



National Farmers' Federation

Submission to the Green Paper on Developing Northern Australia

8 August 2014

NFF Member Organisations



CANEGROWERS



CORPORATE
AGRICULTURAL
GROUP



COTTON
AUSTRALIA



Goat Industry Council
of Australia Inc.



*The Pastoralists'
Association of
West Darling*



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Northern Australia Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
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Dear Taskforce Chair

The National Farmers' Federation (NFF) is pleased to be able to provide a response to the Developing Northern Australia Green Paper that sets out the opportunities, barriers and potential policy directions necessary to achieve a long-term vision for Northern Australia. The NFF is the peak national body representing farmers and the broader agriculture sector across Australia. It is the overarching view of the NFF that a strong agricultural sector is vital to ensuring a strong Northern Australia.

Agriculture is intrinsically interwoven into the economic, social and environmental fabric of Northern Australia. In Queensland alone, much of which is considered in the Green Paper as 'Northern Australia', there are over 28,000 agricultural businesses that employ thousands of people and produce nearly 10 billion dollars of value for their local, state and national economies. Keeping in mind the contributions of the Northern Territory and north -Western Australia, the fundamental link between the north and agriculture is clear.

This submission details the NFF's views on the role of government in developing Northern Australia. The key recommendations of this report centre on the belief that government should create an environment that supports agriculture to be competitive as this will place the sector in the best position possible to help develop Northern Australia. Simply stated, government policy needs to focus on removing barriers to development. Policy must be coordinated across government and deliver market development opportunities for agriculture and other sectors.

Agriculture will be a foundation stone in the development of a strong Northern Australia. The role of government is to remove barriers to development that hinder efforts to increase the sector's competitiveness and in doing so, contribute to the greater economic development of Northern Australia.

Again I thank you for the opportunity to respond to this vitally import investigation into Northern Australia and I look forward to further discussion on this issue.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Brent Finlay', written over a horizontal dashed line.

Brent Finlay
PRESIDENT

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Introduction

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission in response to the Green Paper on Developing Northern Australia. The NFF has made this submission in order to assist in the process of developing a more prosperous Northern Australia. As outlined in the Green Paper, a strong Northern Australia does not just benefit those north of the Tropic of Capricorn, but has positive ramifications for the entire country. With this in mind, the NFF feels strongly about developing the north and in particular its immense potential to produce food and fibre not just for Australia, but for the world.

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 current Government in its consideration of the long-term policy requirements to ensure Australian agriculture remains a significant contributor to the economy and local communities.

This commitment to agriculture and its role with the community is highly relevant to the process of developing Northern Australia. It is the view of the NFF that ***agriculture will not only be a beneficiary of, but a principal contributor to, a strong Northern Australia***. To ensure this much needed contribution of agriculture continues, the NFF has centred its response to the Green Paper on the following policy areas highlighted in the Green Paper:

1. Delivering economic infrastructure;
2. Improving land use;
3. Improving water access and management;
4. Prompting trade and investment and strengthening the business environment;
5. Fostering education, research and innovation; and
6. Enhancing government;

1. Delivering economic infrastructure

Effective infrastructure development plays a resoundingly important role in the success of Australian agriculture. Agriculture, along with other industry sectors that drive the Australian economy, depends on adequate freight, energy and telecommunications infrastructure. With this in mind, it is crucial that government looks to support innovative, sometimes even bold, infrastructure developments to ensure that the challenges can be overcome, and the opportunities are taken advantage of. This will help ensure that agriculture can produce and market its products and in doing so feed, clothe and employ the domestic population (both northern and southern) but also international markets.

1.1 Overall infrastructure planning environment

Current situation and issues

Agricultural businesses in Northern Australia rely heavily on efficient, reliable and affordable freight infrastructure to transport supplies into the farming regions, as well as delivering food and fibre to state, national and international markets. Freight infrastructure, including those underpinning rail, road, air and sea transport of goods is central to supporting business activity and driving economic growth for the region.

One of the key impediments to the further development of the agriculture industry in Northern Australia is inadequate infrastructure including transport, storage, processing and port facilities. While some areas have an adequate base of regional infrastructure, overall the agriculture sector has identified inadequate transport and connectivity throughout the entire supply chain as one of the major barriers to business growth and investment attraction in the North of Australia. For example high freight costs, unreliable roads and limited alternative options are a concern for the many in the farm sector as they push to get perishable product to market in short timeframes.

If there is to be increased future population and agricultural sector growth in the regions in question, the situation of poor overall infrastructure development, planning and linkage cannot continue to occur. With respect to overall infrastructure planning, there needs to be a focus on developing a more collaborative approach across commonwealth government, state government and industry. This should involve working with industry to identify infrastructure priorities and discuss the range of financing options (including a mixture of public and private) available.

Recommended government actions:

- 1. Facilitating a cross-jurisdictional approach to infrastructure, that collaborates with industry to identify what is currently in place, and prioritises critical investment in agriculture's key infrastructure needs.**
- 2. Adopt a more strategic and integrated approach to the planning of infrastructure, that focuses on ensuring that development will adequately cater for identified future demands and needs.**
- 3. Work with industry and the private sector to consider alternative approaches to sourcing capital for infrastructure projects including public-private partnerships such as user-pay models.**

4. Commit to directly fund infrastructure as well as facilitate models that attract private investment.

1.2 Road infrastructure

Current situation and issues

As is the case in all areas of Australia, road transport is the primary mode of travel and transport in the north. At present the major road transport arterials in and out of the region are primarily the Bruce, Stuart, Flinders, Barkly and the Great Northern highways.

Agricultural road transport in this region is in many cases unique with vehicles such as road-trains required to transport large quantities of agricultural produce to and from market. However, the barriers to improved freight efficiency are consistent with the rest of Australia and broadly fall into two categories: regulatory impediments and poorly targeted infrastructure investment.

