NFF has maintained its policy stance that foreign investment has been good for Australian agriculture, and that continued investment both domestic and foreign will be required to ensure the industry remains globally competitive and has the capacity to take advantage of new opportunities. The NFF's view is that the right mix of certainty, flexibility and transparency are the keys to ensuring foreign investment is attracted to investing in Australian agriculture. It is important that policy arrangements and compliance measures ensure that that investment does not negatively impact on the sector. More specifically, disparities in regulatory-approval timeframes between the Foreign Investment Review Board (FIRB) and the Australian Competition Tribunal (ACT)—when the processes are operating in parallel—are inequitable and potentially disadvantage parties. While any commercial decision is influenced by a range of factors, inequity in the timing of regulatory processes should be minimised.

The NFF view is that a national foreign ownership register is a critical step in responding to the community concerns around investment in Australian agriculture which needs to be implemented as a priority. The register should provide a robust and accurate database that can

⁵ Port Jackson Partners for ANZ, *Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand*, Report by Bank, Australia, 2012.

be used to monitor and report on trends and developments that are likely to have an impact on the agricultural supply chain in Australia. The register should not stifle genuine, commercially motivated foreign investment through excessive or intrusive reporting requirements. However it must be effective in delivering a clear picture of the current level of foreign investment, the impact that investment is having, and provide a basis for any future amendments to government policy that can prevent negative impacts on Australia's agriculture sector or the economy more broadly. It should be linked directly to the Foreign Investment Review Board (FIRB) process to help inform the national interest test and be used to inform and guide policy in the area of foreign investment in Australia to prevent or correct negative impacts on Australia's agricultural sector or the economy more broadly.

To support the sector, the NFF's view is that the role of Government is to:

- Support the collection and collation of data and information about farm-debt levels to enable a more comprehensive understanding of the problems around finance and access to finance.
- Work with industry to research and investigate the options and arrangements that could provide an improved understanding and mitigation of risk and a reduction in the volatility of income/return without unnecessarily influencing the market.
- Remove barriers that hinder cooperative and collaborative approaches that can provide economies of scale, bargaining power, efficiencies and the capacity to invest in new technology/equipment.
- Recognise that foreign investment is a critical component of the future of Australian farming. Foreign investment needs to be encouraged with the right policies, but monitored and reported, to ensure it continues to provide a positive impact on the sector.
- Assist with improving the financial literacy and business management capacity to enable farm businesses to assess options and adoption of more flexible structures.
- Work with industry and the financial sector to examine policy options that will help mitigate fluctuations in returns, including examination of the application of flexible financial instruments, revision of farm management deposit scheme and associated measures.
- Expedite the implementation of the Government's commitment to register foreign investment in Australian agriculture.

Issue 4: Increasing the competitiveness of the agriculture sector and its value chains

- How might existing laws and regulations be changed to address any market power imbalances in the agricultural supply chain, without limiting prospects for global-scale firms developing in Australia?
- How can the agriculture sector improve its competitiveness relative to other sectors in the economy?
- Which examples of overseas approaches to improving agricultural competitiveness have relevance for Australia?

A key source of improved competitiveness and growth in agriculture has and will continue to be the generation of new knowledge and technology. New knowledge introduces new ways of doing things, delivering efficiencies by lowering input costs or increasing productivity. These in turn can contribute to increased farm gate returns. Cooperative government and industry arrangements on research and development funding are critical. The collaborative arrangements that facilitate investment in research, development and extension (RD&E) contributes directly to profitability and competitiveness. Public co-investment in RD&E must continue to be a central component of Government policy.

Education and training can have a significant impact on the ability of farm business managers to adopt new technology and utilise existing technologies. Australian farmers have made greater use of information technology and the digital economy in recent years. Examples of this include the monitoring of international market trends, communication and interaction with suppliers throughout the agriculture supply chain, and accessing weather forecasts and using satellite imagery in developing farm plans. Improved accessibility of digital technology, coupled with telecommunications infrastructure investment, will continue this uptake and should be prioritised by Government. While Australian farmers have the drive to be world leaders in technology, they are often limited by insufficient telecommunications infrastructure and declining public investment in agricultural RD&E. The small number of farmers in Australia also increases the importance of these investments, given the more difficult task of a business case for commercial market development for world-leading farm technology.

The 2011-12 Regional Telecommunications Review identified that access to mobile broadband and voice services is important to capture the next generation of productivity improvements for the agricultural sector. Currently farmers are limited in the ability to use digital technologies on farm with the 2014 NSW Farmers Telecommunications Survey identifying that while 45% of farmers use internet and email on their mobile phone, only 13% have definite on farm coverage for internet. This clearly demonstrates that the ability to get signal is the limiting factor for many farmers. Ultimately the capacity of farmers to take advantage of digital technologies requires enhanced access to internet and voice services through government contribution to essential infrastructure which is not being provided on a strictly commercial basis.

While some technological advances such as irrigation, feed lotting and green houses have enabled farmers to overcome some of the risks of weather variability, broad acre operations are still very heavily impacted by weather conditions. Investment in better and more accurate weather forecasting tools to help farmers with decision making and risk management would greatly improve the capacity for farmers to self-manage weather risk. Even day to day

measurements and records of rainfall for areas are not complete. For example there are no weather watch radars in central NSW making it difficult for residents in central NSW getting accurate information on current weather conditions.

Well-targeted public and private investment in transport infrastructure will directly improve the competitiveness of agriculture. Investment in rail, particularly on the east coast, would help to address transport bottlenecks in grain transportation and investment in port infrastructure is required to upgrade our ageing terminals that are unable to handle larger deep-sea ships.

