



**National Farmers' Federation  
Pre-Budget Submission 2018-19**

22 December 2017

# NFF Member Organisations



Australian Chicken Growers' Council Ltd



CANEGROWERS





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

# Statistics on Australian Agriculture

---

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

## **Social >**

---

There are approximately 85,681 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

Each Australian farmer produces enough food to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 per cent of the total volume of food consumed in Australia.

## **Economic >**

---

The agricultural sector, at farm-gate, contributes 2 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2016-17 is forecast at 58.5 billion – a 12 per cent increase from the previous financial year.

Together with vital value-adding processes for food and fibre after it leaves the farm, along with the value of farm input activities, agriculture's contribution to GDP averages out at around 12 per cent (over \$155 billion).

## **Workplace >**

---

The agriculture, forestry and fishing sector employs approximately 304,200 employees, including full time (217,000) and part time employees (87,200).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 28 per cent of the employed workforce is casual.

## **Environmental >**

---

Australian farmers are environmental stewards, owning, managing and caring for 48 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 6.8 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

The NFF was a founding partner of the Landcare movement, which recently celebrated its 20th anniversary.

# Contents

---

NFF Member Organisations .....	i
Statistics on Australian Agriculture .....	iii
Social > .....	iii
Economic > .....	iii
Workplace > .....	iii
Environmental > .....	iii
Contents .....	iv
List of Recommendations .....	vi
Introduction.....	1
Accelerating Productivity .....	1
Connectivity.....	1
Trade Liberalisation and Market Access .....	1
World Class Infrastructure.....	1
Sustainable Stewardship .....	2
Human Talent.....	2
Flexible Business Tools .....	2
Chapter 1 – Accelerating Productivity.....	3
Research and Development Corporations – the Motor of Agricultural Innovation.....	3
Digital Agriculture .....	4
Future Management of Data .....	4
Digital Extension .....	5
RD & E towards a low-emissions agriculture sector .....	6
Chapter 2 - Connectivity.....	8
Mobile Blackspots Programme (MBSP) .....	8
5G Mobile Network Rollout.....	9
Meaningful USO Reform.....	9
Ensuring Reliable Voice Technology .....	10
Rural Regional and Remote Telecommunications Fund .....	10
Chapter 3 – Trade Liberalisation and Market Access.....	12
Sufficient capacity for trade negotiations .....	13
Non-Tariff Barriers to Trade.....	13

Agricultural Counsellors .....	15
Special Agricultural Trade Envoy .....	15
Livestock Global Assurance Program .....	16
Chapter 4 – World Class Infrastructure .....	17
Improving Regional Roads and Rail.....	17
Inland Rail.....	18
National Freight Strategy .....	19
Fresh Food Precinct for Western Sydney Airport.....	21
TraNSIT Web.....	22
Agricultural vehicles issues –National Class 1 Notice .....	23
Geographical Information Systems (GIS) .....	24
Livestock Effluent Disposal Facilities .....	24
Electricity market reform.....	25
Chapter 5 - Sustainable Stewardship .....	28
Native Vegetation .....	28
Native Title Reform .....	29
Carbon Offset Market Reform .....	29
Continued Access to Productivity Tools – Agvet Chemicals.....	30
Testing of imported products .....	32
Commitment to IGAB Reform .....	32
Understanding Consumer Perceptions .....	33
Chapter 6 – Human Talent.....	35
Agricultural Labour Market Needs.....	35
Attracting Australian youth into agricultural work.....	36
Seasonal Worker Program – SWP Administration Fund.....	37
Supporting Primary Industries Education in Schools .....	38
Chapter 7 – Flexible Business Tools .....	40
Rural Lending .....	40
Farm Debt Mediation.....	41
Risk mitigation measures.....	41
Taxation .....	44
Conclusion .....	49

# List of Recommendations

---

## **Recommendation 1**

Ensure ongoing Government commitment to the co-funding of the RDC model. Long term certainty is required to facilitate investment for commercial outcomes over the longer term.

## **Recommendation 2**

That the Australian Government commit seed funding of at least \$250,000 to establish a voluntary and industry-driven Agricultural Data Code of Practice.

## **Recommendation 3**

That the Australian Government commit to establishing a Chief Digital Agriculture Officer supported by a Digital Agricultural Taskforce supported by the Department of Agriculture and Water Resources.

## **Recommendation 4**

That the Australian Government commits seed funding of \$5 million over three years for a Telecommunications Innovation Pilot Project that aims to grow digital literacy and foster technology applications in rural and remote Australia.

## **Recommendation 5**

That the Australian Government makes a sustained commitment to co-invest with industry in RD&E to bring new ideas, technologies and advances in practice to commercial realities to accelerate productivity and enable agriculture to contribute to Australia's emissions reduction goals. A focus on emissions reduction should also not detract from research and investment into climate change adaptation strategies.

## **Recommendation 6**

That the Australian Government commits \$180 million (\$60 million per round) to Rounds 4, 5 and 6 of the Mobile Blackspots Program, consistent with the funding for previous rounds.

## **Recommendation 7**

That Australian Government commits to Agriculture having a central role in its 5G working group.

## **Recommendation 8**

That the Australian Government commits to funding for research to establish a business case for alternative voice technologies in areas outside nbn's fibre and fixed wireless footprint.

## **Recommendation 9**

That the Australian Government commits to establishing a Rural Regional and Remote Telecommunications Research Fund as a medium term outcome of Telecommunications Universal Service Obligation reform.

## **Recommendation 10**

That the Australian Government:

- Continues to pursue multilateral trade liberalisation for Australian agriculture through the WTO, prioritising domestic support, non-tariff barriers/regulatory convergence, public stockholding for food security, transparency and notifications;

- provides funding and support for the NFF to coordinate Cairns Group Farm Leaders' participation in the G20/B20 and other international forums in the lead up to the 12th Ministerial Conference of the WTO as appropriate.

### **Recommendation 11**

That the Australian Government commit at least \$1 million to maintain sufficient capacity for trade negotiation to continue to progress market access for agricultural products in upcoming trade negotiations.

### **Recommendation 12**

That the Australian Government: continue to provide DAWR, DFAT and Austrade with adequate resources to continue the work of the Non-Tariff Measures Working Group, particularly as new FTAs are negotiated and implemented.

### **Recommendation 13**

That the Australian Government continue, and expand funding for, the Agricultural Trade and Market Access Cooperation (ATMAC) programme beyond 2019-20, particularly as new FTAs are negotiated and implemented.

The criteria for ATMAC Programme funding could be broadened to include the following activities:

- enabling industry associations to examine the merits of potential WTO actions; and
- developing commodity-specific strategic plans to develop and enhance market access opportunities.

### **Recommendation 14**

That the Australian Government adequately resource and expand the agricultural counsellor network as new trade agreements are negotiated. At a minimum, at least 5 new counsellors should be appointed, with 1 new counsellor appointed in countries where new trade agreements have been negotiated to maximise the utilisation of preferential tariff reductions and other notional market access improvements for Australian producers and agribusinesses.

### **Recommendation 15**

That the Australian Government establishes a new position to provide a farmer's perspective to international trade negotiations, to advocate for trade liberalisation domestically and to build partnerships with other farming groups across the globe. The Special Agricultural Trade Envoy could participate in a broader industry consultation mechanism, with privileged, confidential access to negotiating text, during trade negotiations.

### **Recommendation 16**

That the Australian Government delivers on its previous commitment to fund the Livestock Global Assurance Program and continues funding beyond the forward estimates to ensure enhanced animal welfare outcomes for Australian livestock.

**Recommendation 17**

That the Australian Government outline its long term aspirations for road user charging reform and commits to detailed regionally disaggregated modelling of the economic and social impacts of reform for community and industry consultation.

**Recommendation 18**

That the Australian Government commit at least \$1 billion dollars establish an infrastructure fund to improve regional roads and rail to make export pathways more efficient.

**Recommendation 19**

Ongoing Australian Government commitment to fund Inland Rail and complete construction by 2025.

**Recommendation 20**

That the Australian Government commits all necessary resources to consultation with landowners about effective route selection, land acquisition and construction. Further, the Government must commit to providing sufficient and fair compensation to affected landholders.

**Recommendation 21**

The Inland Rail project must deliver port to port access, allow effective intermodal access, and support supply chain competition for agricultural industries.

**Recommendation 22**

That the Australian Government appoints a national freight coordinator.

**Recommendation 23**

That the Australian Government commit to developing an investor ready prospectus to allow the development of a food and agribusiness precinct in and around the airport of up to \$5 million for a full feasibility study and a go-to market investment strategy into a 500 hectares, food and agribusiness precinct to be funded through the finalisation of the NSW-Australian Government Western Sydney Cities Deal. It should have a view to full cost recovery from the subsequent precinct development and operation

**Recommendation 24**

That the Australian Government commit to funding the development and roll-out of TraNSIT Web for use by industry and across Government.

**Recommendation 25**

The Australian Government should fund dedicated engineers for a period of up to three months to work with road managers in rural and regional local governments to undertake assessments of local roads, and enable an 'open all roads' status with exceptions only where needed.

**Recommendation 26**

Task the NHVR to work together with State Road agencies to develop a single national GIS mapping system to map multiple infrastructure networks, show access limits and conditions for agricultural vehicles.

**Recommendation 27**

That the Australian Government fund a trial site for an effluent disposal facility on the Warrego Highway in South-East Queensland with a view to expanding the program if the trial site proves successful.

**Recommendation 28**

That the Australian Government introduces a regulatory environment for energy that fosters growth, productivity, innovation and ambition. Specifically, the Australian Government should:

- support research into, development and adoption of new generation technologies, including both centralised and decentralised generation;
- support and promote improvements in on-farm energy efficiency, self-sufficiency in generation and storage capacity where appropriate; and
- ensure that appropriate incentives are in place for efficient levels of investment in transmission and distribution assets, regardless of ownership.

**Recommendation 29**

That the Australian Government should commit to funding pre-feasibility activities to support capability development of farmers to better participate in Research & Development and the associated investment.

**Recommendation 30**

That the Australian Government establish an industry-led taskforce on regional electricity innovation, including funding up to \$10 million per year from existing or new funding pools (ARENA, CEFC etc.).

**Recommendation 31**

That the Australian Government commits to genuine EPBC Act reform and exploring the potential for greater use of non-regulatory approaches that recognise the contributions farmers make towards meeting biodiversity objectives.

**Recommendation 32**

That the Australian Government, through additional funding for EPBC matters, commit to a strategy of one-stop shops in each jurisdiction as identified above

**Recommendation 33**

That the Australian Government adequately resources the Department of Environment and Energy to enable better landholder engagement at all stages of the process and to accelerate reform, commencing in 2018.

**Recommendation 34**

That the Australian Government commits to making funding available in order to meet the professional fees, and associated costs of legal representation required to actively participate in Native Title reform processes.

**Recommendation 35**

That the Australian Government , along with a significant commitment to research and reform, enables direct participation by all farmers – large and small – in carbon markets and emissions abatement activity.

**Recommendation 36**

That the Australian Government commits at least \$30 million to ensuring adequate funding is in place for the APVMA to relocate and transition a next generation regulator with improved performance.

**Recommendation 37**

That the Australian Government commits \$20 million to the development of an online platform for the APVMA to enable it to become a next generation regulator.

**Recommendation 38**

That the Australian Government commits ongoing funding to the Agriculture Minor Use Collaborative Forum.

**Recommendation 39**

That the Australian Government commits to developing an electronic notification system to alert farmers to potential contamination of products.

**Recommendation 40**

That the Australian Government commits to funding enhanced import testing regime for imported products.

**Recommendation 41**

That the Australian Government should accelerate national system innovation in biosecurity by committing to the following IGAB recommendations:

- Establishing a \$25 million National Biosecurity Innovation Program to enable strategic co-investment in system-level national priorities. The program should be funded initially for a five-year period from 2018–19.
- Increasing the funding appropriation to RDCs by \$2 million annually for a new cross-sectoral biosecurity R&I coordination and investment function for the RDCs.

**Recommendation 42**

That the Australian Government commits to implementing IGAB recommendations, including any resulting funding implications, in consultation with the agricultural industry

**Recommendation 43**

That the Australian Government commits funding to NFF to undertake a national project across all agricultural commodities to monitor community sentiment towards the industry.

**Recommendation 44**

That the Australian Government provide funding for a comprehensive study of the labour market in the agricultural sector to be conducted by an independent advisory firm on a regular (at least 24 monthly) basis.

**Recommendation 45**

That the Australian Government commit to:

- offering discounted course fees/reduced VET-FEE HELP repayment liability for VET students who work in agriculture for at least 3 months of the year; and/or
- reduce Trade Support Loans by 25 per cent for each 3 months of regional agricultural work in a year, up to the maximum of \$20,000

**Recommendation 46**

That the Australian Government provide seed funding to cover the initial year of operation, after which time it is anticipated that the operation of the fund would be cost neutral. An additional funding allocation for other measures to improve uptake of the program is also recommended.

**Recommendation 47**

That the Australian Government commits to:

- \$100,000 per year for three years for continued membership of PIEFA by the Federal Department of Agriculture and Water Resources;
- \$250,000 per year for three years to continue to expand and promote the resources developed under the Agriculture in Education project to Australia's school teachers and students;
- \$100,000 per year for three years to re-develop, update and promote [www.careerharvest.com.au](http://www.careerharvest.com.au) to Australian school students and their teachers;
- \$150,000 to resurvey school students and their teachers as to their knowledge, understanding and perceptions of Australia's primary industry sector.