Road transport in the north of Australia faces a number of challenges, which if left unaddressed will negatively impact the ability of agriculture to develop further in the region and provide return on investment. The salient challenge is the ability of road transport to cater for expected growth and improve the safety, efficiency, reliability and cost-effectiveness of freight and passenger transport along the entire road corridor.

More specifically, as Northern Australia is subject to the frequent weather and flood events associated with its tropical location, the road transport network is regularly closed at various points. Road flooding causes destruction of pavements and structures, resulting in poor and unsafe driving conditions on damaged surfaces. This situation is magnified by the fact that in the Northern Territory alone, eighty percent (80%) of the roads in the Northern Territory are unsealed¹. Reconstruction then results in further delays to traffic. While the current approach of repairing and maintenance is recognised there must be a long term road mitigation upgrades.

Under the current Fuel Tax Credit Scheme (FTCS) the government provides a rebate of the excise and customs duty paid on diesel and like fuels purchased for specific off-road uses – mainly in the mining, agriculture and other primary production industries. The fuel tax credit reimburses Australian farmers for tax already paid on a key business input.

While the liability for fuel tax falls on producers or importers, the incidence of fuel tax is generally intended to fall on on-road users of light vehicles (with a road user charge applying to heavy vehicles). Therefore, like the GST input tax credits, farm businesses who have purchased fuel on which excise has been levied (other than those using the fuel in light on-road vehicles) should be entitled to a fuel tax credit to offset the incidence of the tax.

The primary purpose of the scheme is to maintain competitiveness in key export industries, such as agriculture, in a manner consistent with the government's broader fiscal objectives. The NFF view is that Fuel Tax Credits are a critical mechanism to help the farming sector to maintain a level of competitiveness in the global market.

Recommended government actions:

¹ Northern Territory cattlemen's Association submission to Developing Northern Australia inquiry, p.15.

5. **A concerted effort to remove regulatory impediments to increasing freight flows, including through use of higher-productivity vehicles.**
6. **Invest in road and highway upgrades, in particular to build the long-term resilience of the road system to natural disasters and extreme weather events and an improved capacity to cope with future increases in freight flows.**
7. **Identify and continue to support important road infrastructure initiatives such as the cross jurisdictional Remote Australia Livestock Transport Scheme (RALTS) for the triple road train region of Australia, as identified by NFF member the Northern Territory Cattlemen's Association².**
8. **Maintain the fuel tax excise scheme to provide farmers and the agricultural sector with the capacity to reduce their costs on farm and contribute to global competitiveness.**

1.3 Rail, Air & Port Infrastructure

Current situation and issues

The NFF believes government should comprehensively investigate alternatives to the infrastructure status quo to determine if there is potential to increase efficiencies. Agricultural freight flows will naturally navigate towards the least-cost pathway to market (allowing for other factors such as perishability) and transparent pricing of transport options, along with a clear understanding of Government's infrastructure priorities, is critical to allow businesses to make sound investment decisions.

Whilst the NFF suggests caution in picking winners or nominating specific infrastructure projects, there is a clear need to prioritise projects and commit to funding those projects that will deliver the most benefits to the region and nationally. If investigations into infrastructure efficiencies reveal possible improvements the government should prioritise them and ensure they have a calculated return on investment. Major developments such as airfreight and port infrastructure are of heightened importance to northern agricultural industries such as beef production as they have a high focus on large scale international export.

The NFF is aware that there is not an unlimited level of funding and large scale rail, air and port infrastructure are major long-term investments. However, to date alternative funding arrangements, such as user-pays models are not being given appropriate investigation and analysis to help overcome funding issues. If change is to actually occur then more serious consideration of the economic market driven outcomes must be undertaken.

Recommended government actions:

9. **An investigation of the economic mechanisms to drive change that will deliver transport needs of more export focused industries in Northern Australia, including an examination of rail, port and airport infrastructure.**

² Northern Territory Cattlemen's Association's, *submission to the Joint Select Committee on Northern Australia*, 2014, p.11

1.4 Technology Based Infrastructure

Current situation and issues

Much of regional Australia, especially areas in the geographically sparse Northern Australia suffer from inadequate access to affordable technology, such as mobile and internet services. This impacts the industry in a number of serious ways, from productivity through to safety.

Poor communications technology has a negative impact of the day-to-day operations of many farm business. Reliable and accessible communication is required to access up-to-date market information as well as to enable communication throughout the supply chain. Employees on remote stations need reliable phone technology to communicate work tasks and even more so in times of emergency. Thus, infrastructure deficiencies in these areas pose not just economic risk but health and safety risks.

Beyond basic provision of infrastructure, improved participation in the digital economy is essential to the productivity, competitive standing and wellbeing of regional Australia. The NFF continues to be a strong supporter of the use of digital strategies to capture productivity gains in the agricultural sector and encourages government consideration of working with the sector to ensure that telecommunications infrastructure is leveraged to its full potential.

Recommended government actions:

- 10. Investment (both directly and in partnership with the private sector) in telecommunications infrastructure to help agricultural enterprises overcome the economic and social challenges caused by deficiencies in this area.**
- 11. Ensuring that rural and regional areas are considered equally in the roll out of critical telecommunications infrastructure.**

2. Improving land use and access

Access to land and other natural resources underpins agriculture. To maximise the opportunity for agriculture in Northern Australia, reform is required to provide tenure certainty.

2.1 Land tenure and information

Current situation and issues

Land tenure is a significant barrier to further capital investment in agriculture in the north. Inflexible conditions of use, ever increasing annual rents and cumbersome and expensive processes to convert to freehold tenure are holding back improved productivity and diversification.

So much of Northern Australia is held under various forms of crown lease. In the main, states hold limited residual value in this tenure; lessees have been responsible for creating the real value of these leases; lessees have been scientifically proven to be good land managers; and there are adequate, if not onerous land management controls already in place across all tenures.

