

Thursday 17th April 2014

Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
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Australia

To whom it may concern,

Thank you for the opportunity to make comment on some of the questions raised through the Agricultural Competitiveness Issues Paper.

To provide some context for this response, the Orana region covers approximately 25 per cent of the land mass of New South Wales. It is comprised of 13 Local Government Areas: Bourke, Brewarrina, Walgett, Cobar, Bogan, Warren, Coonamble, Narromine, Gilgandra, Warrumbungle, Dubbo, Wellington and Mid-Western. These LGAs are diverse; some areas are experiencing huge amounts of growth thanks to the resources sector, while others are challenged in maintaining sustainable communities and economies.

Agriculture is a driving force in the region's economy.

The Orana is a highly productive region. As of 2012, the Gross Regional Product for the Orana region was calculated at \$4940 million. The region's GRP, per worker, has been calculated at \$174 133 (greater than the NSW average of \$151 959). The Orana region's agricultural production is worth \$850 million per annum, or 11 per cent of state agricultural production: 15 per cent of full time employment in the region occurs in the Agricultural sector.

The region supports a diverse range of Agricultural activity including:

- Dry land winter crops such as wheat, canola and grain legumes through the plains of the central west and northern parts of the region
- Irrigated viticulture and horticulture in the Mid-Western, Narromine and Wellington LGAs
- Cotton (irrigated and dry land) in Narromine, Warren, Bourke, Brewarrina and Walgett LGAs
- Beef and dairy cattle, and sheep for meat and wool across the breadth of the region

The Orana's Economic Profile identifies Agriculture and the associated Food and Beverage Manufacturing sectors as two of the major areas of economic opportunity in the region. As such, Regional Development Orana welcomes the Australian Government's research into Agricultural Competitiveness and the

opportunity to have input into this research. Improvements to Agricultural competitiveness would provide major benefits to the Orana and its communities.

Presently the region is being impacted by drought. In the Northern parts of the region, where cropping is a major contributor to the income of farming enterprises, recent rain has not been substantial enough to avoid the impacts of what is predicted to be a prolonged dry period over winter. Many areas are already entering a third year of drought conditions. Whilst there has been some meaningful rain across the region the recovery from drought will still be long, due to the lack of stability in farming enterprises: many farming enterprises in our region also lost crops to flood two out of the last four years.

A natural disaster like drought is slow and creeping, and not immediate and 'headline worthy' like flood or fire. By way of commenting on the Issues Paper, this submission will address challenges and opportunities for industry and government under five key themes, that is, workforce planning and development, innovation, access to markets, finance and regulation and Natural Resource Management. This is reflective of Regional Development Australia Orana's approach to drought response and policy: an integrated approach across the key theme areas can help prevent the 'wild swings' of Agriculture.

We are currently, in consultation with industry, peak bodies and financial institutions, developing an advanced model for risk mitigation in Agriculture, which will be referred to within this response. The model will acknowledge that drought response should not be viewed as a 'one off' or 'stand alone' policy area, but that risk mitigation and preparedness should be present across the range of government initiatives and policies which impact Agriculture. These same policies will assist in boosting Agricultural competitiveness.

Once developed, the model will propose that Australia takes its learnings from a number of modern economies overseas. Firstly, by adopting a multi-peril insurance scheme which would provide insurance to recover production costs only (not total income): this would be co-supported by a grower levy and government funding. This would help minimise the financial highs and lows associated with extreme seasonal variation in agriculture, and the flow on effects to the broader supply chain.

The second prong of the strategy would be a Regional Development Bank, which would encourage new businesses to develop within our regions, invite investment from Metropolitan areas, assist start-ups and allow business to expand and services to grow. This would aid new farmers to maximise opportunities in this potential growth phase in Australian agriculture. This approach would help to increase food security and supply to emerging Asian markets, grow the next generation of farmers and increase investment in new on-farm technologies and practices.

Workforce planning and development

As the baby boomer generation retires over the next two years, Australia faces a great challenge in delivering the workforce of the future. This is particularly true for Agriculture where there is very little incentive for young farmers to return to family enterprises and a series of difficult seasons has seen an exodus of people from regional to metropolitan centres. The flow of people from regional to coastal areas not only affects the pool of skills in the regional workforce, it also distances the majority of food consumers from the source.