Investment in road infrastructure to expand access to higher productivity vehicles, such as B-triples, would provide significant opportunities. Improving access to these vehicles will not only increase productivity but also improve cost competitiveness and contestability with rail. This should be seen as complementary to investing in rail, rather than a substitute. Transparency in the true cost and pricing of each mode is needed to help industry make long-term transport infrastructure investment decisions. As part of the investment in freight infrastructure, the issue of fuel security and associated resilience of our food and fibre supply chains is an issue that requires ongoing commitment from Government.

Government policy should fast-track infrastructure audits, ensuring a specific focus on agriculture, and publish a list of priority projects for food and fibre supply chains to guide the long-term investment decisions of the public and private sectors. This work should be underpinned by policies that facilitate and increase private investment to boost the available public expenditure. As a key pillar of the Australian economy, it would be expected that a number of projects that address the carriage of agricultural freight must form part of all future lists of priority investments.

The White Papers on both agricultural competitiveness and energy should recognise the critical importance of an affordable and secure supply of fuel for the production of food and fibre across the entire production cycle. This requires a long term strategic approach from government to prevent any unnecessary risk to the provision of essential services, supply of food and ongoing economic growth.

Farmers are operating in a more complex market than ever before. Major processors and retailers are able to use their dominant market position, buying power and supply chain control to greatly influence price all the way down to the farm gate. Individual producers can find it difficult to negotiate effectively, and are often left with a 'take it or leave it' position.

The current legislative arrangements do not adequately cater for these issues. The NFF's view is that additional measures are required to respond to these concerns, and must be incorporated into revised and updated competition legislation to take into consideration the changes in the market. These measures include but are not limited to those that deal with the misuse of market power, unconscionable conduct, unfair contracts, enhanced capacity for farmers to collectively bargain and the powers of the ACCC.

Current NFF policy supports the development of mandatory (code) arrangements to balance the excessive market power of the major retailers, particularly in relation to the dairy and horticulture sectors. The NFF is aware that a prescribed voluntary code is also currently under consideration by government. To be successful, any future code must apply to all key supply chain players, in particular all major retailers, and include substantial penalties to ensure compliance and dissuade the misuse of market power. Greater certainty and clarity of the legislation would assist in addressing market power imbalances in the agricultural supply chain, without limiting prospects for global-scale firms developing in Australia. The NFF will

engage in the Government's root and branch review of competition legislation to raise specific issues of concern and seeks to ensure the implementation of the White Paper is consistent with any amendments to competition legislation.

There is a view that the current market structure provides too much power in the hands of too few and as such increases the risk of a misuse of that power. Influence and power is starting to determine how farmers farm, imposing major costs on domestic producers that they are unable to recoup. The price consumers pay for goods does not always reflect these specific increased costs, compounding the cost of production pressures for Australian agricultural produce and making it harder for farmers to remain profitable.

Country of origin labelling is currently highly confusing. Claims such as "Made in Australia from local and imported ingredients" leave consumers no more informed about the actual origin of the product. The NFF supports a specific policy approach to improve and clarify the criteria for country of origin labelling to ensure consumers are able to understand what constitutes Australian grown and processed products.

To support the sector, the NFF's view is that the role of Government is to:

- Recognise the unique structure of the food and fibre supply chain in Australia, which requires specific and detailed attention to ensure farmers have sufficient bargaining power beyond what is currently in place.
- Ensure that regulatory authorities, such as the Australian Competition and Consumer Commission (ACCC) are given appropriate powers and the capacity to fully investigate and report on any negative implications of the current market structure.
- Ensure a specific focus on the agricultural tax system as part of the broader tax policy review. This review should identify and provide solutions to areas that are hindering investment in the sector, individual farm business resilience, generational change and entry rates into agriculture.
- Fast-track infrastructure audits, with a specific focus on agriculture supply chains, and publish a specific list of priority projects for food and fibre supply chains to guide the long-term investment decisions of the public and private sectors.
- Commit to clear outcomes from the current review of competition legislation to provide clarity, transparency and certainty to the large number of small to medium sized agribusinesses in the food and fibre supply chain.
- Ensure that public co-investment in RD&E continues to be a central component of Government policy.

Issue 5: Enhancing agriculture's contribution to regional communities

- What impact does the growth of populations in regional centres and the decline in more rural or remote townships have on farming businesses and the agriculture sector?
- How can the agriculture sector best contribute to growth in jobs and boost investment in regional communities, including indigenous communities?
- What community and policy responses are needed in rural and regional communities to adapt and change to new pressures and opportunities in the agriculture sector?
- How do we attract the next generation of farmers?

Improving the farm-gate profitability of agriculture is a key element in revitalising regional and remote communities. More profitable farms increase employment opportunities and improves population distribution, which has flow-on benefits in terms of service delivery. Making rural and regional areas attractive places to live and work involves having essential services, like quality education and health services, easily available. Improving employment conditions, lifting barriers to intergenerational succession and flexible labour conditions is important to ensure there is a critical mass of people to justify increased public expenditure in those areas. It also provides a greater incentive for younger people to remain in, or return to, regional areas to pursue a career in agriculture. A more profitable sector makes these outcomes possible, but the Government has a role in reducing specific barriers.

Profitable agricultural industries will continue to provide employment opportunities in remote, rural, and regional areas. As Australia's rural and regional population continues to migrate to larger regional centres, the challenge for agriculture will be the ability of the sector to attract and retain staff with the right skills and experience.

The personal experiences of the large majority of the Australian population is becoming further and further removed from the farm gate. Improving community awareness and knowledge of the career opportunities available in agriculture, and developing education pathways, are fundamental to encourage and support a career choice in agriculture.