NFF recognises that resolving these issues is largely the domain of the State and Territory governments. The policy directions highlighted in the Green Paper focus on increasing the accessibility of land tenure information – to support business planning and development. In

NFF's view, this focus is too limited, and more needs to be done to encourage tenure reform by the States.

The Commonwealth can play a role by providing incentives to jurisdictions to accelerate reforms that will:

- reduce the barriers to freehold conversion – including reform of the process and lower costs;
- streamline processes to change lease conditions of use;
- transparently set rents using consistent pricing principles that recognise the unique social, economic and environmental contributions made by lessees

Recommended government actions:

12. Encourage tenure reform to reduce barriers to freehold conversion, streamline processes to change conditions of use and establishes consistent and transparent pricing of crown lease rents.

2.1 Native Title

Current situation and issues

On issues related to Native Title, NFF represents the views and interests of pastoralists, as respondents to Native Title claims. NFF's member organisations are among those that, with Federal Government Funding, provide information, advice and support to Native Title Respondents.

The Green Paper highlights that it should be easier and less costly for leaseholders to diversify land use to encourage investment. The current lengthy Native Title claim process is likely to dampen the effectiveness any policy designed to encourage investment in changed land uses. There are opportunities for sensible and appropriate reform to native title to achieve the outcomes articulated in the Green Paper. These reforms should be focused on improving certainty in the process for leaseholders and providing a sound legal footing to encourage consent determinations.

The introduction of a presumption of continuity and a shift to a single respondent (the Crown) are frequently mentioned as policy remedies to streamline the native title process.

NFF does not support the introduction of a presumption of continuity. Reversing the onus of proof in Native Title claims would in our view shift the financial burden of claim resolution to respondents. As respondents to a claim, pastoralists would be required to expend considerable time, effort and funds to rebut claims. Further, in NFF's view, the adoption of a presumption of continuity may encourage claimants to take an expansive view of the geographical extent of their country. This would result in the lodgement of overlapping and speculative claims, leading to lengthy and contested claim resolution.

NFF's view is that pastoralist involvement and representation in the native title claims process is important. NFF is concerned that a move to a single respondent model would heighten the uncertainty of pastoralists. It is neither fair nor just that an individual affected by a decision making process not be formally party to the process. Removing a formal role for pastoralists in the process removes the opportunity to achieve sensible and fair outcomes through consent determinations. Ultimately, the resolution of a native title claim (whether reached through consent or litigation) results in the formation of a relationship between pastoralists and the native title holders. Both will be responsible for dealing with native title rights and interests in the future, and both should be formally party to the claim.

In NFF's view, certainty for pastoralist respondents can also be improved by:

- Ensuring that respondents enter into negotiations with a single claimant.
- Adjusting the time at which pastoralists are joined as a party to the claim may remove the angst associated with the timeframe that is required to establish and clarify the applicants to the claim.
- Providing a structured and supported environment in which claimants and respondents can negotiate and reach agreement over access. Encouraging consent determinations should be a priority.
- Providing clear timeframes for negotiations, resorting only to the courts to resolve those points of difference.
- Establishing a sunset clause. The absence of any deadline for lodging claims mean vast areas not yet subject to claim (and not previously subject to claim) will remain subject to the provisions of the future act regime of the Native Title Act 1993 indefinitely. This stifles tenure reform.

The Green Paper alludes to native title reform that could encourage economic development for indigenous claimants. In NFF's view, where native title co-exists with other interests it is difficult to see how commercial rights could be exercised when the rights of the other interest holders take priority. In NFF's view, a proprietary interest in land is required to derive a real economic benefit. Native title does not and cannot deliver that outcome. NFF recognises that activities done in accordance with traditional law and custom can be exploited commercially (for example, hunting and gathering), but measures that expand the range of activities to encompass broad commercial rights is not supported by NFF.

Recommended government actions:

- 13. Reform to the native title processes to address the issues of overlapping claims and claim group composition disputes which stifle the timely resolution of native title claims.**
- 14. Ensuring that all parties to native title claims are appropriately supported in a way to facilitate and encourage consent determinations. This means providing adequate funding to support the provision of information and advice for respondents.**
- 15. Ensuring that outstanding legal questions associated with native title are tested and answered. Greater legal certainty provides the sound footing for timely negotiation of consent determinations.**
- 16. Providing greater legislative certainty. This includes amendments to the Native Title Act to introduce a sunset clause and to ensure that claims that have been resolved by consent determination cannot be subject to question if the legal basis of the determination changes with decisions of the courts over time.**
- 17. Developing approaches to achieve commercial and economic outcomes by Indigenous people that are separate to the process for recognising native title.**

3. Improving water access and management

Given the seasonal variability of rainfall in the north, sustainable development of water resources and prudent investment in water infrastructure is required to underpin agricultural development.

3.1 New water infrastructure to support industries and communities

Current situation and issues

The Green Paper reiterates a commitment to investigate water infrastructure in Northern Australia. While this commitment is welcome, we need to ensure that the mistakes of the past are not repeated.

The Green Paper's focus appears to consider water infrastructure in isolation from other factors required to support the development of irrigated farming systems. Not all good places to catch and store water are good places to grow food and fibre and to transport them to markets. The Green Paper indicates that CSIRO is tasked with preliminary investigations from a hydrological view point, more integrated analysis of factors to support successful development is required. These factors include soil, climate, pest and disease risk, and proximity to the supply chain. An initial rapid assessment is required to establish the key priorities for more detailed water resource assessment.

In NFF's view, key considerations for investment in new water infrastructure development should be:

- The long-term environmental sustainability of the works – established through sound water planning processes based on robust scientific information.
- Compliance with the principles of the National Water Initiative, including those relating to the specification of water access entitlements and the establishment of water markets.
- Based on a sound business case, to ensure the long term financial sustainability of the scheme or dam for water users.
- Processes that streamline the project development and approval phases of agreed projects.