**Recommendation 48**

That the Australian Government tasks APRA, ACCC and/or the RBA with regularly publishing more detailed data on market share and pricing of agribusiness loans and FMDs by State and Territory so that competition in agribusiness lending can be monitored more readily.

**Recommendation 49**

That the Australian Government expands external dispute resolution schemes to include disputes with third parties that have been appointed by the bank.

**Recommendation 50**

That the Australian Government works with States and Territories to implement a consistent approach to farm debt mediation across Australia.

**Recommendation 51**

That the Australian Government work with the States and Territories to:

- establish industry consultative mechanisms to enable industry stakeholders to contribute to programme development and performance monitoring, using nationally consistent data and reporting;
- ensure industry stakeholders are granted observer status at Ministerial and Senior Officials meetings relating to drought policy; and

- benchmark all drought assistance eligibility criteria and assessment processes to ensure consistency across jurisdictions.
- mandate regular performance reporting in all jurisdictions to industry stakeholders.
- establish communications mechanisms that help farmers understand and access all drought support available to them across all jurisdictions.

### **Recommendation 52**

That the Australian Government retain provisions related to treatment of abnormal receipts and FMDs.

Further, The Government should consider the following reforms to FMDs to make them more effective:

- investigate incentives to improve the availability of FMD interest offset facilities;
- allow FMDs to be held at the business level rather than just the individual level; and
- allow FMDs to be brought back into a business over time or be taxed at average rates in the event of unexpected cessation or death.

### **Recommendation 53**

That the Australian Government:

- work with the States and Territories to abolish stamp duties on crop and livestock insurance products
- maintain the funding available for risk assessments through the Managing Farm Risk Programme;
- provide education and support services to farmers to help them better understand various insurance products and make comparisons between them; and
- investigate how to increase incentives for farmers to increase their resilience and avail themselves of insurance-based risk management options through reforming other Commonwealth policies, particularly Farm Household Allowance, FMDs and concessional loans.

### **Recommendation 54**

That the Australian Government simplify the FHA application process, improve the timeliness of processing and extend eligibility for farmers that have genuinely taken steps to mitigate their own risks, thereby encouraging sound risk management and self-reliance.

### **Recommendation 55**

That the Australian Government:

- adopt a single turnover based definition for a small business that is between \$2 million and \$10 million;
- index the threshold to maintain its relevance over time;
- apply the single definition to all relevant tax measures and treatments for those businesses that meet the criteria business including simplified reporting and concessions;
- consider applying a maximum cap of \$12 million on net assets as an integrity measure; and

- consider adopting averaging provisions which will lessen the incentive to manipulate turnover to stay below the thresholds.

### **Recommendation 56**

That the Australian Government, at a minimum, extend the current small business instant asset write off and retain the specific accelerated depreciation arrangements for primary producers in perpetuity.

The Government should also consider reforming the small business instant asset write off provisions by:

- permanently allowing the first \$5 000 of all investments by small businesses to be immediately depreciated, with the remainder of asset values to be depreciated according to existing rules; and
- increasing the low value pool threshold to \$5 000 for all other businesses.

### **Recommendation 57**

That the Australian Government retain fuel tax credits across all sectors and consider extending fuel tax credits for aviation fuel used in pastoral operations. Further the Government should investigate the possibility of utilising technology to enable fuel excise to be recouped by eligible businesses at the point of sale.

### **Recommendation 58**

That the Australian Government abolishes the Luxury Car Tax immediately. Consideration should be given to offsetting the lost revenue through expenditure reduction rather than other tax increases (including removing or reducing ‘tax expenditures’).

### **Recommendation 59**

That the Australian Government remove complexity from the FBT regime by taxing all fringe benefits in the hands of employees at their marginal rate of income tax.

### **Recommendation 60**

That the Australian Government review tax zone rebates and remote area FBT concessions and investigate other more effective and lower cost means of compensating individuals for the disadvantages of living in remote areas.

## **Introduction**

---

Agriculture was one of Australia's fastest growing sectors in 2016-17, and this long-term growth trajectory looks set to continue. Part of agriculture's success story in Australia is the strong innovation, science and research system underpinning farm decision making, continuously pushing agriculture to become more productive, efficient, competitive and sustainable.

Deloitte has identified Agribusiness as one of the 'fantastic five' next waves of growth and prosperity over the next 20 years. Australian agriculture is indeed a vibrant, innovative and entrepreneurial sector and a significant export earner.

Yet the agriculture sector is often perceived as being an industry that is not innovative nor crucial to Australia's prosperity. Research undertaken by the Primary Industries Education Foundation Australia and the Australian Council of Educational Research found that more than 50% of students did not associate primary industries with science, information technology or innovation. The evidence shows that these perceptions are wrong.

Agriculture is much more than an industry and a driver of economic activity. Agriculture is an intrinsic part of the social fabric of regional communities. Incomes that are derived from agriculture are often spent in regional areas, providing opportunities for small businesses owners and employment for local residents.

Investing in measures that benefit the agriculture sector have significant spillover benefits to regional communities and this should always be taken into account when assessing the value of measures to support agriculture. Agriculture also adds value in other industries such as manufacturing, by providing opportunities for food processing and transport, storage and logistics.

Heavily building on innovation in agricultural systems, NFF has the vision of almost doubling agriculture's value and to become a \$100 billion industry by 2030. The key ingredients identified by NFF to achieve this vision are:

### **Accelerating Productivity**

---

Australian agriculture needs to preserve our world leading rural Research and Development Corporations as well as cultivating private investment for innovation, providing the tools for renewed productivity. This also includes preserving our natural resources and ensuring regulatory settings are appropriate for the sector.

### **Connectivity**

---

Reliable telecommunications in rural and remote areas are key to enabling farmers to partake in the agtech revolution and to utilise digital farming techniques on farm with the bigger goal of leading to productivity gains.

### **Trade Liberalisation and Market Access**

---

Nearly three-quarters of Australian agricultural goods are exported, and international markets will continue to deliver the greatest opportunities for growth to producers.

### **World Class Infrastructure**

---

To support our world class farming systems and our global market access, Australia's farmers need world class infrastructure, in both our cities and our regions, that enables

efficient movement of produce, as well as practical measures for farmers to conduct their businesses.

### **Sustainable Stewardship**

---

Sensible and pragmatic policies, programs and strategies are needed to balance farm sector development and production needs with the natural environment, and to enable agriculture to demonstrate its sustainability credentials.

### **Human Talent**

---

Australia's farmers are aging faster than the average Australian workforce. To ensure the future of agriculture, it is crucial to invest in people, to cultivate talent in agriculture by fostering a culture of agile learning and thinking, and to bring the next generation along and to attract new talent to the sector.

### **Flexible Business Tools**

---

Investment in agriculture needs to be sourced outside current debt-financed farming systems to enable positive disruption and innovation in the industry. Farmers also need a range of tools to manage their financial, market and climatic risks.

## **Chapter 1 – Accelerating Productivity**

---

Australian agriculture depends heavily on research, development and extension (RD&E) that improves competitiveness in the global market place. Australian farmers have one of the lowest rates of Government support of Organisation for Economic Cooperation and Development (OECD) countries (at 1.3 per cent of gross farm revenue compared to the OECD average of 17 per cent). These low levels of farm subsidies combined with high and increasing farm input costs, including transport expenses, make innovation paramount for the growth of Australian agribusinesses.

It is predicted that farming in Australia is in for an even bumpier ride over coming decades. This will include projected changes to climate, environmental and production systems and the world economy creating new and increasing the current risks to agriculture. The increasing interconnectedness of socio-ecological systems resets the risk profile to weather, production systems, agronomic practises and biosecurity. Responses to these new risks require resilience to the manifestation of climate change, environmental change and globalisation shocks.

RD&E also plays a crucial role for Australian farmers in reaching our potential to cater for future food demands. Australian agriculture faces enormous opportunities as the Asian region rapidly grows in population and economic prosperity.

The global population is expected to reach 9 billion by 2050 and food demand is expected to increase by 77 per cent over the same period – with much of this demand stemming from Asia. A wealthier, hungrier region presents significant opportunities for Australia as a provider of high value produce, as more informed consumers demand specific provenance, sustainability or health attributes from their food.

### **Research and Development Corporations – the Motor of Agricultural Innovation**

---

There are currently 15 Rural Research and Development Corporations (RDCs), co-funded through mandatory farm production levies and matching government contributions, that administer research and development (R&D) program funds in our agricultural, fishing and forestry industries.

Through this unique partnership between industry and government, RDCs are accountable to both public and private stakeholders. Public stakeholders generally strive for social and sustainable outcomes while industry is generally profitability driven. Thus, RDCs focus on improving economic, environmental and social benefits for both rural industries and rural communities, ultimately delivering a stronger national economy and a productively managed natural resource base.

**Recommendation 1:**

Ensure ongoing Government commitment to the co-funding of the RDC model. Long term certainty is required to facilitate investment for commercial outcomes over the longer term.

**Digital Agriculture**

A recent project, Precision to Decision: Accelerating Precision Agriculture to Decision Agriculture – Enabling Digital Agriculture in Australia found that:

*“If decision agriculture was fully implemented it would deliver an estimated boost to the value of agriculture of 25% (\$20.3 billion) and lift the Australian economy by an estimated 1.5% (\$24.6 Billion).”*

To put this statement in context, currently the Australian agricultural sector is valued at approximately \$60 billion. To put in another way, agriculture is currently only reaching 75% of the potential it could reach if it was enabled to fully participate in the digital economy.

It is often assumed that the key benefit of digital technologies for agriculture will be automation. While this will be a significant benefit for the sector, there are many more benefits for the sector such as:

- Real time monitoring of production which can lead to improvements in the quality of produce – Australia’s strength in global markets;
- Digitisation and transparency of supply chains will enable the transfer of information readily between transactions, and streamlined record-keeping for quality assurance purposes;
- Improved traceability for biosecurity purposes; and
- Agritech start-ups that the benefit of being embedded in the operating environment that their product aims to service.

**Future Management of Data**

Of course, one of the main policy challenges that must be addressed is the future management of data. The NFF considers that farmers must benefit from the data they generate and that industry and government must work collaboratively to shape future frameworks to ensure this occurs.

The benefits of digital agriculture must be shared by businesses across the value chain. Organisations that benefit from agricultural data generated on-farm should acknowledge a responsibility to ensure farmers also benefit from the data.

Private sector digital applications and platforms have the potential to dramatically change the way in which farmers access production and other information relevant to farm management decisions. These systems will become the principal information supply chain for farmers in the future. RDCs (industry) and Government agencies should develop new strategies that recognise these systems as the principal extension pathways of the future.

The NFF is currently considering the merits of creating and implementing a voluntary industry-driven Data Code of Practice that would set standards for ethical and transparent data practices in agriculture.

There is of course a pivotal role for government to play in the stewardship of agricultural data standards given its purview of data standards throughout government, other industries and internationally as well as its oversight responsibility for levy collection and the broader Research and Development Corporation framework.

**Recommendation 2:**

That the Australian Government commit seed funding of at least \$250,000 to establish a voluntary and industry-driven Agricultural Data Code of Practice.

**Digital Extension**

One of the fundamental principles of the agricultural sector adopting digital technologies, is ensuring that people within the sector have the adequate skills and understanding of technologies that are available to them. There are a number of studies that point to a lack of basic understanding of various ways to connect can be an inhibitor to technology adoption. There is a desperate need for digital literacy targeted at farmers that can assist them to navigate through the basic connection-level phase of installation, and carry them through to understanding the capabilities of their connections and adopting new technologies.

The NFF believes that as connectivity improves, there is a burgeoning market for adaptive technologies with significant potential for organic growth – however this market must be fostered. Across the agricultural sector there exists a considerable network of extension capability that assists farmers with implementing on-farm research and development. There is significant potential to leverage this network and introduce a digital element to the application of on-farm innovations. A co-investment model involving funding from the Australian Government, telecommunications industry and agriculture would represent a workable model going forward.

AgForce Queensland, with the support of NFF and members of the RRRCC developed a Telecommunications Innovation Project in an effort to bridge the digital divide and build digital literacy. The aims of the TIP were:

- to relieve, improve and expand the services of Better Internet for Rural, Regional and Remote Australia (BIRRR) volunteers to strengthen telecommunications service provision to RRR Australians
- to provide an industry contact for RRR residents who have challenges using telecommunications
- to centralise issues identification and problem solving, and facilitate knowledge sharing across stakeholders, geographical areas and industries
- to maximise use of existing resources of service providers/government and only fill genuine gaps

In order to achieve the aims of the project, there would be a focus on:

- identifying barriers to, and constraints of, RRR telecommunications usability
- connecting RRR Australians with people who can help them resolve telecoms technical issues
- empowering users to understand their telecommunications needs and options
- collaborating with users and providers to devise solutions for improving business and social outcomes
- sharing these learnings across stakeholders and industries.

The project proposal was submitted to the Department of Communications and NFF believes funding should be incorporated into the budget.

**Recommendation 3:**

That the Australian Government commit to establishing a Chief Digital Agriculture Officer supported by a Digital Agricultural Taskforce resourced through the Department of Agriculture and Water Resources.

**Recommendation 4:**

That the Australian Government commits seed funding of \$5 million over three years for a Telecommunications Innovation Pilot Project that aims to grow digital literacy and foster technology applications in rural and remote Australia.