The next generation of farmers and others employed in agriculture—like those before them—will choose to commit to the sector on the basis that a career in agriculture:

- Will provide the financial reward and financial security that they require to support their life circumstances.
- Is challenging, innovative and offers opportunities for career progression.
- Will be able to support the work / life / family balance and lifestyle choices that they are seeking.

Ultimately, to attract and retain workers, and to encourage the next generation of farmers, agriculture must be profitable and ensure that it is a desirable employer.

To support the sector, the NFF’s view is that the role of Government is to:

- Ensure that rural and regional communities are desirable places to live. This includes ensuring that essential community services and infrastructure—such as transport, housing, health, telecommunication and education services—are improved in line with services in urban communities.
- Work with industry to build awareness and knowledge of the opportunities available in the sector for example by including agriculture in the national curriculum in the early years of education to develop understanding and appreciation of the sector.
- Provide more flexible workplace/employment arrangements to both attract and keep staff on farm.
- Work with industry to foster the development of new labour streams, including among young Australians and the Indigenous community.
- Encourage people from outside regional areas to fill workforce shortages through a combination of measures such as tax incentives, review of immigration criteria and infrastructure investment.
- Investigate a range of support measures to encourage new entrants to the agriculture industry.
- Ensure a focus on agriculture within the national curriculum

Issue 6: Improving the competitiveness of inputs to the supply chain

- How can land, water and other farm inputs be more effectively deployed to better drive agriculture sector productivity, while maintaining or enhancing the natural resource base?
- What skills including specialised skills and training, will be required in the future and how can these be delivered and uptake encouraged?
- How can we attract workers to agriculture – particularly in remote areas?
- How can we promote career pathways for the agriculture sector, including models to enable younger farm workers to gain broader industry experience?
- How can rural industries and governments better identify, prioritise and fund research, development and extension?
- What irrigation, transport, storage and distribution infrastructure are required to support the food and fibre production systems of the future and how should this be funded?

Australia’s natural resources—our land, water and climate—provide Australian farmers with a natural comparative advantage to many of our international competitors. These natural advantages have underpinned the growth of our strong and viable agriculture sector. Compared with many of our competitors, the Australian agriculture sector is faced with relatively high, and increasing costs associated with key inputs such as labour, energy, transport and the ongoing impost of regulation. These constraints all place pressure on the ability of Australian agribusiness to compete in the global market place.

Australian farmers face higher costs for inputs than our competitors in similar developed economies. Inputs such as biotechnology, agricultural and veterinary chemicals or even the prices of agricultural machinery and equipment are examples of where Australian farmers

pay considerably more than our international counterparts. Australian producers should not have to unnecessarily pay more for services and inputs than our competitors, and Government should ensure that measures are in place to minimise regulatory burden and prevent gouging.

Agricultural industries continue to seek effective policy and regulatory approaches to facilitate innovation. Research and development will remain a critical strategy for addressing many of these challenges by further developing agricultural systems to improve efficiency and sustainability. To support and encourage this innovation, it is important that regulatory barriers and unnecessary costs that drive up the price of innovation—such as the registration of new farm chemicals, crop and animal genetics—are minimised with a view to improving productivity in the sector.

Increasing energy prices

Modern agricultural operations have become progressively more intensive users of energy (electricity and fuel) in order to secure efficiencies of labour and capital inputs. Electricity prices in Australia are the highest in the world, with increases of more than 40 per cent since 2007. Broad acre farm enterprises operate in a highly competitive market. Increases in expenses, such as electricity, are largely not able to be passed on to consumers. Producers depend on access to reliable and cost effective electricity.

A key trade-off in irrigated agriculture is the balance between energy and water inputs. Often, technologies and systems that increase water use efficiency have higher energy requirements. The price of energy can be a barrier to adopting new practices. Efficient energy pricing, access to alternative energy supplies (such as gas) and adoption of more energy efficient technologies will be key to driving down input costs.

To support the sector, the NFF's view is that the role of Government is to:

- Ensure regulated electricity prices are determined at a level consistent with vigorous competition and the vision to increase agricultural productivity and profitability
- Investigate improved 'time of use' tariffs for the agriculture sector.
- Ensure R&D investment into the development of remote or alternative power solutions, and also adaptation initiatives for the farm sector.
- Consider and assess prior to implementation the impacts of market-distorting investments and incentives, such as the mandatory renewable energy target and the state-based solar subsidy schemes.

Maintaining and enhancing our natural resource base

To underpin the competitiveness and growth of the agriculture sector, secure access to natural resources including land and water is essential.

Agriculture produces a unique range of ecosystem services that needs to be recognised when governments consider farmers' access to natural resources. Improved productivity and the achievement of natural resource management outcomes can be mutually inclusive. The NFF's view is that there is an opportunity to shift the Federal policy construct, particularly in relation to managing our landscapes for biodiversity conservation. Currently the focus is concentrated on the green tape of the *Environment Protection Biodiversity Conservation Act*.

An increasing focus on recognising farmers' stewardship, and establishing a realistic and workable policy for offsetting developments in an agriculture context, are two key areas where we can achieve better environmental outcomes and improved productivity and profitability.

The NFF supports a continued focus on the development of water markets. While further gains can be made in established markets such as the southern Murray Darling Basin, it is important that the policy frameworks are established to support the operation of the market in new and emerging markets. Increasing the transparency of water-market activity, broadening and deepening that market through the development of new water products such as derivatives will be essential, and ensuring the timely availability of market information is fundamental to support irrigator decision making. Further work is required to ensure that there is alignment of state-based registration systems in this regard.