Importantly, the business cases must articulate the long-term cost structures and cost recovery arrangements for the infrastructure. Consideration must be given to how public investment will be treated in the regulatory asset base (RAB) of the infrastructure owner. Under full cost recovery pricing, irrigators pay a rate of return on capital. In the past, the treatment of historic capital contributions from Governments have frustrated irrigators during pricing determination processes. Irrigators have invested considerable time and energy to demonstrate to regulators, who have little appreciation of the history of developments, that such grants should not form part of the RAB. Articulating these considerations upfront can avoid these challenges in the long run.

There are a range of options to finance new developments, and in NFF's view, all options should be on the table when developing project concepts and businesses cases. The financing solution is likely to be different for different projects.

Financing options could include:

- Investment from the State and Commonwealth. This could include contributions that recognise the public benefits from water infrastructure (e.g. securing water supplies for

towns and other critical human needs, flood mitigation) and investment that recognises the long term economic development and prosperity of regional areas.

- Private investment, (e.g. hydro power generation that could be underpinned by loans from an entity similar to the Clean Energy Finance Corporation).
- Contributions from irrigators, who would be end users of the scheme.
- Long term loan arrangements such as those that have been adopted in New Zealand.
- Contributions from other beneficiaries of infrastructure.

In NFF's view, attracting large private finance for infrastructure should not come at the expense of a transparent process - that is accessible to all - to allocate the water rights that are created in a development. Open tender or ballot processes must be used.

Recommended government actions:

- 18. Conducting a rapid assessment to establish priority water infrastructure opportunities for more detailed investigation. This rapid assessment requires an integrated analysis of range of factors required to support successful development including existing demand, soil, climate, pest and disease risk, and proximity to the supply chain.**
- 19. Supporting detailed investigations of key priorities. Similar to the development of irrigation infrastructure in Tasmania, focused project teams are required to accelerate the development of businesses cases and conduct preliminary environmental assessments.**
- 20. Streamlining requirements for development approval for priority water infrastructure projects.**
- 21. Requiring NWI consistency as the basis for any Commonwealth investment, and ensuring that Commonwealth contributions to infrastructure development does not attract a return on that investment for the long term asset holder.**

3.2 Comprehensive water resource assessments

Current situation and issues

Consistent with the requirements of the National Water Initiative (NWI), NFF supports comprehensive resource assessments to ensure the long term sustainability of agreed levels of extraction. A sound information base is required to support water planning and management.

NFF advocates for a structured process to prioritise effort in water resource assessments. Assessments should be focused on those catchments or water sources where there is existing demand for development and where development is likely to be most favourable to support economic activity. As discussed earlier, for agriculture development, key factors that should inform priorities include soil, climate, pest and disease risk, and proximity to the supply chain.

Recommended government actions:

- 22. Supporting an acceleration of water resource assessment in areas of high priority**

3.3 Best practice planning and management

Current situation and issues

NWI consistent legislation must be the foundation for best practice water planning and management. Importantly, legislation should establish clear and transparent processes for water planning (including a requirement to genuinely engage with stakeholders in that process) and the framework for defining clear and secure water access rights.

NFF supports a risk-based approach to planning that recognises the complexity of the water resources, their conservation values, and the threats to them. NFF recognises the funding for water resource assessments and planning is not limitless – and thus prioritisation is important.

In addition considering long term sustainability, planning processes for “green field developments” should establish the key policy and management frameworks for extraction. This includes deciding on the most appropriate water allocation systems³ and establishing water trading rules to protect important values (e.g. timing for environmental purposes and impacts on other entitlement holders).

Recommended government actions:

23. Supporting the acceleration of NWI consistent water planning in areas of high priority.

3.4 Water markets

Current situation and issues

The establishment of water markets must be integrated with water planning and management activities. Clearly specified water access entitlements, separate to land, and with a guaranteed system of registration are the foundation of any permanent water market. Markets for trade in seasonal allocations (temporary water) require clear management rules that describe the way in which water is to be allocated to water accounts, the rules for managing the account and any limits seasonal trade that are required to achieve the objects of the plan.

Transparent platforms for publishing market information are also required, and efficient administrative arrangements for processing trades. NFF recognises that there are costs associated with establishing water market infrastructure and that investment should be commensurate with the anticipated depth of the market. However, any foundations for a market must be designed in such a way that they are able to be built on overtime as the market grows and users explore the full range of opportunities to maximise the value of their water entitlements through trade.

Recommended government actions:

24. Encouraging NWI consistency by the states and territories. NWI consistent legislative instruments and water planning is required to underpin the development of an effective and transparent market for trade in both water entitlements and allocations.

³ For examples of different water allocation systems, and approaches to compare alternatives see Barma Water Resources *et al* (2011) Water allocation systems: exploring opportunities for reform, Waterlines report, National Water Commission, Canberra <http://archive.nwc.gov.au/library/waterlines/65>

4. Prompting trade and investment and strengthening the business environment

Like the other crucial policy areas identified in the Green Paper, creating a strong market driven business environment is essential in to allow agriculture to play its role in developing the North to the best of its capacity. Promoting trade liberalisation, particularly implementing policy that best allows agriculture in the north to take advantage of the growing demand in markets in many Asian countries, will contribute to the future of the sector. Likewise, by encouraging a stronger business environment, agriculture will have a more resilient base from which to deliver economic, social and environmental benefits to the region.

4.1 Promoting agricultural trade opportunities/market access

Current situation and issues

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.

Priority markets and products need to be developed and included in a broader market-access strategy for the agriculture sector in the north to expand. A number of industries are well placed to expand in Northern Australia including but not limited to sugar, beef and horticulture. The factor that will drive their growth and investment will be markets and an opportunity for that investment to deliver returns. The Government needs to develop and implement a clear strategy that drives market development prioritising the multilateral, regional and bilateral trade agenda to help achieve this goal.

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. 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.

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.