**RD & E towards a low-emissions agriculture sector**

---

Governments and the agriculture sector have recognised the importance of collaboration on climate research since 2008 when the first Climate Change Research Strategy for Primary Industries (CCRSPI) was developed. CCRSPI supports the National Primary Industries RD&E Framework, a strategic partnership between the Australian, State and Northern Territory governments, Rural Research and Development Corporations (RDCs), CSIRO and universities. CCRSPI partners have been co-investing in climate change research, development and extension since that time, and, in 2017, the third iteration of the strategy is due to be released. The partnership is an ideal focal point for continued discussion and collaboration, to identify priorities and to facilitate co-investment.

The agriculture sector has shown its willingness to invest in climate research using industry funds through the Rural Research and Development Corporation (RDC) model. There are genuine incentives for industry to do this research – both in terms of productivity benefits and the need to build the capability to demonstrate to our markets that we are responsible producers.

However, some emissions reduction R&D has long lead times, requiring sustained investment over time. The very nature of the challenge means that some research will be need to be “far-horizon”, making it riskier and less attractive for industry and private investment. The statutory framework and funding agreements in place in the RDC model means that industry investment must be made

in a way that delivers demonstrable value to levy payers. This limits the ability for industry to invest significantly in far horizon or blue sky research.

Government investment in these research activities has consistently been matched and leveraged through cash and in-kind contributions from industry, research and private partners. In NFF's view, Government policy settings should incentivise industry to pursue the research that it is unlikely to fund on its own.

A co-investment approach model such as that adopted in the Carbon Farming Futures package or the Rural R&D for Profit Programme has demonstrated success in the past to leverage industry, research providers and private sector investments. Such an approach:

- recognises that carbon research is often too “risky” to fit inside the demonstrable value parameters of industry levy-funded research; and
- enables industry as a whole to capture the value of the carbon benefit realised from its investment and adoption of carbon efficient practices, which in turn is captured through downward trends in the national inventory.

**Recommendation 5:**

That the Australian Government makes a sustained commitment to co-invest with industry in RD& E to bring new ideas, technologies and advances in practice to commercial realities to accelerate productivity and enable agriculture to contribute to Australia's emissions reduction goals. A focus on emissions reduction should also not detract from research and investment into climate change adaptation strategies.

## **Chapter 2 - Connectivity**

---

To achieve NFF's vision of a \$100 billion dollar industry, the sector deserves well-developed initiatives and reforms that will assist public policy settings in fostering growth and productivity, establishing a new market of opportunity and championing innovation and ambition. This includes adequate connectivity in order to capture the next generation of farming technology.

Access to reliable, affordable, quality telecommunications underpins the viability of regional development and farming businesses across Australia. Allowing farming and regional families access to the digital economy through business development, education services and social connectivity is required if a region is to grow, improve and sustain.

Access to improved telecommunications services in regional, rural and remote Australia is imperative to facilitate economic growth across agriculture through innovation in production, improved market access and enhanced consumer connectivity. At present it is clear that a lack of access to reliable, affordable and efficient telecommunications is hampering the adoption of both innovative technologies and new methods of performing more traditional functions (such as adopting cloud based accounting software) that are so crucial to enabling agriculture to grow.

### **Mobile Blackspots Programme (MBSP)**

---

Alongside access to high-speed broadband, increasing mobile coverage is a fundamental need for Australian agriculture. The recent ACCC inquiry into wholesale mobile roaming highlighted the need for solutions to expand mobile coverage. Mobile coverage is vital to not only agricultural productivity, but also developing the sustainability of our regional communities. Overcoming the capacity constraints and frustrations that form the existing narrative of rural telecommunications in the short term will be increasingly so as the 5G network rollout commences in the near future.

The NFF has been a supporter of the mobile blackspots program since its inception. It was disappointing that a commitment to subsequent MBSP Rounds was not forthcoming in the 2017-18 Budget.

The NFF is conscious that the construction pipeline for towers is considerable, as is the sheer scale of the program. The NFF is also conscious that in many areas coverage is encroaching on the commercial threshold of the development of farming enterprises. Further, given the seeming reluctance of telecommunication retail service providers to extend coverage at the pace at which rural consumers desire, the Federal Government's Mobile Black Spot Programme (MBSP) will be critical in facilitating this expansion of coverage.

Mobile coverage is a vital piece of the Australia's telecommunications infrastructure, and one that many Australian Farmers are missing out on.

**Recommendation 6:**

That the Australian Government commits \$180 million (\$60 million per round) to Rounds 4, 5 and 6 of the Mobile Blackspots Program, consistent with the funding for previous rounds.

**5G Mobile Network Rollout**

The rollout of 5G mobile network infrastructure is highly anticipated by the Australian agricultural sector.

As many on farm future technological innovations will require connection to the internet, the expansion of 3G, 4G or 5G mobile coverage beyond existing footprints will be crucial in providing the connection required to drive farm business productivity.

Telstra's retail 3G network currently covers 99.3 per cent of the population, and it has publically announced its intent to expand 4G to 99 per cent of the population. There are many farmers in the last one per cent of the population who will face on going capacity constraints unless the coverage of next generation of mobile network technology expands beyond its current reach. This means continued investment in mobile network infrastructure in regional areas that keeps pace with metropolitan areas.

It is therefore pivotal that the agriculture sector has a central role in the development of policy relevant to the rollout of the 5G network.

The NFF notes that the Australian Government announced on October 12 2017 that it would convene a 5G working group to drive the deployment of 5G Technology in Australia. It is the NFF's view that a subset of this working group, convened by the Department of Agriculture and Water Resources, should focus on potential agricultural applications that can come from the 5G network.

**Recommendation 7:**

That Australian Government commits to Agriculture having a central role in its 5G working group.

**Meaningful USO Reform**

At the time of writing, the Australian Government was considering its response to the Productivity Commission's (PC) Review of the Telecommunications Universal Service Obligation arrangements.

A number of the measures sought by the NFF are encapsulated in the Telecommunications Reform Package currently under consideration by Parliament. These measures included:

- A guaranteed access to a defined baseline broadband service; and
- A sustainable funding source for broadband infrastructure through the Regional Broadband Scheme

## **Ensuring Reliable Voice Technology**

---

There was much consternation at the time of its release about the PC's recommendation for voice services to be transitioned to national broadband network (nbn) infrastructure. Much of this revolved around the fact that the sky muster satellite service was currently too unreliable to be considered a meaningful alternative to copper landlines.

The NFF maintains that the current copper continuity obligation should be maintained as a transitional measure until such a point in time that reliability of voice can be guaranteed via another means – whether this be via satellite or via other technologies.

However, beyond copper being an interim measure, this does raise a long term issue about maintaining a legacy technology should voice eventually transition to nbn's fibre and fixed wireless technologies. It is clear that significant research into the reliability of alternatives to copper technology must be invested into, and invested into significantly.

When all is said and done, rural regional and remote telecommunication users will rightfully question the reliability of new technology. It is imperative that should the Australian Government move away from copper technology for voice services in the future, then the reliability of new alternative technologies must be proven beyond doubt. Voice services are literally a lifeline for many people – this lifeline must not be handled speculatively.

### **Recommendation 8:**

That the Australian Government commits to funding for research to establish a business case for alternative voice technologies in areas outside nbn's fibre and fixed wireless footprint.

## **Rural Regional and Remote Telecommunications Fund**

---

The Telstra Universal Service Obligation Performance Agreement (USO Agreement) sets out the scope of services to be performed by Telstra in delivering standard telephone services and payphone services under the USO. The agreement is in place until 2032 and is valued at \$253 million per annum for standard telephone services, and at 44 million per annum to maintain payphones.

Given completion of the nbn is anticipated to be complete by 2020, presumably voice services would transition before 2032 when the current agreement is anticipated to be complete. This could potentially lead to a scenario where significant funding is being devoted to maintaining latent infrastructure. With this in mind the NFF strongly urges all parties to come to the table with a view to engaging in meaningful USO reform.

While the NFF acknowledges that there are many outcomes and decisions that will affect any ultimate outcome around USO reform, the NFF proposes that the government commits to establishing a Rural Regional and Remote Telecommunications Research Fund. Given the Regional Broadband Scheme provides a sustainable funding mechanism for broadband (and potentially voice) infrastructure, the fund could be utilised for research and development into alternate telecommunications infrastructure and technology innovations that fall outside the scope of the Mobile Blackspots Program.

Ideally, the Fund would be a combination of Australian Government, the telecommunications industry and rural, regional and remote stakeholders, collaborating to provide the best outcome for the end user. The legislated Regional Telecommunications Review is due to take place in 2018 and could potentially be tasked with establishing the scope of such a fund.

**Recommendation 9:**

That the Australian Government commits to establishing a Rural Regional and Remote Telecommunications Research Fund as a medium term outcome of Telecommunications Universal Service Obligation reform.

## Chapter 3 – Trade Liberalisation and Market Access

The NFF supports an open and fair global trading environment. Australia exports about three quarters of all farm produce and genuine market access is an ongoing concern for Australia's farmers.

The NFF believes that multilateral and plurilateral agreements, although sometimes difficult to progress, hold the greatest prospects for true trade liberalisation, not just through the elimination of tariffs and increases in quotas, but also greater regulatory coherence which lowers costs for businesses and enables small and medium enterprises to participate in global value chains.

Therefore, the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP), the Regional and Comprehensive Economic Partnership (RCEP) and the Australia-EU FTA are key regional/plurilateral priorities.

Despite the disappointment of the 11<sup>th</sup> Ministerial Conference of the WTO (MC11), the NFF believes that the Government should continue to push hard for progress on a work program within the WTO Committee on Agriculture on domestic support and public stockholding for food security.

The NFF firmly believes that other international forums, such as the G20, should be used wherever possible to reinvigorate the multilateral trade liberalisation agenda of the Cairns Group.

To that end, the Government should adequately fund the NFF to coordinate efforts of farm representative organisations in Cairns Group countries through chairing the Cairns Group Farm Leaders (CGFL). Following on from the successful CGFL meeting in Buenos Aires in December 2017, the CGFL can provide strong leadership in the B20 by participating actively in the trade and investment and sustainable food system work streams.

### **Recommendation 10:**

That the Australian Government:

- Continues to pursue multilateral trade liberalisation for Australian agriculture through the WTO, prioritising domestic support, non-tariff barriers/regulatory convergence, public stockholding for food security, transparency and notifications;
- provides funding and support for the NFF to coordinate Cairns Group Farm Leaders' participation in the G20/B20 and other international forums in the lead up to the 12<sup>th</sup> Ministerial Conference of the WTO as appropriate.

On the bilateral front, the conclusion of the Indonesian-Australian Comprehensive Economic Partnership Agreement (IA-CEPA) is the immediate priority, while the revitalisation of potential agreements with India, the Gulf Cooperation Council and Taiwan, and the commencement of a comprehensive FTA with the United Kingdom are also important to the Australian agriculture sector.

The Government has made significant progress in recent years. The conclusion and ratification of the China-Australia FTA (ChAFTA), the Japan-Australia Economic Partnership Agreement

(JAEPA) and the Korea-Australia FTA (KAFTA) are all significant achievements that are benefiting Australian farmers. Efforts must be redoubled to ensure that utilisation of these agreements is maximised by addressing non-tariff barriers. This needs to occur both in-market through adequately resourcing the Agricultural Counsellor network and through multilateral forums, such as the G20, OECD, FAO, OIE, IPPC and Codex Alimentarius.

### **Sufficient capacity for trade negotiations**

---

The Australian Government has achieved a great deal towards an ambitious trade liberalisation agenda, building on the efforts and considerable achievements of previous governments. The NFF continues to be wholly supportive of these efforts.

However, the NFF is acutely aware of the recent retirement of distinguished trade negotiators who have contributed significantly during their career to improved market access for Australian agriculture.

To guarantee that the Government is able to continue to further its trade liberalisation agenda, the NFF urges the Government therefore to ensure that the Department of Foreign Affairs and Trade and the Department of Agriculture and Water Resources have sufficient capacity to continue to progress the challenging but vital advancement of Australian market access for agricultural products.

#### **Recommendation 11:**

That the Australian Government commit at least \$1 million to maintain sufficient capacity for trade negotiation to continue to progress market access for agricultural products in upcoming trade negotiations.

### **Non-Tariff Barriers to Trade**

---

Non-tariff barriers to trade (NTB) have become increasingly important barriers to market access for agricultural products. For example, import permits and licenses are a cross-cutting issue as is application of international standards e.g. CODEX, OIE for testing purposes.

There is need for transparency in application of regulations that impact on market access for agricultural products across the globe. Transparency includes prior notification of proposed changes in regulation and an acceptable period for impacted stakeholders, namely businesses to comment on the proposed changes followed by a review process of these comments before a final decision is promulgated.

To help agricultural goods exporters navigate the ever changing landscape of NTBs and to ensure genuine information exchange between Government and industry with regard to NTBs, the NFF is very supportive of the NTM Working Group established by DAWR, DFAT and Austrade together with key industry stakeholders and recommends its continuation.

**Recommendation 12:**

That the Australian Government: continue to provide DAWR, DFAT and Austrade with adequate resources to continue the work of the Non-Tariff Measures Working Group, particularly as new FTAs are negotiated and implemented.

Additionally, NFF considers the Australian Trade and Market Access Cooperation Programme (ATMAC) that funds industry activities to address NTBs as crucial, especially in light of upcoming FTAs. As an example, the NFF has been funded through the ATMAC Programme to undertake a 'listening tour' of the EU and develop messaging for Australian agricultural stakeholders to use in their representations during FTA negotiations. The listening tour and messaging are designed to foster deep relationships between Australian and European industry and complement the Government's negotiation and diplomatic efforts. It is vital that these opportunities continue to be made available to industry to support and complement the Government's ambitious bilateral and regional trade agenda.