Successfully managing co-existence between potentially competing land-uses, such as mining and agriculture, is a key to providing certainty for farmers. A balanced policy approach to multiple and sequential land use is required to ensure that we maintain the integrity of our natural resources, and that existing rights are not encroached upon. To achieve this, further effort is required to build scientific understanding of impacts of proposed developments—and the cumulative impacts of developments. For example, ensuring comprehensive baseline data on water resources, monitoring of impacts of developments, and clear responsibilities for any remediation. Mechanisms are required to provide a safeguard for when there is deviation from the expected and observed impact of an approved activity. Given the power imbalance, support for farmers is required to assist them to understand their rights and to provide them with the skills and tools to effectively negotiate with resource companies.

To support the sector, the NFF's view is that the role of Government is to:

- Support the identification of priorities for investment in water infrastructure to support the long term sustainability of the sector—and streamlining the processes for the approval of chosen projects.
- Continue to improve the regulatory frameworks and knowledge base to support the co-existence of potentially competing land uses and to provide safeguards for the long-term health of our natural resources.
- Maintain commitment to the principles of the National Water Initiative, and continuing to strive for increased transparency, accessibility and timeliness of water market information as well as the further development of the water market.
- Ensure the complex nexus between water, carbon and energy is taken into account during the policy development process, avoiding silos of policy that produce perverse outcomes for farmers.
- Review the green tape burden on Australian farmers. The approach to national environmental approvals in the agriculture context must be the centrepiece of any review of green tape.
- Recognise farmers' delivery of multiple ecosystem services by providing support in access to natural resources and appropriate recognition for the broader public-good services that are delivered.

- Support industry sustainability initiatives and public investment to achieve NRM outcomes through market-based mechanisms such as the Environmental Stewardship Program is required.
- Provide farmers with certainty in accessing natural resources including land and water.

Research, Development and Extension

The NFF's view is that Australia has the broad architecture for public and industry investment in rural R&D about right. However, as public focus on extension by state-based agencies continues to decline, further work is required to ensure effective extension pathways are in place. Uptake of R&D is critical to competitiveness. This should include governments facilitating providers where a natural market is unlikely. There are clear market failures in rural R, D&E. Specifically:

- *Non-excludability and non-exhaustion*: agricultural R&D is often focused on outputs that enable the transfer to many individual growers. The levy model makes R&D outcomes accessible to all, without the risks of free riding. Even a small number of free riders would quickly encourage others to withdraw from any voluntary arrangements with the scale needed to undertake most R&D projects
- *Non-divisibility of research costs and 'small firms'*: Rural R,D&E projects are costly. They require specialist skills and equipment and thus cannot be undertaken by small to medium businesses. Small businesses are unable to benefit from the tax incentives and investment allowances available to larger firms that are able to undertake R&D in-house. As such without the Rural Research and Development Corporation (RDC) model, rural R, D&E would fall short of the scale required to achieve both national objectives and adequate on-farm investment in innovation.

To illustrate the impact of effective R, D&E, research by the Cotton Research and Development Corporation (CRDC) has enabled the cotton industry in Australia to improve water-use efficiency by 40 per cent in a decade, and deliver the highest yielding cotton crop in the world. The NFF and commodity sectors, such as the cotton industry, are increasingly concerned with the unwinding of research, development and extension infrastructure across government, including the states. There is evidence that recent state funding cuts to the NSW Department of Primary Industry (300 staff) and Queensland's Department of Agriculture (450 staff) have had a detrimental impact on the ability of researchers to access laboratories and equipment, and to resource the extension of results to industry.

The NFF supports the RDC model which is based on the collection of compulsory levies from producers with matched support from government. We also support the Cooperative Research Centre (CRC) model, which drives collaboration between government and industries. The NFF's view is that there are opportunities to improve the RDC model to:

- Ensure that investments are focused on R, D&E that directly improves the profitability of Australian farms.
- Enhance focus on the best models for extending R&D outcomes and best practice approaches to target individual farmers.
- Further encourage collaboration across commodity groups on matters of mutual priority to industries, such as R&D in whole-of-farm business management, irrigation,

energy efficiency, emissions reduction and carbon sequestration and the use of technology such as telecommunications in farming businesses.

To support the sector, the NFF's view is that the role of Government is to:

- Maintain and enhancing the RDC and CRC architecture for public and industry investment in Rural R&D.
- Ensure RDCs focus efforts on RD&E that directly improves the profitability of Australian farms and driving efficiency by encouraging collaboration.
- Adjust the taxation and policy settings to enhance private and philanthropic investment in R&D.

Labour and skills

As highlighted in the Blueprint for Australian Agriculture, the inability to find appropriately trained staff has a moderate to significant impact on over 60 per cent of rural employers. Skills shortages and workforce inflexibility limit productivity improvements in agriculture.

Individual farm businesses and industries must take a lead in making their workplace and their industry attractive to potential employees. We need to do more to build the skills of our workforce through training—and to ensure that the training systems match the needs of our sector. There are opportunities to increase the use digital technology for education and training, to lower the costs, and to increase the accessibility, of training.

The nature of agricultural production, which often has a strong seasonal component, needs to be recognised when developing solutions to labour shortages. Flexible employment arrangements are often required to account for peaks and troughs in labour demand. Improving the availability of skilled and unskilled overseas labour has been targeted under recent Australian Government migration reforms. More work needs to be done to align working holiday-maker visa holders (subclass 417) and temporary business visa holders (subclass 457) with seasonal demands. Expansion of the Pacific Seasonal Workers Program to the broader agriculture sector is also likely to improve the competitiveness of many farm businesses.