There is an increasing divide between city and country, which breaks down understanding about food and fibre production and the impacts of natural disaster such as fire, flood and drought on supply and the economy.

Active support of the decentralisation of the population and government services would assist in combating the flow of skilled workers to coastal areas.

There is also a need to better encourage young operators to take-over and manage farming enterprises. A Regional Development Bank would be a key enabler for growing the future generation of farmers. The large overhead costs of setting up a farming operation are a major barrier to entry, especially given the necessity of scale. An increasing issue is foreign competition for Australian land. Increasingly foreign owned companies are securing tracts of land for their own food security, which pushes entering buyers out of the market. Strong financial and foreign investment policy is needed to encourage new players to Agricultural enterprises and ensure opportunities for Australian growers into the future.

Management capability is also recognised in the Issues Paper as a determinant in the success of Agricultural businesses. It is vital that those managing farming enterprises are encouraged to undertake training if needed. This is particularly difficult given the great distances many would have to travel to access further education. We recommend that the government support greater investment into communications infrastructure and distance education to make this a viable option for those working in, or hoping to work in, farming enterprises.

Innovation

The often derided image of the old “backwards cocky” is far removed from the innovative, evidence-based farming practices that can be demonstrated across the Orana (and no doubt the nation).

Agriculture is one of the largest adopters of ground-breaking research and new technologies. Industry participants proactively research new crop varieties and livestock breeds in order to consistently improve quality and productivity. A strong Agricultural research sector is vital to improve productivity, yields, natural resource management practices, biosecurity and water and soil quality.

A major barrier to adoption of innovation is often cost. Low profit margins often exclude the adoption of new on-farm technologies and poor telecommunications (particularly mobile) infrastructure precludes many farming enterprises from utilising those technologies. Financial incentives (such tax rebates or accelerated depreciation) would encourage investment and uptake of new technologies, equipment and farming methodology. Government compliance also impacts the uptake of innovation and should be addressed in the forthcoming White Paper.

It is also recognised in the Issues Paper that employees and managers of farming enterprises have fewer post school qualifications than their peers across other industries. A lack of current formal training or education is also a major barrier to the adoption of innovation. As already stated, an emphasis on increasing skills levels across the industry supported by adequate infrastructure would do much to boost the Agricultural sector’s productivity and competitiveness.

An ongoing commitment to Research and Development by the government is needed to build the productivity of Agriculture. Regional Development Orana supports the Government's commitment of \$100 million additional funding for Rural Research and Development Corporations. However, the funding of research needs to be supported by greater extension and outreach to increase awareness of new practices and technology.

This approach to increase R&D activity as a whole implies greater collaboration between research, industry and governments. This is a vexed issue no matter what industry. Collaboration can be enhanced in the following ways:

1. By encouraging industry understanding of Australia's outstanding public research capacity, but also the methodical, thorough and often slow ways this research occurs
2. By encouraging researcher's understanding of the ways in which industry operates (and speeds to which they operate) and by better supporting the commercialisation arms/activities of public research institutions to connect with industry on industry's terms
3. The combined value of the benefits gained from domestic R&D in Agriculture from 1953-2003 equated to \$988 billion. Government needs to understand that the act of research is crucial to the Agricultural industry's future. It is in the nation's interest to offer incentives for industry to work with public researchers to increase innovation.

Innovation which increases productivity guarantees vibrant regional economies and communities into the future. There are also great opportunities for R&D to uncover value-add businesses, which would increase the region's existing agricultural outputs in terms of economic diversification and job creation.

Access to markets

Access to market is facilitated or impeded by three key things: knowledge and information about the opportunities in new markets (or value-add opportunities), international trade agreements and critical infrastructure.

As already mentioned agriculture and value-adding to agricultural produce through Food & Beverage Manufacturing were highlighted as key areas of opportunity for the Orana region. Diversification is key to developing strong economies into the future, but it must be directed by accurate and up-to-date information on local and international food trends and emerging markets.