Recommended government actions:

- 25. Develop complementary policies and programs that facilitate and encourage agricultural product market development in Northern Australia.**
- 26. Develop collective agriculture sector priorities for free trade agreements including bilateral and multilateral agreements with key markets that help underpin development and investment in Northern Australia**

- 27. 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.**

4.2 Foreign Investment

Current situation and issues

Australian investment alone is not sufficient enough for agriculture to grow and develop to fulfil its capacity particularly in Northern Australia. Foreign investment plays an important role in providing capital and delivering productivity gains and technological innovations. As much of the land Northern Australia is underdeveloped, the region is in prime position to benefit from foreign investment. If this investment occurs, much of the benefits of agriculture mentioned in this submission i.e. employment, primary production and community development will be expanded upon to a level unachievable without foreign involvement. Relevant and appropriate policies and programs that encourage investment (both foreign and domestic) should be investigated and implemented to secure much needed capital in agriculture both Northern Australia and in existing regions.

However, public concerns about foreign investment in agriculture remain and the national interest tests used to assess foreign investment lack clarity and transparency in relation to agricultural assets. Government moves to improve the data on foreign investment in agriculture through ABS surveys may not be sufficient to provide the necessary transparency. The NFF has called for a national foreign ownership register as a vital first step. The Australian Government responded to these calls and indicated its support for the completion of a regulator. However, at the time of writing this submission no such register has been established.

Recommended government actions:

- 28. Recognise that foreign investment is a critical component of the future of Australian agriculture. 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.**
- 29. The government must deliver on its commitment to establish a national foreign ownership register of agricultural land, water and assets.**

4.3 Regulation

Current situation and issues

The NFF's view is that the sector is being limited in its efforts to seize domestic and international market opportunities through a tangle of complex regulations which increase costs to industry and to governments, and limits the competitiveness of individual businesses.

Farm businesses battle through a myriad of hard to understand, complex or duplicative regulations. While successive governments have delivered rhetoric about reducing red tape for business, in reality we have seen the regulatory burden increase on farm business and the broader industry.

NFF is of the view that the agriculture sector carries a greater burden than other sectors of the economy and broader society. 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. Examples such as this clearly illustrate the burden that excessive regulation places on the industry. If agriculture is to truly play a major role in developing the north, government needs to rid it of some of this unnecessary regulation.

The NFF issues paper '*Red Tape in Australian Agriculture*⁴', identified a few key areas for reform across government that would ease the regulatory burden on the agriculture sector. Government's regulatory reform agenda needs to be through a number of ways, from direct repeal of unnecessary legislation, through to a new policy approach that takes greater consideration of regulatory costs to businesses and places greater priority on non-regulatory policy approaches.

Recommended government actions:

30. Reducing the red and green tape burden on Australian, at a cross-jurisdictional level, to reduce the cost of doing business and to enable farmers to make decisions to that improve their productivity and profitability.

31. Encouraging a greater focus on consideration of non-regulatory, or industry-led, options to address emerging and existing policy issues.

4.4 Finance

Current situation and issues.

Access to finance is critical for the ongoing development of agricultural businesses in Northern Australia. Farm businesses rely on credit to fund almost all facets of a business life cycle, including start-up costs, expansion and supporting business operations during times of low cash flow. The finance sector has a broad responsibility to provide reasonable access to measures to drive investment, property and land developments and expansions of existing businesses.

Reasonable access to finance for the farm sector is also critical to improving Australia's productivity and competitiveness. Businesses wishing to invest to improve their own productivity or produce higher value products and services will invariably require finance to make such investments. Given the reliance that farm business enterprises have on banks as a source of finance, reasonable access to finance on appropriate terms is a critical economic issue.

The predominant reasons why agricultural businesses considered accessing finance a challenge include:

- Difficulty in finding an appropriate lender willing to provide funding to their business, primarily due to the more risk adverse and conservative approaches to small/medium size business lending.
- Reluctance of major banks to lend to some agricultural entities due to negative perceptions of economic risk linked directly to the natural disasters and poor on-the-ground understanding about the broader agriculture economy and industry performance in Northern Australia.
- Inadequate understanding and adoption of farm business planning cash flow management practices and reporting/accounting practices.

⁴ <http://www.nff.org.au/policy/farm-business.html>

Recommended government actions:

- 32. Recognise that the agricultural sector requires specific financial considerations and approach than to many other sectors due to factors, such as the nature of the products, logistic requirements and exposure to risks that are outside the control of the sector.**
- 33. Work with industry and the financial sector to examine and develop policy and program 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 taxation measures.**

4.5 Energy Costs

Current situation and issues

Agriculture is a key pillar of the Australia economy, however continuous expansion of the energy sector and escalating energy price pressures have had a severe impact on individual farmers and agriculture more broadly contributing to significant financial hardship in some areas. This can be exacerbated in remote areas of Northern Australia where access to reliable and affordable energy can be difficult.

Energy use is variable across agriculture depending on industry, intensification of operations, location and structure of the business. Intensive agriculture in remote regions such as those in Northern Australia uses large amounts of energy for heating and cooling or distributing water on irrigated properties. There are also key periods in agriculture (e.g. sowing or harvesting season) that require large quantities of energy. There are clear signs the cost of energy on farm is escalating and there is not enough transparency or equity in the discussion to date.

Farm businesses need lower energy costs, transparency in the energy market and consideration of tariffs that are tailored to suit the needs of agricultural industries. Farmers should have access to electricity tariffs that are designed to suit the energy demand of their industry. Ideally a farm business tariff would be volume based (not network demand driven), and would include an option for a weekend tariff rate. The following guiding principles provide a mechanism to consider the design of appropriate tariff structures to suit the needs of farmers and irrigators, which could potentially be applied to across the sector and be applicable to energy markets in Northern Australia:

- Tariffs and the associated charges must be positively correlated to the usage patterned of an individual farmer. If there is a decrease in use or a modification in the usage pattern towards 'shoulder' and 'off-peak' this must trigger a decrease in overall prices for electricity.
- The tariff and the associated charges must be at levels that do not discourage farmers from participating in national and state water efficiency and land care programs and/or utilising technologies and infrastructure that contribute to the national goal of increased food and fibre production.
- The tariffs must allow for an efficient use of energy related equipment. This includes wires, poles and meters.
- The tariffs must allow for optimal water application that best assists plant growth.