Education and training is critical in fostering innovation and productivity within the agricultural workforce. A 2009 report to the Primary Industries Ministerial Council indicated that improving the skill level of the agriculture workforce is essential to enhancing innovation, strengthening competitiveness, boosting resilience and a developing a larger capacity for the agriculture industry to capitalise on opportunities and contribute to global food security.

In Australia, innovation within industry has historically been incremental and process driven rather than through radical technological breakthrough. Regardless of how innovation occurs, it is likely to arise within that part of the workforce having its human capital largely developed through the higher education system. Therefore to drive significant improvements in innovation and productivity, agricultural industries require expanded levels of education and skills amongst the workforce. This includes stronger links between the agricultural workforce as well as private and public research and development.

The NFF encourages review of the costs associated with employment. These include the high minimum wage, entitlements such as leave loading, superannuation and paternity leave,

which all impact competitiveness. For example, farmers are required to pay superannuation contributions for temporary workers, such as those on working holiday visas. Much of the time these contributions end up in unclaimed super accounts, ultimately contributing to consolidated revenue.

To support the sector, the NFF's view is that the role of Government is to:

- Expand the Seasonal Workers Program to all agriculture sector participants, so that the program is demand driven.
- Align working holiday visa types to meet the seasonal demands of industries and smoothing the processes for re-issuing visas from year to year.
- Realign the skilled occupational list (SOL) and consolidated skilled occupational list (CSOL) with agriculture industry demands, underpinned by a yearly survey.
- Adjust workplace regulation to improve flexibility at the enterprise level.
- Collect and collating accurate, authoritative data on labour and skills shortages in Australian industries, including agriculture.
- Support the finalisation of a National Workforce Development Plan for Agriculture to enable the sector to participate in the National Workforce Development Fund.
- Expand opportunities for the agricultural workforce to develop skills and improve access to information and technology through extension.

Infrastructure to support a competitive supply chain

Modern and efficient infrastructure for telecommunications, energy, water and transport is essential to enabling Australian farmers to remain competitive in international markets.

The NFF welcomes the Government's commitment to explore investment in new water infrastructure such as dams and irrigation schemes to support future growth in production, including growth in production in northern Australia. The NFF's view is that the key considerations for investment in new water infrastructure development should be:

- The long-term environmental sustainability of the works.
- Compliance with the principles of the National Water Initiative.
- Based on a sound business case, to ensure the long term financial sustainability of the scheme or dam for water users.
- Processes streamline the project development and approval phases of agreed projects.

The NFF's view is that less-than-prudent investment in irrigation infrastructure may drive up the cost of water as an input in a particular region, as water prices are set under a full cost recovery model.

In terms of investment in energy infrastructure, the NFF is of the view that there is a significant issue relating to unreliable energy supplies in some regional areas. This has significant cost implications for manufacturers. Further, there are complicated regulatory and cost structures for energy distribution, which varies by state. A useful role for the Government will be to ensure appropriate investment is occurring, where it is required for regional areas, and to review the regulatory and cost structure.

Declining supply chain performance is putting competitiveness at risk in some Australian agriculture industries, while increasing food and fibre prices for all Australians. Inadequacies in our freight transport systems result in added transport costs, and they are a barrier to innovation, as transport infrastructure is unable to support the timely delivery of product to market. For example, persistent underinvestment in rail infrastructure has caused major transportation bottlenecks on the east coast, limiting Australia's wheat export potential.

The NFF advocates a strategic and comprehensive approach to considering future investment in the transport infrastructure required to underpin farm sector competitiveness. Identifying key constraints for industries, and the solutions to overcoming these, are the foundation of prioritising critical public and private investment in improvements. A sound planning process that engages supply chain participants is the first step in facilitating industry and private co-investment. Consideration of more flexible approaches to capital raising, such as private and public sector partnerships, or co-investment, should be encouraged by flexible and innovative policies of Government.

To support the sector, the NFF's view is that the role of Government is to:

- Facilitating a collaborative approach to identify and prioritise critical investment in agriculture infrastructure.
- Ensuring that rural and regional areas are considered equal in the roll out of critical telecommunications infrastructure.
- Investing in industry capacity to leverage the emerging benefits of telecommunications infrastructure, where appropriate.
- Ensuring that any future development of water infrastructure is prudent and will support long-term social and economic outcomes.
- Working with industry and the private sector to consider alternative approaches to sourcing capital for infrastructure projects.

Issue 7: Reducing ineffective regulations

- How well do regulations affecting the industry meet their policy objectives?
- What opportunities are there to reduce ineffective or inefficient regulation?
- Which regulations are disproportionate to the risks they are supposed to address?
- How do we coordinate across governments to reduce regulations whose costs exceed their benefits?

Every day Australian farm businesses work to deliver a reliable, consistent and sustainable supply of high-quality food and fibre products for millions of domestic and international customers. Agriculture is a highly productive, innovative and efficient sector of the economy, using modern technology and rigorous assurance processes to maintain food safety, product quality and environmental protection. The NFF's view is that the sector is being limited in its efforts to seize international market opportunities through a tangle of complex regulations which increase costs to industry and to governments, and limit the competitiveness of individual businesses.

Farm businesses battle through a myriad of hard to understand, complex or duplicative regulations. Regulation comes in many forms and from many sources; both government and industry-driven. Over time, farm businesses have faced a greater level of accumulated red tape, driven through government decisions made in isolation, impeding their ability to take advantage of growing global demand for the food and fibre they produce. Through the development of the Blueprint for Australian Agriculture, stakeholders from across the agriculture sector rated regulatory burden as one of the key issues increasing costs in farm businesses and reducing competitiveness of the sector.