There are two potential areas where ATMAC Programme funding could be extended. The NFF believes that the Australian Government should seek to make more frequent and effective use of the WTO dispute settlement system. In the early 2000s, Australia joined with Brazil and Thailand to successfully challenge export subsidies for sugar in the European Communities. This has delivered a significant, ongoing benefit to Australia's sugar cane growers. ATMAC funding could be provided to industries to enable them to examine the merits of potential WTO actions, which the Government may or may not choose to act on.

The other avenue would be to provide funding for Australian agricultural industries to undertake detailed strategic plans in developing and enhancing their trade and market access activities. This could include, for example:

- support for industry specific technical workshops drawing on industry, government and external expertise to identify opportunities and threats and establish the potential payoffs of specific initiatives; and
- support for the development and use of rigorous and detailed industry specific analytical frameworks that could be used to test and prioritise trade policy and market access opportunities and threats.

**Recommendation 13:**

That the Australian Government continue, and expand funding for, the Agricultural Trade and Market Access Cooperation (ATMAC) programme beyond 2019-20, particularly as new FTAs are negotiated and implemented.

The criteria for ATMAC Programme funding could be broadened to include the following activities:

- enabling industry associations to examine the merits of potential WTO actions; and
- developing commodity-specific strategic plans to develop and enhance market access opportunities.

## **Agricultural Counsellors**

---

Efforts to reduce or eliminate non-tariff barriers in key markets become much more vital as FTAs lower tariff barriers. This challenging work also holds the promise of great rewards for Australian agricultural producers and it is important for the Government to ensure that its agricultural counsellor network keeps pace with the changing trade landscape.

The Government must ensure the network is adequately resourced and deployed to the markets where they are needed most. Newly negotiated agreements will not be utilised effectively, particularly in brand new markets for Australian agricultural, food and fibre products unless there are sufficient numbers of nimble and agile counsellors in those markets. The number and location of agricultural counsellors needs to keep pace with the development of new and existing markets.

Following on from the newly concluded FTA with Peru and ongoing negotiations with CP-TPP and the Pacific Alliance FTA, the NFF recommends that the Government expands the Agricultural Counsellor Network to include a new position in South America to ensure genuine market access for agricultural exporters.

### **Recommendation 14:**

That the Australian Government adequately resource and expand the agricultural counsellor network as new trade agreements are negotiated. At a minimum, at least 5 new counsellors should be appointed, with 1 new counsellor appointed in countries where new trade agreements have been negotiated to maximise the utilisation of preferential tariff reductions and other notional market access improvements for Australian producers and agribusinesses.

## **Special Agricultural Trade Envoy**

---

The NFF would like the Government to consider appointing an eminent Australian with significant experience in agriculture and international trade as a Special Agricultural Trade Envoy (SATE).

This suggestions is based on the New Zealand model in which New Zealand Ministers for Trade and Primary Industries have appointed a number of SATEs since the early 2000s. The NFF believes that the model used in New Zealand can be applied to the Australian context.

The SATE in New Zealand is a practising farmer who has had extensive experience as an elected representative in New Zealand agriculture industry bodies. The role of the SATE is to provide a farmer's perspective to international trade negotiations and build partnerships with other farming groups offshore.

The NFF believes that an envoy could fulfil an additional role in Australia – advocating for the benefits of international trade in rural and regional Australia.

Appointing an agricultural trade envoy would build on the partnership between industry and Government (similar to the Cairns Group and Cairns Group Farm Leaders). An envoy would deliver close input and engagement from industry and provide a focal point for a consistent and collaborative partnership approach.

The agricultural trade envoy could be part of a broader industry consultative committee with privileged, confidential access to negotiating text and briefings from senior officials during FTA negotiations so that business views can be considered before a finalised agreement is pursued through the Parliament.

**Recommendation 15:**

That the Australian Government establishes a new position to provide a farmer's perspective to international trade negotiations, to advocate for trade liberalisation domestically and to build partnerships with other farming groups across the globe. The Special Agricultural Trade Envoy could participate in a broader industry consultation mechanism, with privileged, confidential access to negotiating text, during trade negotiations.

**Livestock Global Assurance Program**

The NFF supports the implementation of the Livestock Global Assurance Program (LGAP). LGAP is a proposed global conformity assessment program for livestock exports that protects the welfare of animals, fosters continual improvement and the attainment of best practice. Through LGAP, livestock exporters will receive support in implementing a new scheme to improve efficiency and competitiveness of trade.

The Livestock Global Assurance Program is an industry-led scheme that will improve the efficiency and competitiveness of our live exporters, however the government will still remain the regulator of the Australian livestock export industry. This new program is a step towards reducing that burden and improving the independence, integrity, transparency and accountability of the live animal export trade.

To ensure that LGAP has clout, the NFF welcomes the Government's initial commitment of \$8.3 million to support the introduction of LGAP. The NFF recommends the Government to continue funding LGAP beyond the current forward estimates. Once introduced, LGAP will further enhance animal welfare outcomes for Australian livestock and improve the sustainability and resilience of the \$1.5 billion livestock export sector. LGAP will help Australia maintain and build upon its global leadership in best practice international transportation and supply chain management of livestock.

**Recommendation 16:**

That the Australian Government delivers on its previous commitment to fund the Livestock Global Assurance Program and continues funding beyond the forward estimates to ensure enhanced animal welfare outcomes for Australian livestock.

## **Chapter 4 – World Class Infrastructure**

---

Australian agriculture is a significant export industry with roughly two thirds of food and fibre sent to overseas markets. It is expected that global food demand will rise as the world's population increases over the next 20 years, creating new growth opportunities for the export of Australian produce. One of the key determinants in ensuring that Australian agriculture can reach its full potential are least-cost pathways to transport food and fibre from paddock to port. At present, logistics are the largest single cost item in the production of many agricultural industries, amounting to as much as 48.5 per cent of farm-gate cost.

Key to improving transport infrastructure for agriculture is to invest strategically in infrastructure. When planning freight routes, it is crucial to use supply-chain modelling tools. There is massive scope for improving road and rail in Australia. Under an ideal scenario in the beef industry, if all rural roads were sealed and road trains were able to operate, cost savings in transport could reach 24 per cent. There is very little information on how much farmers pay for transporting their produce to consumers. This information, however, is crucial to measure the competitiveness of Australian farmers and to find out where the transport of agricultural goods faces pinch points and bottlenecks.

In addition to freight infrastructure, access to affordable and reliable electricity for all users is paramount to maintaining the international competitiveness of Australian agriculture. The National Electricity Market is not working for Australian farmers and needs serious reform. The NFF recognises that Australia's generation-mix needs to change as existing infrastructure assets reach the end of their useful lives and to meet emissions reduction targets.

### **Improving Regional Roads and Rail**

---

The current funding model for roads is the most disjointed and problematic aspect of the freight network. The revenue for road construction and maintenance is ostensibly derived from fuel excise and heavy vehicle charges at the Commonwealth level and registrations at the State and Territory level, with roads managed by a mix of Commonwealth, State, Territory and Local governments.

Currently the NFF supports the concept of road user charging but does not have a firm view about how a user-pays system for the road network should apply. Nevertheless, it is apparent that any national freight and supply chain strategy should encompass a detailed pathway to reform road user charging arrangements.

Some of the key principles of an effective road user charging system from an agriculture perspective are:

- abolition of fuel excise and registration fees (beyond administrative cost recovery);
- hypothecation of all road user charges to road construction and maintenance;
- differentiated metropolitan and regional pricing based on a forward looking cost base;
- full economic regulation of road assets by the ACCC to prevent inefficient overinvestment (gold plating) by providers and overcharging for network use
- clear and transparent service standards for provision and maintenance of road assets; and

- a Universal Service Obligation for regional and remote areas to ensure service standards are met.

These are long term aspirations and the NFF recognises the Australian Government's first steps along this path with its Heavy Vehicle Pricing Reforms. The NFF would like to see more evidence about how these reforms would play out in practice and the effects of road user charging on rural and remote communities. Before supporting a specific new road user charging model, the NFF calls for detailed regionally disaggregated modelling on what the economic and social impacts of long-term reform would be.

**Recommendation 17:**

That the Australian Government outline its long term aspirations for road user charging reform and commits to detailed regionally disaggregated modelling of the economic and social impacts of reform for community and industry consultation.

In order for a National Freight and Supply Chain to commence, the NFF believes the Australian Government should commit to a fund of at least \$1 billion dollars to improve the standard key agricultural freight routes and linkages. These key links could form part of the broader strategy of intermodal link for flagship Australian Government supported projects such as Inland Rail and Western Sydney Airport.

**Recommendation 18:**

That the Australian Government commit at least \$1 billion dollars to establish an infrastructure fund to improve regional roads and rail to make export pathways more efficient.

**Inland Rail**

Inland Rail will play a vital role in supporting Australian agriculture to grow into Australia's next \$100 billion industry. By ensuring our food and fibre supply chains are competitive, Australian agriculture can share the benefits from the growing demand for our produce both at home and abroad through increased farm gate returns.

The NFF welcomed the Inland Rail announcement in the last Federal Budget. The significant allocation of \$8.4 billion for the Melbourne to Brisbane Inland Rail and the goal of completing construction by 2025 is strongly supported by the farming sector. Consequently, the NFF would like to see ongoing commitment from Government to finalise Inland Rail within the parameters set in last year's budget.

**Recommendation 19:**

Ongoing Australian Government commitment to fund Inland Rail and complete construction by 2025.

To ensure the effective selection of routes utilising local knowledge, smooth land acquisition and cost-effective construction of the Brisbane to Melbourne Inland Rail project, the

NFF strongly recommends that Government and ARTC engage in genuine stakeholder forums of landowners.

The Government must ensure that the economic, social and environmental impacts are minimised, especially in sensitive agricultural areas, that there is appropriate consultation and that there is fair and reasonable compensation for land acquisition.

This includes acknowledgement of when landowners are able to participate by scheduling stakeholder forums outside of harvest and to advertise these forums through community channels such as local state farm organisation branches.

**Recommendation 20:**

That the Australian Government commits all necessary resources to consultation with landowners about effective route selection, land acquisition and construction. Further, the Government must commit to providing sufficient and fair compensation to affected landholders.

This transformational Inland Rail project will deliver significant benefits to the Australian economy for years to come, and underpin agriculture's ongoing competitiveness. However, to ensure that Inland Rail caters for the needs of rural Australia, it needs to provide genuine connectivity between intermodals in regional Australia and port and air freight terminals in capital cities.

Agricultural commodities have distinct logistical challenges that differ from other regional industries, such as the mining sector, in that they do not have defined start and end points. Moreover, it is crucial that the line complements to the greatest extent possible the existing network, allowing for the interoperability of existing rolling stock.

Further, from an agricultural sector perspective, it is important that the line fosters a healthy level of supply chain competition. A range of logistic operators must be able to reasonably compete for access to the line. Doing this will ensure that a range of transport options are presented to commodity handlers and other supply chain intermediaries. This competitive tension should flow throughout the supply chain and ultimately benefit farmers.

**Recommendation 21:**

The Inland Rail project must deliver port to port access, allow effective intermodal access, and support supply chain competition for agricultural industries.

**National Freight Strategy**

The NFF congratulates the Australian Government for adopting the recommendation in Infrastructure Australia's *Australian Infrastructure Plan* to develop a national Freight and Supply Chain Strategy.

Transport Infrastructure in Australia is at a crossroads. Ageing infrastructure, a mounting maintenance bill, lack of new investment and a lack of a clear national strategy has hampered development in one of Australia's most critical areas. The development of the Australian

Infrastructure Plan was a pivotal moment as it set out a clear vision for Australia's overall infrastructure investment.

The development of this strategy presents very real opportunities to build on the Australian Infrastructure Plan, piece the links of the national freight system together, identify key areas for future investment and identify appropriate strategies for maximising the current network.

There are countless projects that could, at a practical level, streamline our freight movements and unlock bottlenecks. However, the NFF believes that for a national freight and supply chain strategy to be meaningful in its legacy, it must do more than focus on individual projects and avoid perpetuating the politicisation of our infrastructure investments.

For too long our key nation building projects have been identified and committed to as part of political cycles such as elections and budgets. The scale of construction, the magnitude of public expenditure and the legacy of projects warrants consideration beyond political cycles.

The NFF believes solutions reside in the systems and architecture that governs infrastructure investment and coordination. There is a need for clear and strategic national coordination of freight. Additional factors such as the perishability of produce, peaks and troughs in movements due to seasonality and other considerations unique to agriculture such as animal welfare, heighten the requirement for an agricultural focus in this national coordination as well.

The NFF supports the concept of a single national regulator or coordinator for freight. However, in implementing this measure, effective national coordination and consistency must extend beyond the traditional Commonwealth – State/Territory context. It must also consider local government and industry regulation as well. In addition, a national coordinator must have the capacity for a dedicated agricultural resource or liaison.

There are a number of other areas national coordination can play a role:

- **Strategy** – Currently infrastructure strategies are developed by the Commonwealth and States and Territories. A comprehensive National Freight and Supply Chain Strategy must give consideration, and recommend ways, these processes can be integrated and complementary.
- **Practical Considerations** – While regulatory inconsistency has been discussed above, a dedicated national coordinator should have the ability to implement uniformity across practical aspects such as rail gauges to maximise utilisation of the network. It should also have the ability to implement dynamic scheduling mechanisms across the network, to avoid inefficiencies and minimise opportunity cost of goods sitting latent, while waiting for scheduling windows. Maximising deliveries to ports or air freight facilities should be a priority as should enabling the most direct route.
- **Prioritising Maintenance** – It is well documented that Australia's transport infrastructure network is aging and that significant maintenance cost will be required in the future. A national coordinator should have the ability to 'triage' such maintenance to ensure business as usual freight movements.
- **Identifying Future Opportunities** – Global markets and consumers evolve over time – as do our freight capabilities. A national coordinator should have insight into changing dynamics and market conditions and seek to not only manage the risks associated with

this but also identify opportunities. For example, a burgeoning export market exists for agriculture in air freight. However, in order to capitalise on this opportunity the appropriate consideration must be given to the facilities required at airports such as quarantine and customs facilities. There must also be emphasis on moving perishable good quickly and effectively to potential new hubs such as the Western Sydney Airport and possibly Canberra Airport.