- The tariffs must avoid perverse pricing outcomes, especially in the context of demand charges. Such demand charges must be tailored to the specific farm operation and the equipment used on farm.

Recommended government actions

- 34. To ensure the long term competitiveness of the agricultural sector, the Government should investigate relevant tariff structures that facilitate provision of low cost energy to remote communities.**
- 35. Ensure regulated electricity prices are determined at a level consistent with vigorous competition and the vision to increase agricultural productivity and profitability**
- 36. Investigate improved ‘time of use’ tariffs for the agriculture sector.**
- 37. Ensure R&D investment into the development of remote or alternative power solutions, and also adaptation initiatives for the farm sector.**
- 38. 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.**

4.6 Improving labour availability

Current situation and issues

Improving the farm-gate profitability of agriculture is a key element in revitalising regional and remote communities. More profitable farms increase employment opportunities and improve population distribution, which has flow-on benefits for the economy as a whole.

The NFF Blueprint for Australian Agriculture called for employers in the industry to become ‘employers of choice’, through better attraction and retention strategies and the development of human capital. Skills development and workforce planning are too often seen as an adjunct to a business that ‘costs’ and for which there is only time when businesses are profitable or off-season. Greater industry involvement in education and training, positive promotion of agricultural pathways and improved capacity of the current education and training system to deliver innovative training solutions are all needed to build an agriculture workforce with the capacity to meet the future demands of the sector.

A major issue for employers in Northern Australia is the attraction and retention of workers. Many small and medium businesses struggle to find reliable, permanent employees. There are many reasons why this is so: life in rural and remote areas involves fewer transport options and a limited supply of affordable, quality housing. There are not enough essential services such as doctors, midwives, schools and childcare. Internet and mobile phone use is constrained because many areas are out of range and/or reliant on satellite with limited download capacity. Wages are often lower while housing and fuel and grocery costs are high. In resource-rich areas such as North Western Australia or mining towns around the Bowen Basin or Mount Isa, resource sector incomes artificially inflate the cost of housing and attract workers based in the region away from agricultural pursuits. These are barriers to relocation for employees as well as reasons why many choose to move away to more urban settings.

Regional economic development will happen where businesses are profitable and sustainable. Making rural and regional areas attractive places to live and work requires investment in strategically located essential services that are affordable and accessible. Successful delivery of

this strategy will create a pool of local workers for employers to draw from and reduce reliance on fly-in, fly-out workers and associated higher employment costs.

Inflexible workplace laws

Government needs ensure that workplace regulation does not get in the way of the development of Northern Australia. There is a case for considering where greater flexibility can be injected into the system to counter the effect of high minimum wages, employment entitlements and on-cost that constrain the cash flow capacity of farm businesses. Enterprise agreements should be capable of being made without a legislative requirement that they must result in increased labour costs, implicit in the 'better off overall test'. The long awaited long service leave 'National Employment Standard' (NES) should be abandoned in recognition that, at least for now, it falls in the 'too hard' basket. Laws dealing with long service leave that were in place before commencement of the NES should be restored. Comcare should be supported to become the vehicle through which national employers can adopt a single, national workers compensation scheme for employees.

Other labour costs should be reviewed where immediate opportunities exist to improve the position of farm businesses. An obvious example is the requirement to make superannuation contributions on behalf of workers on working holiday visas. This policy simply does not stack up. Many backpackers work throughout Northern Australia each year. The payment of superannuation contributions adds 9.5 per cent to the cost of their labour. It is intended to ease the pressure on the Australian pension system; a result unlikely to be achieved through contributions on behalf of workers who will retire overseas. Much of the time these contributions end up in unclaimed super accounts, ultimately contributing to consolidated revenue instead of being returned to the employers who paid them.

The extension of Australian workplace laws to foreign workers on ships engaged in the coastal trade significantly increased the costs of shipping around Australia. While there is little publicly available information on the actual cost increases resulting from extended application of the Fair Work laws to coastal shipping, evidence given in 2008 to the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development & Local Government inquiry into coastal shipping policy and regulation indicated that the cost differential between ships operating with Australian crews and foreign crews was approximately \$2 million per year.⁵

Recommended government actions:

- 39. Review of key employment legislation covering areas including Enterprise Agreements, long service leave and Comcare.**
- 40. Wholesale repeal of the requirement of employers to pay superannuation to employees on working holiday visas and the application of Australian workplace laws to foreign workers engaged in coastal trade.**

Lack of 'Regional living' incentives

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.

More needs to be done to ensure that the community is aware of the various incentives already provided to employees who move to regional areas for work and to revise or increase these

⁵ House of Representatives Standing Committee on Infrastructure, Transport, Regional Development & Local Government inquiry into coastal shipping policy and regulation, October 2008 at paragraph 3.21

incentives so that they are effective. This includes incentives for both regional businesses who need to attract staff and individuals who are willing to move for work or study.

Many of the flexibilities that do currently exist in the employment participation system are not readily understood. More needs to be done by Government in partnership with industry to improve understanding by both employers and potential employees. In addition, Employment Services Providers should be encouraged to promote and assist relocation on either a short-term or long-term basis to undertake employment in regional areas of Northern Australia.

Changes to employment participation policy should be considered to remove any existing barriers to relocation for those on government benefits. This includes greater investment in social support structures including digital communication facilities and child care as well as targeted incentives for individuals who move to regional areas for work as an alternative to unemployment benefits.