The layers of regulation across all levels of government have continued to build over time. In 2012 the NFF member, AgForce Queensland, conducted a desktop analysis and found that, when considering only State legislation, Queensland farm businesses are regulated through over 55 Acts and Regulations covering over 9,000 pages. Local government by-laws, associated codes or Federal legislation then adds to this burden.

In January 2013, the Tasmanian Department of Economic Development, Tourism and the Arts released a report which indicated that the:

- Gross value of production of agriculture, fishing and forestry in Tasmania is \$1.982 billion, of which the agriculture sector accounts for \$1.150 billion.
- Total cost of red tape in agriculture, fishing and forestry sectors of the industry is \$321.4 million a year, representing an estimated 16.2 per cent of the value of production.
- Agriculture, fisheries and forestry sectors account for 10 per cent of Tasmania's Gross State Product, but bear 25 per cent of the estimated State-wide bill for complying with regulation.

The NFF member, the Tasmanian Farmers and Graziers Association, has indicated that this study was limited in scope. TFGA estimates that when the full scope of the regulatory burden is considered, the true cost to the industry could be double that figure.

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. Governments also need to purposefully consider whether a regulatory approach is the best way to achieve the desired outcome. If regulation is required it is important that regulation is appropriately targeted, clearly communicated, and that its restrictions are minimised as far as possible. Further, it is important that the arrangements for implementing regulation (e.g. information provision, reporting, application and approval processes) are streamlined and efficient.

Governments need to purposefully consider whether a regulatory approach is the best way to address the problem and to achieve the desired outcome. Often, a non-regulatory approach may provide a better solution. The key questions that need to be answered when considering any regulation are:

- Is new regulation the most efficient and effective way to address the issue at hand?
- Are there industry-developed initiatives that address the problem?
- If new regulation is required, how can that regulation deliver the desired result with least impact for industry and for government?

The NFF's view is that while there is necessary regulation of the sector, the cumulative impact of the regulation by Commonwealth, state and local governments, and the overall accumulation of minor or peripheral regulations place a significant red and green tape burden on the sector. In isolation, minor regulatory impacts may not appear costly. It is when the Commonwealth and state-based regulations are added to industry or regionally-based regulations that the impacts become clearer. The administrative and cost burden to comply with and carry on business in the agriculture sector are significant.

Over-regulation is not just an issue for business, it creates significant challenges and imposes costs on governments. It is in the interest of government to actively pursue red and green tape reduction. Reducing red and green tape can stimulate economic activity (and government revenue) by enhancing the productivity of business, while at the same time reducing the cost to government of administering and enforcing regulations.

It is also in the interests of government to consult early with industry to ensure a comprehensive understanding of industry's views on the perceived problem, and the range of viable options that could be considered. While there are usually opportunities for consultation, this often occurs in the latter stages of the regulatory development process. By this stage, the problem has been identified and agreed, without debate and discussion with the key stakeholders who will be affected by the proposed measures. As part of the regulatory development process it is critical that there is a clear understanding of the market failure or problem that the regulation is seeking to remedy. Industry must be part of the conversation early to ensure there is an open and comprehensive consideration of issues.

While successive governments (and opposition parties) have made statements about the need to improve regulations, these changes have often come at the expense of business, as higher levels of consumer expectations are pursued through a regulatory approach. Continuing in this direction is seeing Australian businesses become less competitive against our international competitors and may have long-lasting negative impacts on the Australian economy if not addressed. A business-as-usual approach will not suffice.

Steps must be taken to enhance opportunities for business and unlock economic growth. Sound decisions cannot be made in a policy vacuum, and it is critical governments consider the cumulative impact of many small regulations, just as much as one or two large ones. Without decisive action, red tape will continue to stifle agriculture businesses and limit the ability of Australia to take advantage of growing market demands.

The NFF would implores governments to think carefully about decisions they make. They should ensure decisions are in the best long-term interest of the agriculture sector and don't adversely affect the ability of farming businesses to remain profitable in the short-term. Farmers operate in an uncertain environment, and the least governments can do is provide certainty through sensible policy.

The NFF's view is that further work is required to identify and reduce the regulatory burden on the agriculture sector. The development of specific farm-scale case studies that illustrate the overall impact of regulation can highlight the regulatory burden on what is often regular or routine business activity. While a good start in the process, the recent ABARES report was insufficient in scope and analysis, and it poorly reflected industry concerns in many areas.

Governments should consider establishing a program to proactively and routinely assess the efficiency and effectiveness of regulation affecting agriculture. As part of this process, a review of existing industry codes of practice and industry performance programmes is required to determine if additional regulation is required. For example, a number of industries, including the dairy industry, have successfully implemented industry sustainability

targets and measures including self-assessment tools for improved on-farm environmental outcomes. Investment in a specific program to reduce red and green tape would provide significant value to the farm sector and result in improved competitiveness and productivity, further driving the future of farming in Australia. This commitment would align directly with the Government's commitment to remove \$1 billion worth of red tape on industry and clearly demonstrate that the Government is serious in its objectives.