- **Maximising Intermodal Movements** – A coordinated national network must view our freight network as a single entity and must identify opportunities for freight to move as quickly as possible, regardless of the mode.
- **Planning** – Protecting our future freight corridors for future development must be a priority for a national coordinator. This extends to aspects such as urban encroachment and the impact this can have on traditional industrial facilities through issues such as noise and traffic. In the agricultural context, planning must also include meaningful consultation with landholders.
- **Adoption of future technologies** – As with on-farm technology, the NFF understands transport technology and its application is progressing rapidly. New technology has significant disruptive potential for our regulatory environment, and as such, a national coordination must have the ability be adaptive to its application. Driverless vehicles are an example that comes to mind in this area.
- **Future Funding Mechanisms** – While future funding mechanisms for infrastructure is very much a live discussion, and one that we will express views about below, there is no doubt a national coordinator must have an involvement in managing funding flow in order to maximise its strategic investments.

**Recommendation 22:**

That the Australian Government appoints a national freight coordinator.

**Fresh Food Precinct for Western Sydney Airport**

Western Sydney Airport (WSA) has the exciting potential to incorporate air freight of food in a considered manner, creating nearly 12,000 jobs and supplying fresh food to consumers in key markets such as China and Southeast Asia.

KPMG and NSW Farmers have conducted an analysis of the potential for the development of a world-leading FFP as part of a future WSA, assuming a precinct development of up to 500 hectares. This would be across the Greater Western Sydney Employment region, with a small proportion of this located within the airport precinct.

. The research has found that growing demand for fresh Australian food highlights an exciting future for the sector, including the production and processing of food for Australian retail, and for direct export to international markets via air freight. For example, it is feasible that a consumer from China, Southeast Asia, India, or even the United Kingdom, could order a meal freshly prepared in Australia via their mobile phone, for delivery to their home within 36 hours.

The WSA is a once-in-a-generation opportunity to develop a custom built export facility for fresh food and fibre. It has the potential to create nearly 12,000 jobs and supplying fresh food to consumers in key markets such as China and Southeast Asia.

Via the FFP, Australian farmers and food processors could expand production for both domestic and new markets. The precinct could include high tech food production, and will be underpinned by new technologies such as the Internet of Things (IoT), blockchain and robotics. Australia's food safety and quality systems will be further enhanced in these new food production systems. Australia has the potential for highly efficient cross-border zones based on digital platforms (such as blockchain) that will enable fast and efficient trade of food and fibre.

Government leadership is essential to attract the large scale, long-term investment into infrastructure, connectivity, jobs and businesses that create a food and agribusiness precinct capable of delivering globally at scale.

It is crucial that the Australian Government build consideration for the Western Sydney Fresh Food Precinct in its planning processes for the Western Sydney Airport and also commits to investigating the full feasibility of the proposal.

**Recommendation 23:**

That the Australian Government commit to developing an investor ready prospectus to allow the development of a food and agribusiness precinct in and around the airport of up to \$5 million for a full feasibility study and a go-to market investment strategy into a 500 hectares, food and agribusiness precinct to be funded through the finalisation of the NSW-Australian Government Western Sydney Cities Deal. It should have a view to full cost recovery from the subsequent precinct development and operation

**TraNSIT Web**

The identification of these high priority areas could be undertaken utilising the Transport Network Strategic Investment Tool (TraNSIT) tool which was originally developed to address the long and vulnerable supply chains faced by the beef industry in Northern Australia. The tool was subsequently extended to all Australian livestock through a Meat and Livestock Australia initiative, and 98% of Australian agriculture through the Agricultural Competitiveness White Paper (DAWR) funding.

TraNSIT is a computer based tool utilising novel logistics modelling that optimises individual freight movements along road and rail networks, from production to markets. TraNSIT has already helped save millions of dollars in transport costs to the Australian agriculture sector, particularly the beef industry, by informing infrastructure investments and regulatory changes.

TraNSIT currently covers both road and rail transport, including intermodal links, using ground up models representing the major variables associated with running and costing vehicle and rail trips. The tool is continuing to be improved in terms of functionality (e.g. adding sea freight, adding vehicle classes) and data (e.g. updating commodity data, road/rail network improvements).

To maximise the benefits achieved from TraNSIT, a user friendly web-based version – TraNSIT Web – needs to be created for use by external stakeholders in industry and other government agencies for a range of applications. This will provide industry with the capability to test policy scenarios and enable government agencies to inform and assess infrastructure and regulatory investments. . TraNSIT Web (Stage 1) will provide the critical baseline data needed to identify bottlenecks and inform evaluation of road infrastructure funding programs, their impact, and future direction.

**Recommendation 24:**

That the Australian Government commit to funding the development and roll-out of TraNSIT Web for use by industry and across Government.

**Agricultural vehicles issues –National Class 1 Notice**

The farming sector is an active and passionate proponent of the initiative to prepare a new agricultural notice, as it has the potential to remove red tape from farm businesses and create a sensible, practical and safe system for the movement of heavy farm vehicles on public roads.

The NFF has worked closely with our members, including both State-based farming organisations (NSW Farmers Association, the Victorian Farmers Federation, AgForce Queensland and Primary Producers South Australia) and national commodity councils (GrainGrowers, Cotton Australia and CANEGROWERS) to contribute to the harmonisation process and ideally assist in developing a notice which ensure productivity, safety and the protection of infrastructure..

The Productivity Commission recently examined the role of regulation in agriculture, recommending that transport regulation needs to be proportionate to the risks involved. Moreover, the Productivity Commission recommended in 2017 in its report on the Regulation of Australian Agriculture that NHVR, road managers, and relevant third parties should “make greater use of gazettal notices or other exemptions for oversized agricultural machinery”.

In line with the Productivity Commission’s findings, the NFF urges the Australia Government to continue to work with industry and road managers/authorities to reduce burdensome red tape and develop and agricultural notice that suits the modern fleet (now and into the future) and the specific needs of Australian food and fibre producers.

To help the process of increasing effective road access for agricultural machinery (and other oversize overmass vehicles), the Government could provide assistance to local government road managers to conduct engineering and other assessments to enable them to better understand the condition of their road assets and confidently grant additional access on suitable roads. Funding could be conditional on local governments only denying access by exception, where conditions are genuinely unsuitable.

**Recommendation 25:**

The Australian Government should fund dedicated engineers for a period of up to three months to work with road managers in rural and regional local governments to undertake assessments of local roads, and enable an ‘open all roads’ status with exceptions only where needed.

**Geographical Information Systems (GIS)**

Geographical Information Systems (GIS) enable real time information on access routes and restrictions for heavy vehicles, including agricultural vehicles.

Given the technology available, the development of a single, national public mapping system would ensure that farmers can identify road access requirements and condition, notice limits and restricted access infrastructure online and in real time.

This would allow farmers to safely and efficiently manage their movements on road and will provide a safer outcome for all. This occurs now in some states, for example the Restricted Access Vehicle Network (RAVNET) system in South Australia.

**Recommendation 26:**

Task the NHVR to work together with State Road agencies to develop a single national GIS mapping system to map multiple infrastructure networks, show access limits and conditions for agricultural vehicles.

**Livestock Effluent Disposal Facilities**

Management of livestock effluent on public roadways is important for protecting road safety, animal welfare, biosecurity, amenity, environment and business interests.

According to the ABS publication Value of Agricultural Commodities Produced, Australia, 2015-16 the total value of ‘Livestock slaughterings and other disposals’ is approximately \$21b annually. The vast majority of these livestock will have been transported by road on at least one occasion. Livestock can lose up to 5% of their weight as effluent during transit.

Unfortunately, there are only two possible outcomes. Either effluent is lost from the vehicle during transit or drivers must find places to dispose of material accumulated in effluent containment tanks.

In Australia, livestock processing facilities are not required to provide disposal areas for captured effluent and primary producers will not accept it onto their property due to biosecurity concerns. As a result, captured material is usually deposited in public places creating local environmental problems and placing the driver at risk of fines of up to \$8,000.

In New Zealand, National and Regional Governments are jointly funding, building and operating purpose-built livestock effluent disposal facilities on public roads. This is exactly what is needed for the Australian livestock supply chain to co-exist and grow alongside expanding urban populations.

Livestock effluent has a commercial value provided that it can be reliably captured and transferred to processing facilities. Some of the options include:

- Irrigation to farmland;
- Soil composting;
- Worm farms; and
- Energy generation.

The Australian Livestock and Rural Transporters Association, representing more than 850 rural road transport businesses, has identified the Warrego Highway in Queensland's Lockyer Valley as an ideal trial site for Australia's first effluent dump facility. The Warrego Highway is Australia's most important cattle transport route as it connects both broadacre and intensive production zones with several large processors located in South-East Queensland.

This view is supported by data on cattle movements across Australia compiled by the National Livestock Identification Scheme (NLIS) and mapped using the TraNSIT tool. It is estimated that a livestock effluent disposal facility in the Lockyer Valley could collect up to 2,500,000 litres of livestock effluent and prevent it from being discharged along the road corridor every year.

The NFF supports the concept and believes the Government should fund the Warrego Highway trial site.

**Recommendation 27:**

That the Australian Government fund a trial site for an effluent disposal facility on the Warrego Highway in South-East Queensland with a view to expanding the program if the trial site proves successful.

**Electricity market reform**

---

The entire Australian community relies on secure, affordable access to electricity and other forms of energy, and the Australian agriculture sector is no different. The current regulatory regime is not serving the interests of users and this is particularly the case for Australian farmers. The regulatory regime needs to be updated to maintain ongoing relevance of the National Electricity Market (NEM) to consumers and to meet future challenges.

Australia's electricity sector is undergoing transformational change as older electricity generation, transmission and distribution assets reach the end of their useful lives over coming decades. The current transition is occurring as a result of compounding policy distortions across all elements of the NEM and the network is no longer serving the needs of end users.

The NFF recognises that climate change poses a significant challenge for Australian farmers. As a nation, we must act to ensure that our economy is well placed to cost efficiently reduce our national greenhouse gas emissions profile. In the past, Australia has taken an economy wide approach to achieving its emissions targets – rather than setting a sector by sector target – which enables us to make the transition most efficiently. The NFF supports the economy-wide approach, as it enables the lowest-cost means of abatement to be undertaken. The levers of Government policy must work in a coordinated way, so that unintended consequences are avoided.

While the National Energy Guarantee proposed by Government offers a policy solution to fix the broken National Electricity Market and would ensure an electricity supply that is affordable, reliable and has a clear pathway to lower emissions, it is but part of the wider suite of policies required in order to achieve our international obligations, both now and into the future. The Government must enable food and fibre producers to participate fully and effectively in the opportunities that come from contributing to national emissions reduction goals without compromising our international competitiveness. There are number of options available to government in order to achieve this.

**Recommendation 28:**

That the Australian Government introduces a regulatory environment for energy that fosters growth, productivity, innovation and ambition. Specifically, the Australian Government should:

- support research into, development and adoption of new generation technologies, including both centralised and decentralised generation;
- support and promote improvements in on-farm energy efficiency, self-sufficiency in generation and storage capacity where appropriate; and
- ensure that appropriate incentives are in place for efficient levels of investment in transmission and distribution assets, regardless of ownership.

The NFF would like to see Government policies encourage co-investment in RD&E of climate smart practices and technologies that concurrently reduce emissions and improve productivity and profitability. These will be adopted by farmers as it makes business sense to do so, and in time will drive down the emissions resulting from agriculture production. This will help drive the overall performance of both the land and agriculture sectors in the national greenhouse gas inventory.

**Recommendation 29:**

That the Australian Government should commit to funding pre-feasibility activities to support capability development of farmers to better participate in Research & Development and the associated investment.

It is critical that Government ensures that existing funding mechanisms (ARENA, CEFC etc.) focus on regional power issues. Of most importance is a greater focus on self-sufficient distributed power sources and micro grids to reduce network costs.

Despite the significant cost of networks in regional Australia, there has been little innovation to help address this problem. Network and transmission costs account for up to 50% of regional electricity costs, yet there has been very little spent on utilising new technologies and processes to reduce network costs.

While the focus of federal funding has been on power generation and power costs impacting urban areas, the cost of power generation is a secondary concern for farmers. A 10% decrease in power generation costs would only see a 2-2.5% decrease in regional power bills. A 10% decrease in network and transmission costs would see a 5% decrease.

**Recommendation 30:**

That the Australian Government establish an industry-led taskforce on regional electricity innovation, including funding up to \$10 million per year from existing or new funding pools (ARENA, CEFC etc.).

## **Chapter 5 - Sustainable Stewardship**

---

The NFF promotes the protection and sustainable management of agricultural land with the long term success of the agriculture sector dependent on our continued access to land and water. A key challenge in shaping future policy settings is the need to reconcile the competing objectives of food and fibre security for a growing global population while also reducing the emissions from the sector and increasing resilience in our natural capital.