Recommended government actions:

- 41. Domestic relocation incentives should be reviewed and re-organised as ‘regional living incentives’ covering all government measures to boost regional populations, including in relation to taxation, education and training and employment participation.**
- 42. Increase efforts in partnership with industry to improve understanding of the flexibilities within the employment participation system by both employers and potential employees.**
- 43. Employment Services Providers should be encouraged to promote and assist relocation on either a short-term or long-term basis to undertake employment in regional areas of Northern Australia.**

Labour shortages

The agricultural workforce is varied, comprising family members, backpackers, highly skilled workers, local farm hands, students and itinerant workers. Although other sectors also manage diverse workforces, the seasonal nature of agriculture and its location outside major metropolitan areas means that it is more difficult to attract and retain appropriately skilled workers.

Many farmers rely on overseas labour to fill essential on-farm roles that cannot be filled by the domestic labour force. The introduction of market salary rates and training benchmarks in 2009 created a further barrier to use of the 457 visa programme for regional employers where market salary rates are below the Temporary Skilled Migration Income Threshold (TSMIT) or the English Language Salary Exemption Threshold (ELSET). In some remote areas, there is only one market (the farm business) and one ‘market salary rate’. If this rate is below the TSMIT, access to the 457 visa programme is not available even if all other criteria are met.

Given the difficulty that regional and rural employers face recruiting local people with relevant skills and attracting semi-skilled people to remote areas, the NFF has recently called for changes to the 457 visa programme including a comprehensive review of the ANZSCO system, broadening of visa eligibility to cover semi-skilled workers and workers with relevant (but not necessarily industry-specific skills), abolition of labour market testing and a reintroduction of concessions for regional employers in relation to the TSMIT and minimum skills requirements. In addition, 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 necessary to improve the competitiveness of seasonal farm businesses and reduce the costs to government of changing regulatory settings every few years.

Recommended government actions:

- 44. 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.**
- 45. Comprehensive review of the ANZSCO system.**
- 46. Align working holiday-maker visa holders (subclass 417) and temporary business visa holders (subclass 457) with seasonal demands.**
- 47. Expansion of the Pacific Seasonal Workers Program to the broader agriculture sector**

5. Fostering education, research and innovation

Like most industries, agriculture needs an educated workforce and a strong research and innovation platform to continue to provide for the north. Government needs to ensure that it recognises this need and acts accordingly. As the business and natural environments change, agriculture is going to need to be able to innovate quickly and have people educated appropriately to take advantage of opportunities.

5.1 Increased focus on agricultural education

Current situation and issues

Educating the population of Australia about agriculture from a young age is vital to ensure the longevity of the industry. At the present time agricultural education is lacking in primary schools. Without instilling an understanding of where food comes from, the future population will become further removed from agriculture and the potential for poorly informed policy decisions continues to increase. Without national understanding of the importance of agriculture, the ability of the industry to provide food, fibre and employment for Northern Australia in the long-term is in jeopardy.

NFF is of the view that developing further agricultural production in Northern Australia will be built on innovative farming and grazing practices and this requires a well-skilled workforce and a well-funded northern RD&E program to drive the needed innovation and form the basis for a technical skills marketplace. At a tertiary level, the current human capacity limitations within agricultural science, including soil, crop and animal scientists, needs to be addressed more broadly so that there are skilled lecturers, trainers and scientists available to meet this demand growth in Northern Australia.

Recommended government actions:

- 48. 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.**
- 49. Embed and support agriculture-based education in higher education levels (secondary, senior high school, vocational and tertiary).**

5.2 A skilled workforce

Current situation and issues

As highlighted in the NFF Blueprint for Agriculture, finding appropriately trained staff is an issue that continues to affect more than 60 percent of rural employers. Appropriate training is required

to ensure that those seeking to relocate to work in the sector are able to maximise opportunities for work. Services that connect employers with potential employees are essential in encouraging relocation to a new area which is only likely to occur if there is a job available.

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 developing a larger capacity for the agriculture industry to capitalise on opportunities and contribute to global food security.

The NFF has recently published its National Agriculture Workforce Development Plan. In the Plan, the NFF calls on the Government to collect accurate, authoritative data on labour and skills shortages in agriculture to inform a five yearly Agriculture 'Labour Market Force Profile' and Regional Workforce plans for all major regions about the future workforce needs of the sector. In addition, the NFF seeks changes in the current regulatory settings to, among other things:

- develop a more responsive VET model which produces immediacy of skills for the agriculture sector, as well as a firmer qualification base through:
 - o publically funded and delivered units of competency;
 - o nationally recognised Skill Sets; and
 - o consistent and appropriate VET funding models across jurisdictions;
- expand the Seasonal Workers Program across all agricultural industries;
- overhaul the skills recognition framework for skilled migration so that as a minimum, the ANZSCO appropriately recognises industry skills and qualifications; and
- develop new programs to support increased opportunities for indigenous Australians to gain careers working on the land and in the supply chain.

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, drone and mapping 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. Opportunities to increase access to training in regional areas through the use of digital technology for education should be explored wherever possible, accompanied by substantial investment in telecommunications infrastructure.

Governments must take the lead in educating the community about career opportunities in rural and regional Australia. This works best when it is done in partnership with industry at a regional level. Bringing employers and workers together through a coordinated regulatory approach will ensure the long-term economic sustainability of regional and remote communities. The implementation of an industry labour sharing model should be considered as way of improving labour retention, up-skilling employees and developing agriculture careers.

Workers in agriculture should be encouraged to embrace a philosophy of 'lifelong' learning. In agriculture, learning is typically incremental, on-the-job and occurs over a lifetime. Job pathways can be horizontal or tangential and involve a 'building block' approach to gaining a portfolio of skills – fundamental to securing and maintaining employment in rural Australia.