To support the sector, the NFF's view is that the role of Government is to:

- Conducting detailed analysis of the specific nature of the red and green tape burden for a range of farm enterprises to support a comprehensive articulation of the problems and demonstration of the impacts.
- Documenting regulations that are an unnecessary burden on the farm sector and establishing a clear timeframe for their removal.
- Committing to carefully consider regulatory impacts on the agriculture sector during the policy development process. A commitment to best practice regulatory approaches should not be seen as unnecessary work for an agency, but a true commitment to achieving appropriate policy outcomes.
- Encouraging a greater focus on consideration of non-regulatory, or industry-led, options to address emerging and existing policy issues.
- Being transparent, efficient and consistent in the way they interact with farm businesses, particularly regarding any costs they wish to recover from the sector.
- Tackling the issue of red and tape reduction at a cross-jurisdictional level, with states and the Commonwealth working collaboratively to identify areas of overlap, duplication or confusion with which farm businesses need comply.
- Driving regulatory change across all portfolios that affect farm businesses including agriculture, environment, transport, employment and safe work, which directly interact with farm businesses.
- Setting ambitious targets to reduce red and green tape affecting Australian agriculture

Issue 8: Enhancing agricultural exports

- How can industries and government respond to the key challenges and opportunities to increase or enhance exports?
- How can the government take best advantage of multilateral and bilateral trade negotiations (including through the World Trade Organization and through free trade agreements (FTAs) to advance the interests of the sector?
- How can engagement between industry and government on market access priorities for Australian agricultural products be improved, including to inform negotiations on FTAs?
- What changes could be made to biosecurity arrangements, both in Australia and in other countries, would enhance global trade in agricultural products?
- How do we provide the appropriate biosecurity controls at minimum cost?

Australian agriculture has always had a focus on export markets. With approximately two-thirds of production currently exported and with global markets opening up, the opportunities for Australian agriculture are significant. Notwithstanding this, suggestions that Australian agriculture will have preferential access or be the “Asian food bowl” need to be put into perspective. Australian agriculture will have a specific and important role to play in the developing markets of Asia and elsewhere but Australian agricultural exports will not be able to satisfy the projected demand alone. The capacity of Australia to supply the demands of hundreds of millions of people is simply not there. The situation in the markets that are being talked about, such as China, Indonesia and others, will be incredibly competitive. The suggestion that Australian farmers will have unfettered access to these markets is, in the NFF’s view, naïve. These markets will be intensely competitive and Australian agribusinesses will need to be globally efficient and sustainable to take advantage of the opportunities.

Above all else, to continue the growth in exports, and to ensure this growth translates into returns to farm gate, the industry needs to be able to continue producing high quality, safe and trusted food and fibre. This must be the focus of Government policy. An environment where farmers can continue to produce -and utilise their comparative advantages in areas such as access to land and water, a strong and robust food safety regime, reliable and consistent traceability requirements and a relevant and dependable regulatory system—will underpin continued food and fibre exports. A critical component of this is the ongoing provision of a strong and dependable biosecurity regime. Government policy must maintain, and strengthen where possible, the science-based measures that maintain a pest and disease management and prevention system that continues to allow Australian products to be exported globally.

Partnership

With respect to trade and market access, ‘biosecurity’ encompasses a range of issues at the global, national, regional and on-farm levels. At all levels the major imperatives are the maintenance of Australia’s high standard of disease, pest and weed freedom and the provision of robust data to support Australia’s claims of such freedom.

Fundamental to addressing these two imperatives is the application of a true government/industry partnership in the discussion and development of policies and programs that impact on Australia’s biosecurity status.

While Animal Health Australia and Plant Health Australia represent existing structures that provide for such a partnership, they are both feeling the detrimental effects of waning resources from both levels of government membership (federal and jurisdictional); this must be addressed. In the absence of an increase in, or at the very least a maintenance of, government commitment, the influence of these organisations, which are the envy of the international biosecurity community, will continue to erode; industry members will be unable to make up any shortfall alone.

Legislation

Central to a robust biosecurity system in Australia is appropriate federal legislation. The Quarantine Act (1908) is well documented as being under strain, with its many appended amendments used as attempts to maintain its relevance to changing times. Since 2012, the then Federal Department of Agriculture, Fisheries and Forestry (DAFF) was tasked with drafting new Biosecurity Legislation to replace the ageing Act; industry was invited to be involved, in a cursory sense, in the drafting process through DAFF's Industry Legislation Working Group.

NFF has recently been informed further development of the draft legislation remains on hold following the 2013 Federal Election. Notably, the Working Group has not met for over 18 months. In NFF's view, the finalisation and implementation of this legislation must proceed; when implemented, it will have a marked positive impact on Australia's competitiveness in terms of agricultural trade and market access, particularly as they relate to the fair handling of imported products. NFF also seeks a continuation of industry input into the drafting and sign-off process.

Priority markets and products need to be developed and included in a broader market-access strategy for the agriculture sector. The Government needs to develop and implement a clear strategy for prioritising the multilateral, regional and bilateral trade agenda. The trade policy landscape has changed over recent years, shifting from a broad-based multilateral agenda to a more specific and dynamic focus on regional and bilateral agreements. This shift has been driven by developments such as financial downturns, developing economies and challenges in the multilateral arena. The NFF maintains its support for the multilateral agenda, but recognises the clear opportunities for regional and bilateral outcomes that will facilitate improved market access. The NFF seeks Government commitment to achieving success in these fora.

Efforts to maintain the focus on trade liberalisation in the region will continue to be paramount, ensuring the opportunities for increased returns to Australian farmers in new and developing markets. These efforts must be complemented by enabling policies in the areas of: biosecurity; research, development and innovation; competition for land, water and labour; foreign investment; and in-country engagement. Importantly, policies need to facilitate commercial growth in exports, and not operate as a disincentive for increasing farm profitability.

Information on markets and competitors engagement or presence in markets is critical to developed informed market access strategies. Government policy should facilitate a more collaborative approach to coordinating information on market structure characteristics and opportunities to ensure that commodity or state-based initiatives are consistent with and don't compromise an overarching strategy that allows for complementary and flexible approaches.