This is a complex challenge, especially considering that Australia must maintain international competitiveness in the process. Farmers need a regulatory environment that fosters growth, productivity, innovation and ambition – not one that impedes it. As the Productivity Commission noted in their *Regulation of Australian Agriculture Inquiry Report* effort from all levels of government is required to achieve reform in regulations and regulatory systems so that they can more fully achieve their objectives. The report contained sensible findings on native vegetation laws, which the Productivity Commission says are complex, cumbersome and leave farmers bearing a disproportionate share of the financial burden for biodiversity conservation. NFF share this view and urge the government to work hard at pursuing this reform. Getting the policy settings right means we can achieve a sustainable agricultural industry with increased productivity and profitability, improved natural capital and genuine emission reductions.

### **Native Vegetation**

---

The NFF recommends policy reform to create a genuine one stop shop for vegetation management to reduce red tape and improve landholder engagement. Relative to the number of referrals received by the Department of Environment and Energy for agricultural developments under the Environment Protection and Biodiversity Conservation Act 1999, agriculture is over-represented in the number of compliance cases that are investigated.

This is the result of the duplication and confusion between State & Commonwealth environmental laws, and the limited effort the Commonwealth has invested to effectively communicate with the sector what a farmer's responsibilities may be under the EPBC Act.

The NFF seeks that the Government commits to EPBC Act reform that result in the establishment of genuine one stop shops for farmers. This means:

- Streamlining and harmonisation of state and federal vegetation management regulation, and the creation of one regulatory pathway where this required;
- Ensuring that the current regulatory process is as easy as possible for farmers to navigate and access;
- Using non-regulatory approaches to achieve biodiversity objectives, including recognising and rewarding the stewardship activities of farmers that improve biodiversity outcomes;
- Ensuring a comprehensive approach to assessing regulatory impact at the time of the listing, including pursuit of non-regulatory options to achieve intended outcomes; and
- Ensuring the information and data burden and cost is borne by the public, not individual farmers.

**Recommendation 31:**

That the Australian Government commits to genuine EPBC Act reform and exploring the potential for greater use of non-regulatory approaches that recognise the contributions farmers make towards meeting biodiversity objectives.

**Recommendation 32:**

That the Australian Government, through additional funding for EPBC matters, commit to a strategy of one-stop shops in each jurisdiction as identified above

**Recommendation 33:**

That the Australian Government adequately resources the Department of Environment and Energy to enable better landholder engagement at all stages of the process and to accelerate reform, commencing in 2018.

**Native Title Reform**

---

NFF advocates for sensible Native Title reform and to support respondents so that they are able to actively participate in Native Title reform processes. This year the Government flagged its intention to progress further reforms to the Native Title Act 1993. In NFF's view it is only fair that all stakeholders with an interest in native title issues are supported equitably in the Government's process of consultation on potential changes to the Act.

As a result of significant changes made to the Commonwealth Respondent funding model, the formal connection between NFF members in each jurisdiction and respondent counsel was severed. It is the view of NFF and its members that expert legal experience is required to ensure that the impacts of proposed changes on pastoral respondents are fully and comprehensively considered as part of the ongoing consultation associated with the reform process. These are neither skills nor resources that NFF or our members have in house or at our disposal.

**Recommendation 34:**

That the Australian Government commits to making funding available in order to meet the professional fees, and associated costs of legal representation required to actively participate in Native Title reform processes.

**Carbon Offset Market Reform**

---

Many policy commentators and academics continue to point to the "land sector" and agriculture as a key source of offsets, both under current policies such as the Emissions Reduction Fund and any future voluntary or mandatory offset market. It is critical that Government ensures that the settings of offset markets facilitate efficient participation by farmers.

NFF has long argued that there are fundamental barriers to farmers participating in the carbon market including:

- There is no easy way for a farmer to bundle up and sell all the different sequestration and emission reduction strategies that suit their farm system and business model. This creates very high administrative costs and reduces efficiency.
- There are a very limited number of methods available that are relevant to the majority of farmers. The reality is that for most Australian farmers cost-effective methods are not yet available.
- Understanding the legal and financial risks to participating in the carbon market is difficult, and sourcing trusted and independent advice is challenging. Emissions reduction projects are long term commitments of at least 7 years, and in the case of sequestration projects 25 or 100 years.

Despite some adjustments on the establishment of the Emissions Reduction Fund, it is NFF’s view that these barriers to an effective and efficient offset market persist. With the ERF now five auctions old, these barriers to participation are increasingly evident. The overhead costs of projects and the financial risks (such as reduced productivity) of implementing a method often far outweigh the financial benefits of the carbon price, and, therefore, we see a number of methods barely or not even utilised.

Most of Australia’s 150,000 farm businesses offer only small low value carbon projects that cannot sustain the overhead costs associated with participating in the ERF in its current form. The ability to aggregate emission reduction activities across individual farms, as well as across industry, is therefore a necessity.

**Recommendation 35:**

That the Australian Government , along with a significant commitment to research and reform, enables direct participation by all farmers – large and small – in carbon markets and emissions abatement activity.

**Continued Access to Productivity Tools – Agvet Chemicals**

The strength of the agricultural sector itself underpins the strength of regional communities. It is critical that the relocation of an Australian Government agency does not result in ongoing disadvantage to the sector. The NFF continues to have reservations that the relocation of the Australian Pesticides and Veterinary Medicines Authority (APVMA) will have a negative impact on services, performance and business continuity of the agency.

If current rates of approval of agricultural and veterinary chemicals (agvet chemicals) decline, Australian farmers will be at a disadvantage in the global market place by not being able to access state-of-the-art agvet chemicals, thus being unable to benefit from the on-farm productivity and efficiency gains that could be realised by using said chemicals. This is and remains to be a major concern to the farming/agricultural sector.

The Structural changes and fully-funded substantial initiatives are necessary to necessitate a smooth transition and deliver a centre of excellence for agricultural sector. This will involve leveraging technology to streamline APVMA and associated regulatory operations through more efficient data-sharing, digital communications and next-generation infrastructure. The creation of

a centre of excellence for agriculture will require detailed planning and significant input from the relevant industry sector to ensure best outcomes and minimal disruption.

Even with the best planning and implementation, relocating the Regulator within a centre of excellence and the implementation of a new online operating model will still cause disruption to APVMA operations and have significant negative impact to regulatory efficiency in the interim. It is foreseeable that delays due to implementation issues would be experienced for at least three years and therefore, transitional arrangements would need to be in place for at least that period.

**Recommendation 36:**

That the Australian Government commits at least \$30 million to ensuring adequate funding is in place for the APVMA to relocate and transition a next generation regulator with improved performance.

Developing an online platform is necessary for the development of a next generation regulator, allowing evaluations and assessments to be undertaken remotely by either permanent employed regulatory scientific specialists or accredited third-party assessors, harnessing domestic and international regulatory scientific assessment capacity.

**Recommendation 37:**

That the Australian Government commits \$20 million to the development of an online platform for the APVMA to enable it to become a next generation regulator.

In the 2014 federal budget, the Australian Government committed an initial \$8 million over 4 years towards helping farmers gain improved access to through the minor use collaborative forum. This forum was of significant benefit to industries seeking to utilise chemicals already available on the Australian market for approved minor uses and increasing their on-farm productivity and efficiency in the process.

Further funding is required to alleviate the existing economic and regulatory market failure, deliver more sustainable pest management practices and increase the Australian GDP. There is significant opportunity for an agricultural centre of excellence in progressing this collaborative forum.

**Recommendation 38:**

That the Australian Government commits ongoing funding to the Agriculture Minor Use Collaborative Forum.

Recent incidents involving the possibility of contaminated herbicides and pesticides has highlighted the need for a process for farmers to be notified quickly and effectively that their purchased products may have been contaminated. Currently, a voluntary recall process applies when a potential contamination is deemed not to have public safety implications. This places considerable onus on supply chains to ensure all parties are notified of potential contaminations.

There is potential for a simple notification system, either via text or email, to be developed to be utilised in the event of either a voluntary or mandatory recall. The benefit of such a system is its targeted approach to those already within supply chains, its efficiency and utilisation of digital

agriculture. Ideally such a system would be administered by the APVMA as the industry regulator. However, the APVMA must be adequately resourced to implement such a system.

**Recommendation 39:**

That the Australian Government commits to developing an electronic notification system to alert farmers to potential contamination of products.

**Testing of imported products**

---

The NFF is of the view that there is a need to enhance testing of imported products to ensure they do not pose a biosecurity risk to the domestic industry. The recent outbreak of white spot disease in the Australian prawn industry and its devastating impacts is an example of why this is so crucial.

There is a growing desire for countries to gain access to Australia, with the recent allowance for beef from Japan and the US. It is vitally important that the Commonwealth sufficiently tests imported products supply chains to ensure that they meet the requirements for entry.

**Recommendation 40:**

That the Australian Government commits to funding enhanced import testing regime for imported products.

**Commitment to IGAB Reform**

---

In July 2017, the final report of the Intergovernmental Agreement on Biosecurity (IGAB) was released. Biosecurity and quarantine have become topics of increasing public awareness and discussion, particularly as heightened importance, both at home and in our global markets is placed on food safety and traceability.

The NFF is concerned about the funding of preventative biosecurity measures that have the highest rate of return for biosecurity spending. Biosecurity management is largely about prevention, especially because risks often sit outside the realm of known pests and diseases. As the main beneficiary of preventative spending cannot be defined, traditional cost recovery models do not apply. The NFF is concerned that only around a third of state and territory government biosecurity investment goes towards implementing preventative measures.

The NFF believes that the additional cost incurred through environmental biosecurity, a major focus of the IGAB Review, should be borne by the community, especially when considering that farmers are already conducting environmental biosecurity activities on their properties without being reimbursed and which benefit the whole community.

Australia's favourable pest and disease status allows more efficient and productive farming and is important to the safety of the wider community and the environment. Our 'safe and green' reputation gives our food and fibre a strong competitive advantage over other nations in global markets and positions Australian produce as premium products in the global market.

Our existing, new and emerging markets increasingly demand high-quality and safe food. The NFF is generally very supportive of IGAB's recommendations but would like to caution that

implementation of agreed recommendations will require resources, prioritisation and strong management and meaningful budgetary commitment.

**Recommendation 41:**

That the Australian Government should accelerate national system innovation in biosecurity by committing to the following IGAB recommendations:

- Establishing a \$25 million National Biosecurity Innovation Program to enable strategic co-investment in system-level national priorities. The program should be funded initially for a five-year period from 2018–19.
- Increasing the funding appropriation to RDCs by \$2 million annually for a new cross-sectoral biosecurity R&I coordination and investment function for the RDCs.

**Recommendation 42:**

That the Australian Government commits to implementing IGAB recommendations, including any resulting funding implications, in consultation with the agricultural industry

**Understanding Consumer Perceptions**

NSW Farmers, with support from the NSW Department of Primary Industries, has commenced a project to investigate and address community and consumer trust in primary industries.

The project will be undertaken against a memorandum of understanding commitment between The NSW Government (DPI) and NSW Farmers Association to invest in the development of a cross commodity quality assurance strategy.

While research continues to demonstrate a high trust in farmers, there is acknowledgement of a growing disconnect between consumers and producers. This is a global phenomenon underpinned by geographical disconnect from food sources and heightened by the heavy influence of social media which is largely populated by opinion, emotion and potential misinformation.

The framework will support sector specific autonomy, amplifying individual initiatives, while framing within a bigger picture.

Using consumer and community insights, it will scope sustainability parameters across industry. It will draw on, not replicate, existing initiatives within sectors. Industry consultation will identify and agree the priorities for whole of industry action.

NSW Farmers Association, with support from the NSW Department of Primary Industries, is managing the development of the framework, due for completion in June 2018.

The NFF is of the view that a national, whole of industry approach is required to ensure long term, effective consumer and community engagement by Australian primary industries and its stakeholders and is therefore supportive of consumer sentiment being monitored nationally on an ongoing basis at the completion of the NSW project.

Industry has indicated in-principle support for ongoing funding. However, Australian Government support would be welcome in addition to industry's efforts. Early estimates indicate it would cost approximately \$400,000 per annum to maintain such a system

**Recommendation 43:**

That the Australian Government commits funding to NFF to undertake a national project across all agricultural commodities to monitor community sentiment towards the industry.

## Chapter 6 – Human Talent

### Agricultural Labour Market Needs

---

The agriculture sector continues to suffer from a persistent labour shortage. There is an abundance of speculation about possible causes of this shortage: the perceptions (and misperceptions) of work in the industry, the remoteness of farms, the ongoing population shift from rural to urban areas, etcetera. However, by-and-large this speculation is based on individual experience, supposition and anecdote, rather than solid evidence. In fact there is very little current, comprehensive, and reliable data on the issue.

Indeed, in our submission this lack of data regarding the agricultural labour market is itself a central part of the problem. It means that government and the sector cannot develop targeted measures to address it, and has led to fragmented, reactionary responses rather than sustainable solutions: sector supported or developed measures to attract a local workforce<sup>1</sup>; seasonal worker programs; working holiday makers programs.

While these measures all assist to greater or lesser degree, they have not (either alone or in aggregate) been fully effective and the problem persists. In the absence of clear data it is impossible to draw reliable conclusions on the extent of or reasons for their relative successes and what, if anything, should be done to make them more effective.

In addition, there are differing perceptions about the sector's attitude to labour and conflicting opinions as to how its labour needs should be addressed. For example, various bodies have suggested that the domestic labour force should be adequate to meet the sector's labour needs, and if farmers are not attracting enough workers then they simply need to increase wages and/or better plan to meet their workforce needs.