Changes to vocational education funding are required to reduce the high costs of providing training in regional Australia through a 'Skill Sets' model which offers an alternative to full qualifications. Skill Sets are a practical solution for the agriculture sector with potentially large benefits. Workers gain the opportunity for targeted skills development to assist with the work they are doing while employers with cash flow constraints can afford the cost of training to ensure employees have the necessary skills to perform their work. Over time, this can build a skilled workforce through incremental growth.

There is an obvious symmetry between agricultural employers in Northern Australia and indigenous Australians seeking work opportunities that can improve their lives. Investment in indigenous education should be targeted at increasing language, literacy, numeracy, digital literacy capabilities, pastoral care and providing integrated work and training opportunities. Training is also required for employers on understanding of indigenous culture.

Outstation North⁶ is a great example of the kind of program that governments should be supporting throughout Northern Australia. The program, which is currently supported by NFF member AgForce Queensland, “strives to develop independent young men and women through accredited training, practical work experience and direct access to employment in the pastoral, mining and horticultural industries”.

Recommended government actions:

- 50. Recognise and implement findings of the National Agriculture Workforce Development Plan.**
- 51. Work with industry to foster the development of new labour streams, including among young Australians and the Indigenous community and increase the skill levels of entire agricultural workforce.**
- 52. Explore the use of digital technology for education and training in regional areas**

5.3 Research, Development and Extension (RD&E)

Current situation and issues

Agricultural productivity growth is closely linked to innovation and RD&E. Australian public RD&E directly accounted for nearly a third of the productivity growth experienced in Australia’s broad acre farming sector between 1952–53 and 2006–07 according to an Australian Bureau of Agricultural and Resource Economics and Sciences analysis (ABARES)⁷.

Apart from a spike in investment in 2001, Australia has had little growth in real R&D investment since the mid-1970s⁸. There is a time lag of several decades for the impact of R&D investment to show up in agricultural productivity. ABARES has identified a downturn in total factor productivity growth in the mid-1990s, and this slowdown has probably been caused by a combination of adverse seasonal conditions and stagnant public R&D expenditure since the late 1970s⁹.

The rural research and development corporation (RDC) model, underpinned by industry levies and matched government funds, continues to deliver significant benefits for farmers, agricultural supply chains and the broader community. Continued government commitment to the model will be vital in progressing Northern Australian agriculture. Continued government commitment to other research models also needs to be delivered, including for the Cooperative Research Centre (CRC) model. Recent funding cuts to CRC investment rounds may directly impact on coordinated investment in agricultural research in Northern Australia.

⁶ <http://www.outstationnorth.com.au/>

⁷ Sheng, Gray, Mullen, & Davidson, 2011

⁸ Sheng, Mullen, & Zhao, 2011

⁹ Sheng, Mullen, et al., 2011

NFF's view is that Australia has the broad architecture for public and industry investment in rural research and development (R&D) about right (with level of funding often being the limiting factor).

While the RDC model is supported by the NFF, opportunities to improve the model include:

- ensuring that investments are focused on RD&E that directly improves the profitability of Australian farms
- enhancing focus on the best models of extending R&D outcomes and best practice approaches to individual farmers
- further encouraging collaboration across industries on matters of mutual priority to industries– such as R&D in irrigation, energy efficiency and the use of technology such as telecommunications in farming businesses.

Also required, if the opportunities of the North are to be realised, may be specific research focus on matters directly related to Northern Australian agricultural production systems.

R&D generates new knowledge and technologies, but extension services play a crucial role in communicating these in a useful form. Put simply, extension refers to those systems and process that transfer research and development findings into use in the sector. State and territory governments have historically provided the funding and delivery of on-farm extension services in Australian agriculture, but this has been changing for a number of decades with a void now apparent in many regions across the country¹⁰. On-farm extension is in a state of flux and how it will look and function in the future is uncertain¹¹. Despite changes to how extension may be administered, The NFF firmly believe that it is vital that government recognises the importance of extension services and take steps to help facilitate the development of private extension services.

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. This is particularly the case in Northern Australia where the tropical and sub-tropical agricultural production systems face the same issues as many developing nations. 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.

As part of developing Northern Australia, it will be important 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.

Recommended government actions:

¹⁰ Sheng, Gray, et al., 2011

¹¹ Hunt, Birch, Coutts, & Vanclay, 2012

53. **Create a policy and taxation environment that encourages private/philanthropic co-investment in R&D and continue to support leading extension models nationally to communicate new technology and findings.**
54. **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).**
55. **Support and maintain current co-funded rural R&D system.**
56. **Improve alignment between Australia's aid agenda and Australia's economic interests, particularly in relation to agricultural research, development and capacity building.**

6. Enhancing governance

Sound public policy is vitally important in allowing Agriculture to help develop the North. If the industry knows that government will actively champion sensible rural policy, then a foundation will be laid for agriculture to step-up and help develop Northern Australia.

6.1 Representation and prioritisation of regional issues

Current situation and issues

As populations have migrated to coastal cities, much of the sector feels that government gives reduced attention to regional and rural policy making. A sceptical view would be that there simply isn't the votes in it for them to do so. It is the view of the NFF that if agriculture is to play its part in developing the north government needs to ensure that it continually recognises the policy needs unique to the sector and does not allow them to be continually put on the back burner to other issues.

Government's also need to consider the impact of cross-jurisdictional policy differences and work collaboratively to ensure policy silos are not impeding Northern Australian agricultural development.

Recommended government actions:

57. **Government should continue to recognise the overarching needs of regional and remote areas and the industries within them and insure they get the government support they critically need.**

6.2 Policy certainty

Current situation and issues

All industries, agriculture included, benefit from policy certainty. One only needs to look back to the overnight decision in 2011 to halt live cattle exports to Indonesia, and the subsequent impact this had on agriculture, as an example where unpredictable policy shifts can decimate industries in the north. Erratic policy benefits no one and hampers the ability of the industry to provide for Northern Australia.

Recommended government actions:

- 58. Provide farmers with long-term policy certainty across all areas including regulation, trade policy and the access of natural resources including land and water**