There is significant value in the Government partnering with industry on initiatives to improve market access and address technical barriers to trade that can hold up exports. While

market access is a key priority, often technical barriers to trade, including certification and protocol delays, can undermine hard-fought access achievements. The provision of increased agricultural counsellors in overseas markets, and specific resources within the Department of Agriculture, are a sound investment by the Government. These investments will continue to be strongly supported by the agriculture sector.

International markets are critical to the future of Australian agriculture. Government policy must be focussed on working more closely with industry on a clear and cooperative strategy for increasing growth in exports that delivers profit. A strategic and comprehensive whole-of-government approach, including a National Food and Fibre Brand initiative, is a cooperative way to help grow Australia's farm exports by winning new market share, as well as defending existing market shares.

A strong overarching and national strategy, or brand, which clearly conveys Australia's strengths will be a vital tool in achieving export growth and price premiums within a range of markets. The implementation of such an initiative would complement successful, existing programmes and brands by sub-sectors and industries, as opposed to compromising them. Other major food producers, like Canada, the USA, South Africa, Chile and France, have invested significant resources into the development of their national brands. Australia's global competitiveness, as a high-quality safe and reliable producer, should demand an effective and coordinated approach to promote our credentials to a global audience.

Building an evidence-based brand position that underpins a differentiated framework for Australian food and fibre—that can be used at every level across industries, states and territories, regions and individual producers—would be of significant value to the Australian agriculture sector. This is, however, a long-term project that requires significant commitment from both industry and the Government. Currently, there is a level of support from both stakeholders, yet in order to become successful, the initiative requires further priority, commitment and coordination to deliver benefits.

To support the sector, the NFF's view is that the role of Government is to:

- Continue to work collaboratively, with the NFF and its members, to examine and implement cooperative, and where appropriate, formalised structures to enable the industry and Government to work more constructively to deliver mutually-beneficial results from trade negotiations.
- Improve communication of the benefits of trade agreements to producers and the broader Australian community.
- Reduce the burden of biosecurity processes on export products. A better balance between ensuring the integrity of our product, and the costs associated with export certification, is required.
- Develop and promote a collaborative and strategic approach to trade facilitation and market access negotiations.
- Develop effective partnerships with industry on approaches and initiatives to improve market access, and address technical barriers to trade that are preventing exports.
- Develop—and commit to—an overarching strategy along the lines of the National Food Brand strategy, that underpins a nationally-consistent 'Team Australian Agriculture' approach, which has industry buy-in and accentuates Australia's strengths.

- Invest in infrastructure (including road, rail, port and air) to facilitate the growth of the export industry, and also benefit rural and regional communities.
- Implement policy and initiatives that reduce the bottle necks and disruptions that add costs and inefficiencies across the supply chain.

Issue 9: Assessing the effectiveness of incentives for investment and job creation

- How well is the current set of government programs and incentives directed at the agriculture sector meeting their objectives, in terms of both effectiveness and efficiency?
- Are government visa arrangements and programs like relocation assistance, the Seasonal Worker Program and Harvest Labour Services effective at channeling workers into the agriculture sector and what other approaches should be considered?
- What have other countries done to inspire agricultural investment?
- What has Australia done in the past that has had best effect?

The NFF is strongly supportive of nationally consistent agriculture policy development and implementation. The NFF advocates for the development of a White Paper that clearly sets the framework within which our food and fibre producers and supply chains can operate and prosper, and articulates the Government's role in this.

Australian farmers do not impose a burden on taxpayers. They underpin one of the few sectors that creates real value for the economy. As the current Federal Government has rightly identified, agriculture is a key pillar of the Australian economy now and into the future. Publically-funded sectors such as health, education, defence and other government services rely on the ongoing success of sectors such as agriculture. There are many areas where governments and the agriculture sector can work more closely together for the benefit of the industries involved, as well as the broader community. Well-targeted expenditure by governments on agriculture is an investment in Australia's future. The NFF expects that any investment should be well-targeted, and efficiently delivered.

The areas where the Government currently invest in the sector, such as RD&E and primary producer tax concessions, are sound. Further targeted investment is likely to unlock greater profit gains by the sector by opening up new opportunities for increasing productivity and reducing costs on individual farm businesses.

The Commonwealth Department of Agriculture, and its predecessors, suffered as a result of decisions to reduce capacity and scope. Industry must work in partnership with Government across a range of areas in the agriculture sector. While costly and burdensome regulation needs to be reduced, there is a clear role for Government in encouraging an operating environment conducive to business investment. Whether it be on farm, transport and supply-chain efficiencies, investment arrangements or international trade, a strong and well-resourced Government portfolio with the responsibility for agriculture is critical. If a government and industry partnership is going to be effective in addressing some of the issues raised as part of the White Paper process, the Government department responsible for agriculture must have a stronger presence, with direct linkages to key central agencies and a clear focus on driving measures that will improve profitability and competitiveness. The agency must take a more proactive leadership role working with relevant stakeholders, including other government agencies, to develop and implement policy that will drive change.

The Government has committed to significant reviews of taxation and competition policies. The context for these reviews is significantly broader than the agriculture sector. The NFF's view it that it is important for the Agriculture Competitiveness White Paper to specifically articulate the issues for agriculture relevant to these other processes, to ensure that agricultural issues receive appropriate focus.

To support the sector, the NFF's view is that the role of Government is to:

- Increasing investment in the agriculture sector, including through specific and targeted existing mechanisms, such as RD&E and taxation incentives.
- Ensuring Australian farmers are not disadvantaged compared to international competitors, in both international and domestic markets.
- Allowing greater flexibility in labour arrangements and ensure workplace relations arrangements appropriately meet the needs of the agriculture sector, including through filling skills gaps from overseas sources.