Farmers, on the other hand, are adamant that the local workers cannot be attracted to the industry on a sustainable wage, while the nature of the industry makes effective workforce planning difficult if not impossible. However, these views are based largely on anecdote and individual experiences, not data reflecting the reality across the industry.

Relying on currently available information, it is not possible to prove that either view is (to greater or lesser degree) correct or incorrect. Without statistically robust and consistent data, there is no way to reconcile these perceptions or distinguish the myths from the reality. To make things more difficult, the current ANZSCO occupational classifications do not correspond well to the types of roles that are performed in agricultural industries. This is likely to get worse over time as the industry develops and adopts new technologies and practices.

This is not a new problem. In 2010 Mick Keogh, Managing Director of the Australian Farm Institute, observed that “the first steps in seeking solutions to improve the availability of labour in agriculture is obtain a clear picture of both demand for and supply of labour in the sector.”

That statement was found in a 2010 reports produced by the AECGroup which recommended that government ‘develop an annual national labour and skills survey for the Australian agriculture

---

<sup>1</sup> e.g.: the Sweetest Job program; the Seasonal Worker Incentive Trial.

sector to deliver contemporary and forward looking data on labour and skill requirements of the agriculture sector, with a focus on the peaks and troughs throughout the seasonal production cycle”<sup>2</sup>. The recommendation was not adopted.

The survey is yet to be undertaken. As the current Chair of the Future Farmers Network, Dan Korff, observed earlier in 2017:

*If [this recommendation was] implemented, a much clearer view of labour requirements in Australian agriculture would eventuate enabling regional and national plans to be developed for the training and development of the future workforce, whilst contributing to reducing the labour gap on-farm.<sup>3</sup>*

The NFF supports these observations. We call for a regular, comprehensive study of Australia’s agricultural labour needs which:

- Covers all aspects of labour in the sector; i.e. across all commodities and all roles<sup>4</sup> (including unskilled, low-skilled, semi-skilled and skilled workers);
- Is updated regularly; i.e. conducted at least once every 24 months; and
- Identifies how labour is currently being supplied (where the employees are drawn from), the gaps in supply (and demand), and how they may be addressed.

**Recommendation 44:**

That the Australian Government provide funding for a comprehensive study of the labour market in the agricultural sector to be conducted by an independent advisory firm on a regular (at least 24 monthly) basis.

**Attracting Australian youth into agricultural work**

Every year in Australia, more than 30,000 overseas working holiday makers undertake regional agricultural work – almost entirely motivated by the incentive of a second year visa to stay and work in Australia. As the recent backpacker tax campaign highlighted, the working holiday maker program offers a vital source of labour to address the sector’s chronic shortages. It appears that the current policy settings provide the right incentives for to draw backpackers to work on farms.

The NFF believes that with the right incentives, young Australian residents may also be encouraged to move to regional areas to work in agriculture.

Indeed, the Government can boost participation of young Australians in the agriculture workforce by introducing measures to incentivise the uptake of *both* vocational education and training (VET) *and* regional agricultural work. Specifically, the Government should consider implementing a new

<sup>2</sup> AECgroup (2010), Towards a better understanding of current and future human resource needs of Australian agriculture, Research Report, Australian Farm Institute, Surry Hills, Australia.

<sup>3</sup> *The Changing Agricultural Workforce – How Can it be Sustained and Developed?*

<sup>4</sup> Is not restricted to the Australia and New Zealand Standard Classifications, but also captures evolving and new roles in the sector

industry-supported initiative that could offer discounted course fees or Trade Support Loan offsets for VET students who work in agriculture for at least 3 months of the year.

This aligns two key policy needs: giving workers the skills and experience they need and providing a willing domestic labour source for farm businesses in regional Australia.

As part of an appropriately established program, course fee discounts would be available on upfront payments or through reduced VET-FEE HELP repayment liability. Alternatively, Trade Support Loans could be reduced by 25 per cent for each 3 months of regional agricultural work in a year, up to the maximum of \$20,000.

Although it is hoped that under this initiative the students would enrol in VET courses within the farming/ag sector, the program should not be limited to agricultural VET courses. Indeed, as is becoming increasingly apparent, the sector needs workers with skills which are not traditionally described as agricultural. As such, opening the program to student who are not in the traditional agricultural VET sector may help address this need.

**Recommendation 45:**

That the Australian Government commit to:

- offering discounted course fees/reduced VET-FEE HELP repayment liability for VET students who work in agriculture for at least 3 months of the year; and/or
- reduce Trade Support Loans by 25 per cent for each 3 months of regional agricultural work in a year, up to the maximum of \$20,000

**Seasonal Worker Program – SWP Administration Fund**

In 2008, the Government announced its proposal to establish a pilot Seasonal Worker Program (SWP) to address serious ongoing labour shortages in the agriculture sector. Nine to ten years later, participation in the SWP continues to grow.

However, there are a number of obstacles to participation which discourages and may ultimately stall the program’s growth. In particular, a major barrier to uptake of the SWP are the upfront costs to employers. An approved employer must pay the full return international airfare and domestic transfer costs for seasonal workers from their port of departure in the participating country through to the location of employment and accommodation in Australia.

While the employer may ultimately recoup all but \$500 of these costs from the worker’s wages, the upfront expenditure requires a leap of faith from a price-taking sector which is traditionally risk adverse and cost conscious.

In September 2017 the Government announced plans to (inter alia) remove or reduce some of the obstacles employer’s experience when they first attempt to use the scheme. This announcement included plans to introduce ways to lower the upfront cost to employer. Although the NFF welcomed this announcement, we note that the proposal was light on specifics.

In its previous pre-budget submission the NFF made recommendations that would give this proposal substance by introducing a centrally managed “SWP Administration Fund”. Employees

would access to the fund to cover their travel to Australia. Employers would then deduct periodic amounts from employee's wages to cover the cost of airfares etc. and pay these amounts back into the SWP Administration Fund.

The Department of Employment or the ATO would administer the fund. Although seed money would be required to cover the initial year of the fund, its operation would ultimately be cost neutral. The NFF repeats this recommendation.

**Recommendation 46:**

That the Australian Government provide seed funding to cover the initial year of operation, after which time it is anticipated that the operation of the fund would be cost neutral. An additional funding allocation for other measures to improve uptake of the program is also recommended.

### **Supporting Primary Industries Education in Schools**

Agriculture is currently undergoing a renaissance due to the high-tech nature of precision agriculture and agtech in general. This includes the use of drones, biometric devices to monitor livestock, digital maps and sensors and the use of big data in general. This increasingly complex environment on farm has translated to the creation of new jobs in agriculture, ranging from agtech start-ups to lawyers.

The public's perception of agricultural science and research is central to increasing participation in science generally, and agricultural science education in particular. A positive public perception of science related disciplines and agricultural innovation would contribute to making science and agriculture an attractive career goal and underpin public enthusiasm for science.

Food and fibre education is of critical importance to the future prosperity of rural and regional communities, the continued prosperity of the primary industries sector and indeed the growth of the Australian economy. However, in order to ensure continuing growth community understanding of the sector and the jobs available within need to improve to ensure a supportive environment exists and that there are enough new people entering the workforce at all levels of the supply chain.

Current research suggests this understanding is very poor. In 2012 Primary Industries Education Foundation Australia (PIEFA) and the Australian Council of Educational Research (ACER) released the 'Food, Fibre and the Future' research.

Among the many findings were:

- 75% of students thought cotton socks were an animal product;
- 27% of students though yoghurt was a vegetable product;
- 45% did not identify bread, bananas or cheese as being farmed products;
- 40% believed farming damaged the environment;
- 50% did not link science to primary production;
- 55% did not link innovation or IT to primary production;
- This has been supported by more recent National Farmers Federation data which revealed;
- 83% of those surveyed described their connection with farming as distant or non-existent;
- 96% did not identify that Agriculture is Australia's fastest growing sector; and

- 57% did not have any contact with a farmer at all in the last year

Education is not the only way to reverse these disastrous figures, but it is undoubtedly one of the most critical. The NFF played a pivotal role in establishing the Primary Industries Education Foundation and is currently a member. Reflective of this we are calling on the Australian Government to support this important initiative.

**Recommendation 47:**

That the Australian Government commits to:

- \$100,000 per year for three years for continued membership of PIEFA by the Federal Department of Agriculture and Water Resources;
- \$250,000 per year for three years to continue to expand and promote the resources developed under the Agriculture in Education project to Australia's school teachers and students;
- \$100,000 per year for three years to re-develop, update and promote [www.careerharvest.com.au](http://www.careerharvest.com.au) to Australian school students and their teachers;
- \$150,000 to resurvey school students and their teachers as to their knowledge, understanding and perceptions of Australia's primary industry sector.

## Chapter 7 – Flexible Business Tools

---

Agriculture relies upon open and transparent marketplaces that promote competition within agricultural supply chains, thus enabling farmers to get the best price for their produce. The farming sector is fragmented, made up of small to medium sized businesses in remote areas with limited access to market information. Fluctuations in input costs, limitations in infrastructure and the perishable nature of produce leave some farmers in an economically vulnerable position.

### Rural Lending

---

Access to credit to purchase land and agricultural businesses, manage cash flow and expand operations is paramount to the farm sector, given the infrequent nature of payments for crops and livestock and other primary products. Also, food and fibre producers face significantly more volatility in incomes than other industries. There have been a number of trends that have emerged in rural lending in recent years, which are hampering the ability of farmers to utilise credit to manage their cash flows.

Since the height of the global financial crisis in 2009, data from the Australian Prudential Regulatory Authority (APRA) shows that annual growth in rural lending has all but collapsed. From 1966 to 2008, rural lending growth averaged 9.5 per cent per year. Since 2009, it has only averaged 1.8 per cent.

Fixed loans have grown since 2009, both for the agriculture, forestry and fishing sector (average annual growth rate of 6.8 per cent) and the economy as a whole (6.4 per cent per year). In contrast, revolving credit for the agricultural, forestry and fishing sector has fallen by an average of 5.6 per cent per year, compared to an average fall of 0.3 per cent per year for all industries.

Not only has operating debt finance been harder to come by, it has also become more expensive relative to other loans, since the GFC. Data from Canstar shows that, prior to the GFC, the gap between the standard variable rate and agribusiness overdrafts was similar to the gap between the standard variable rate and residential-secured business loans. In more recent times, the size of the gap for agribusiness overdrafts has widened to around two and a half times the gap for residential-secured small business loans.

NFF recommends that APRA, ACCC and/or the RBA should regularly publish more detailed data on market share and pricing of agribusiness loans and FMDs by State and Territory so that competition in agribusiness lending can be monitored more readily.

#### **Recommendation 48:**

That the Australian Government tasks APRA, ACCC and/or the RBA with regularly publishing more detailed data on market share and pricing of agribusiness loans and FMDs by State and Territory so that competition in agribusiness lending can be monitored more readily.

The ACCC in its assessment of merger transactions in the banking sector noted that the agribusiness lending segment of the banking sector is different from other personal banking services in that farmers tend to rely on face-to-face services (not necessarily a ‘branch’ level of

service) and so a declining number of face-to-face points of presence can indicate a reduction in competition. Data from APRA by remoteness reveal that in moderately accessible, remote and very remote areas the total number of face-to-face points of presence has fallen by an average of nearly 3 per cent per year. This is of concern to NFF.

### **Farm Debt Mediation**

As outlined in the Small Business and Family Enterprise Ombudsman Report *Inquiry into small business loans*, farmers struggle to have the expertise and resources to challenge banks through Australia's court system when adverse decisions about their ability to take out additional loans are made. The NFF supports the recommendation in the above mentioned report to expand external dispute resolution schemes available to farmers. These schemes should also include disputes with third parties that have been appointed by the bank, such as valuers, investigating accountants and receivers, and to borrowers who have previously undertaken farm debt mediation.

#### **Recommendation 49:**

That the Australian Government expands external dispute resolution schemes to include disputes with third parties that have been appointed by the bank.

The Small Business Ombudsman report also highlights that there is a distinct lack of consistency on how different states and territories deal with Farm Debt Mediation. While some jurisdictions have legislated Farm Debt Mediation it is still voluntary in others. The implementation of a consistent approach across Australia would ensure that all farmers have the same access to farm debt mediation, reducing confusion and ensuring that all farmers can benefit from such a scheme.

#### **Recommendation 50:**

That the Australian Government works with States and Territories to implement a consistent approach to farm debt mediation across Australia.

### **Risk mitigation measures**

Drought is frequent in parts of Australia and climate change is likely to exacerbate drought conditions. Therefore it is necessary that preparedness and risk management take precedence over drought relief. While government measures have previously supported farmers in need, the lack of a consistent approach has led to confusion regarding the variety and certainty of assistance measures available. It has reduced the choices available to farmers, particularly in preparation for drought and how they recover.

A variety of instruments are used by the Commonwealth, States and Territories, but there is scarcely any information available on the quantity or effectiveness of drought assistance. For a range of risk management options, such as insurance products and Commonwealth concessional loans, uptake is low. The reasons for this low uptake is not well understood by Governments, industry or farmers.

A good first step would be for Commonwealth and the State and Territories to agree on a reporting framework and publish regular data on key performance indicators. Also, there needs to be greater consistency in the actual delivery of drought assistance across Australia.

**Recommendation 51:**

That the Australian Government work with the States and Territories to:

- establish industry consultative mechanisms to enable industry stakeholders to contribute to programme development and performance monitoring, using nationally consistent data and reporting;
- ensure industry stakeholders are granted observer status at Ministerial and Senior Officials meetings relating to drought policy; and
- benchmark all drought assistance eligibility criteria and assessment processes to ensure consistency across jurisdictions.
- mandate regular performance reporting in all jurisdictions to industry stakeholders.
- establish communications mechanisms that help farmers understand and access all drought support available to them across all jurisdictions.

Farm management deposits (FMDs) allow farmers to set aside pre-tax income (within specified limits and with restrictions on non-farm income). These are an additional tool that enable farmers to make their own provisions for times of reduced cash flow. Generally speaking FMDs are a useful risk mitigation tool although given how they currently operate, there may be some unintended consequences on choice of business structure and they are not as widely used or as effective as they could be.

In general, tax measures that allow special treatment of abnormal receipts, along with FMDs enable farmers to mitigate risks. These should be maintained on the grounds that these risks are not faced by other industries.

NFF supports recent changes to the FMD scheme to allow for FMDs to offset interest charges on farm debt. However, there are a number of changes that can be made to FMDs to make them a more effective risk management tool. These are:

- improving incentives for financial institutions to offer FMD interest offset facilities;
- making FMDs available to business entities, not just individuals; and
- allowing FMDs to be brought back into a business over time or taxed at averaged rates when unexpected events occur.

**Recommendation 52:**

That the Australian Government retain provisions related to treatment of abnormal receipts and FMDs.

Further, The Government should consider the following reforms to FMDs to make them more effective:

- investigate incentives to improve the availability of FMD interest offset facilities;
- allow FMDs to be held at the business level rather than just the individual level; and
- allow FMDs to be brought back into a business over time or be taxed at average rates in the event of unexpected cessation or death.

The Government currently provides assistance to farmers through the Managing Farm Risk Programme of up to \$2,500 for advice and assessments necessary for farmers to prepare and apply for new insurance policies related to climatic, production and market risks. The intention of the programme is to stimulate the development and uptake of insurance products and improve farm resilience.

While this assistance is valuable, uptake has been low and resulted in allocated Commonwealth funds remaining unspent. The NFF believes that the intention of the programme is sound, but it is unsurprising that uptake has been low. The fundamental issues with insurance products for agricultural production and market risks is that at current levels, premiums are too high to be attractive for the vast bulk of broadacre farmers. Unless this issue is dealt with, uptake of both insurance and government assistance for risk assessments will remain low.

Nevertheless, the NFF believes that the Government should undertake a four pronged approach:

- encourage States and Territories to abolish stamp duties on crop and livestock insurance products;
- retaining the Managing Farm Risk Programme;
- providing education and support services to farmers to help them better understand various insurance products; and
- investigating how to increase incentives for farmers to increase their resilience and avail themselves of insurance-based risk management options.

**Recommendation 53:**

That the Australian Government:

- work with the States and Territories to abolish stamp duties on crop and livestock insurance products
- maintain the funding available for risk assessments through the Managing Farm Risk Programme;
- provide education and support services to farmers to help them better understand various insurance products and make comparisons between them; and
- investigate how to increase incentives for farmers to increase their resilience and avail themselves of insurance-based risk management options through reforming other Commonwealth policies, particularly Farm Household Allowance, FMDs and concessional loans.

Farm Household Allowance (FHA) is a last resort drought assistance scheme that is a necessary part of the drought policy landscape. However, its effectiveness and utilisation is muted by a lack of awareness amongst farmers and a lengthy, complex application process. The NFF believes that the application process needs to be simplified and the timeliness of processing applications needs to be addressed.

**Recommendation 54:**

That the Australian Government simplify the FHA application process, improve the timeliness of processing and extend eligibility for farmers that have genuinely taken steps to mitigate their own risks, thereby encouraging sound risk management and self-reliance.

Concessional loans are one for the main forms of financial drought assistance provided by the Commonwealth, along with FMDs and Farm Household Allowance. To date, the administration of these loans has been inconsistent between jurisdictions and this has led to low uptake. While the NFF understands the inherent legal and practical difficulties of the Commonwealth delivering concessional loans directly, the NFF believes Commonwealth concessional loans should be retained in the drought assistance ‘toolkit’. Further the establishment of the Regional Investment Corporation (RIC), while not a panacea, will help to address these concerns. The NFF looks forward to working with the Australian Government and States and Territories to ensure that the RIC delivers better outcomes for Australian farmers, both prior to, during and after drought events occur.

**Taxation**

NFF recognises that the current taxation system in Australia is imposed across Commonwealth, State and Territory Governments and much of the complexity has resulted from pragmatic compromises and responses to specific issues.

NFF appreciates that not all initiatives or policy reforms can be achieved overnight. This however should not prevent the Government from embarking on areas of important long term tax reform for the entire economy and specifically measures that will boost the competitiveness and growth prospects of Australian food and fibre producers.

Many of the taxes that have the most adverse effects on the farm business sector, such as stamp duties, are levied by states and territories and form a significant component of the total taxation base. Equally, many of the services enjoyed by Australians such as health and education are delivered by the states. State and territory governments need to be fully embraced in any reform process to ensure their support and recognise that any reduced revenue base associated with improving the efficiency of the tax system will be replaced with alternative, sustainable sources.

Given Australia is a relatively small, open and developed economy operating in an increasingly globalised world, there is increasing pressure for Australia’s tax system to foster an agriculture sector that is internationally competitive.

NFF recommends that the taxation system should be equitable, as simple as possible, transparent and be designed to be fair across social levels, generations and states/territories. The taxation system should facilitate the growth, investment and competitiveness of agriculture. In addition, taxes should be reduced on transactions and investment and more reliance should be placed on taxes which have less impact on economic growth. We need fewer, more efficient taxes.

## Definition of small business for tax purposes

---

Small business taxation is currently incoherent – there are a number of small business definitions for tax purposes. NFF strongly recommends to simplify and rationalise the number of small business definitions for tax purposes, preferably to a single definition based on turnover. In addition, the definition of a Capital Gains Tax small business entity (turnover of less than \$2million) should be raised to match the definition of the general small business entity (turnover of less than \$10 million) over a timeframe of no longer than 5 years.

### **Recommendation 55:**

That the Australian Government:

- adopt a single turnover based definition for a small business that is between \$2 million and \$10 million;
- index the threshold to maintain its relevance over time;
- apply the single definition to all relevant tax measures and treatments for those businesses that meet the criteria business including simplified reporting and concessions;
- consider applying a maximum cap of \$12 million on net assets as an integrity measure; and
- consider adopting averaging provisions which will lessen the incentive to manipulate turnover to stay below the thresholds.

## Accelerated depreciation and instant asset write-offs

---

The increased immediate deduction threshold for small businesses in the 2015-16 Budget and extended in the 2017-18 Budget for 12 months is a highly valued feature of the tax system, however, it is due to expire on 1 July 2018. The drop from a threshold of \$20 000 to \$1 000 is likely to have a significant impact. The \$20 000 was highly beneficial although there were a number of issues with the way this was implemented.

First, the threshold only applied to items with a total value of \$20 000 or less, which may have encouraged the purchase of multiple low-value assets, rather than a higher value and potentially more productive asset. Second, the sudden cut off may produce a surge in uneconomic investment in low value assets to ‘beat the deadline’. This is likely to occur every year if the scheme is extended only in a haphazard manner. The scheme should be retained in perpetuity.

As an alternative to the small business company tax rate, the Government could return to a single company tax rate and continue to assist small business through access to CGT concessions and accelerated depreciation measures but alter them to address the issues identified above. Specifically, the Government should consider allowing the first \$5 000 of all investments by small businesses to be immediately depreciated with the remainder of the asset value deducted according to existing depreciation rules.

As an additional simplification measure, the government could also consider an increase in the low value pool threshold for all other businesses to \$5 000. The ultimate long-run effect on the Budget will be neutral as it only affects the timing of deductions.

In addition to these measures, the Government should retain the specific depreciation and capital write off provisions that apply to primary producers that were introduced in the 2015-16 Budget. These apply to Landcare expenses, water improvements, fencing and fodder storage assets. These provisions recognise the environmental benefits that accrue to the broader community from undertaking these investments. They also assist farmers to improve their drought preparedness and therefore should be retained in perpetuity.

**Recommendation 56:**

That the Australian Government, at a minimum, extend the current small business instant asset write off and retain the specific accelerated depreciation arrangements for primary producers in perpetuity.

The Government should also consider reforming the small business instant asset write off provisions by:

- permanently allowing the first \$5 000 of all investments by small businesses to be immediately depreciated, with the remainder of asset values to be depreciated according to existing rules; and
- increasing the low value pool threshold to \$5 000 for all other businesses.

**Fuel tax credits**

---

Fuel tax credits (FTC) fulfil two broad functions within the tax system. The first is to acknowledge and implement the original intent of fuel excise, that is, as a hypothecated source of revenue to fund expenditure on roads. In addition, it recognises the longstanding principle of taxation that business inputs should not be taxed, rather tax should be collected from the end user to minimise distortions. Under no sensible definition are fuel tax credits considered a ‘subsidy’.

The agriculture, forestry and fishing industry has the highest number of participants in the scheme and is the third highest industry by value of claims. Any moves to reduce or eliminate the entitlement to fuel tax credits would violate the original policy intent, contradict the longstanding non-taxation of business inputs and have a detrimental effect on farm profitability. Accordingly, NFF advocates strongly for their retention, not only for the agriculture sector.

Aviation fuel is significant operating expense for pastoral stations in northern Australia. It is used on-farm on a similar basis to diesel and the use of aircraft for pastoral operations does not require any publicly funded infrastructure. Therefore, in addition to retaining the existing system of fuel tax credits, the Government should consider extending fuel tax credits to aviation fuel for light aircraft (fixed wing and helicopters) used in pastoral operations such as mustering and fencing.

**Recommendation 57:**

That the Australian Government retain fuel tax credits across all sectors and consider extending fuel tax credits for aviation fuel used in pastoral operations. Further the Government should investigate the possibility of utilising technology to enable fuel excise to be recouped by eligible businesses at the point of sale.

**Abolish the Luxury Car Tax**

The Luxury Car Tax (LCT) is an inefficient tax that is also ineffective as a redistributive tool. It also adversely impacts on the agriculture sector as the arbitrary car value threshold captures a number of vehicles that are essential business inputs and would not be described as a 'luxury car'. Four-wheel drive vehicles are well suited to use on farm and for accessing roads that may be inaccessible in certain weather events. For example a Nissan Patrol is considered a 'luxury car' for LCT purposes.

Further, with the demise of the Australian car manufacturing industry, another rationale for the Luxury Car Tax falls away, as there will no longer be a car industry in Australia to protect.

The Luxury Car Tax is the only 'luxury' tax applied to a specific product in Australia. The revenue raised from the tax is comparatively small and could easily be made up through small changes to the rates and thresholds of the income tax system or preferably, the revenue could be forgone and the impact on the Budget could be offset by expenditure reductions.

**Recommendation 58:**

That the Australian Government abolishes the Luxury Car Tax immediately. Consideration should be given to offsetting the lost revenue through expenditure reduction rather than other tax increases (including removing or reducing 'tax expenditures').

**Regional tax incentives**

The current system of tax zone rebates were originally introduced to compensate individuals for the disadvantages of living in remote areas, such as distance, climate and higher living costs. Given that the rebates are subject to a number of conditions and the nominal amounts have not been varied since 1993, they have become increasingly irrelevant and are a poor method of addressing the disadvantages of living in remote areas.

Similar to the tax zone rebates, Fringe Benefits Tax (FBT) concessions allow employers in remote to provide their employees with higher after-tax remuneration to compensate them for higher costs of housing construction in remote areas and a lower level of public amenities.

The FBT system generally is complex, cumbersome and costly to comply with. The fact that benefits are taxed in the hands of employers and then 'grossed up' to an after-tax value for employees is an unnecessary complication which could be alleviated by taxing fringe benefits in the hands of employees and then taxing them at their marginal income tax rate.

**Recommendation 59:**

That the Australian Government remove complexity from the FBT regime by taxing all fringe benefits in the hands of employees at their marginal rate of income tax.

In addition to the general complexity of FBT, the remoteness definitions that apply for these particular exemptions are outdated and complex. These should be reviewed alongside the tax zone rebates. Given that FBT concessions make it cheaper for employees to live and work in remote areas, there is a reduced incentive to be a business owner in remote areas, thereby damaging entrepreneurial activity and economic development in remote areas.

There are two broad options for reform. One is to better target the rebate through incorporating a population based criterion – that is, living in a regional centre with a population greater than a threshold would no longer attract the rebate and then the rebate for the remainder of the population could be increased. The other option for reform would be to scrap the rebates altogether and redirect the funds to providing regional infrastructure and other personal and business incentives to attract people to regional areas.

Either option would be an improvement on the current suite of taxation incentives. However, the NFF believes that a broad review of current tax and other regional incentives would be beneficial to establish where funding might be best directed to assist regional communities

**Recommendation 60:**

That the Australian Government review tax zone rebates and remote area FBT concessions and investigate other more effective and lower cost means of compensating individuals for the disadvantages of living in remote areas.

## **Conclusion**

---

The NFF strongly believes that agriculture is key to Australia's future prosperity and that our vision of a \$100 billion industry is within reach if we get the economic, social and environmental policy settings right. Australian agriculture needs the Australian Government to reward effort, encourage regional entrepreneurship, provide a supportive regulatory environment and the critical infrastructure in both our regions and our cities that enable farmers to innovate, increase productivity and get their products to domestic and global markets.

This submission outlines 7 key ingredients and 60 detailed recommendations in our recipe for a \$100 billion industry by 2030. Australia's next wave of prosperity depends on the Australian Government backing Australian agriculture and our regions with sensible, evidence based policies.