The majority of the world's population live in Asia. Australia currently provides 6 per cent of food imported to the region. When compared to the 21 per cent provided from the United States and 10 per cent from Brazil, there is still great opportunity for Australia to increase its impact on this market. The recent trade agreements with Japan and South Korea are a great step toward increasing access to markets for the Australian agricultural sector and we support the Government's progress in this field.

Unfortunately, there have also been examples of policies in recent memory that have impeded access to market. Recent experience of live export demonstrates an area where Animal Welfare Policy had a huge negative impact on the financial sustainability of Agricultural businesses. In this case, policy that most

impacted regional communities was driven on political expediency for a metropolitan based audience, rather than a balance of economic and animal welfare imperatives. The Government can play a role in championing our Agricultural industry both at home and abroad to avoid similar reactive and damaging policy in the future.

Innovative land-use practices are another potential area of diversification. The opportunities presented by Carbon Farming, the new Emissions Reduction Fund and collecting biomass/agricultural waste products to generate Carbon Credits are vast and largely untapped. This is an emerging local and international market which has the potential to deliver massive gains to Australian businesses. Through the Emissions Reduction Fund Green Paper and feedback process Regional Development Australia Orana has highlighted the role the Regional Development Australia network could play in providing independent advice, extension and outreach.

The Issues Paper also highlights the need for 'better systems and tools for collecting and analysing freight flows'. This type of research and data collection is something the Orana region is particularly interested in. The promise of Inland Rail brings great opportunities for the region, however greater assessment of current freight movements and the future freight task are needed to maximise its impact.

Improvements to roads, port and rail are vital to the future of Agriculture. The cost and time of transporting freight to air and sea ports puts Australia at a competitive disadvantage. It has been estimated that more than 50 per cent of the final cost of grain being exported is the cost of transporting the product to port (the average transport cost across other goods is 7 per cent). This is particularly pertinent when considering our relative geographical isolation from buyers. In regional areas, most significant infrastructure was created in the nation's post-war construction boom between the 1940s and 1970s. The development of appropriate road, rail and port infrastructure, equipped to handle higher freight loads, is essential to the future success of the industry.

To promote this approach, Regional Development Australia Orana has been leading the way, alongside our colleagues at RDA Hunter, to pursue the systematic upgrade of the Golden Highway. In terms of cropping, whilst the bulk of the Orana's annual crop is held in the region for livestock and milling, the remaining 44 per cent of the crop, or 904, 000 tonnes of grain, is sent to Newcastle Port for export each year. Improvements to this piece of critical infrastructure would be of immense benefit to the region's key industries. We would hope to see this cross-regional, collaborative approach, tailored toward economic development, promoted by government.

Finance and regulation

Regulation of all facets of the Agricultural industry must be managed so to increase competitiveness, not impede the industry's ability to grow. The recently released draft recommendations from NSW's Agriculture Industry Action Plan advocate for "the harmonization of regulations across state (particularly for biosecurity and animal welfare regulations) and international boundaries for the development of a strong sector." We support this approach to standardisation and the reduction of red tape and recommend that the Australian

Government work to create unity of regulations across state and territory boundaries. This is particularly important in terms of freight and biosecurity regulation.

This response has previously mentioned how tackling issues of farm financing can increase access for new and young farmers. Regional Development Australia Orana's model for Risk Mitigation in Agriculture will propose a financing system for farming enterprises which would specialise in concessional, time limited loans with longer maturities and lower interest rates, to support extension of existing businesses and remove barriers to entry for the next generation. Improving the financing for new and diversifying Agricultural enterprises should be a priority to ensure and increase the viability of the industry into the future.

Natural Resource Management

High water use efficiency is a key factor in improving on farm performance. Again, it is important to boost R&D to improve the potential productivity of farming enterprises on less water, and provide incentives to increase the uptake of water saving measures and technologies. Making the best natural resource management and business decisions is reliant on having the best information. The installation of weather radars in the region would be of great economic benefit to the Orana.

Outside of dry land farming, the Orana's economy is also well supported by irrigation, particularly in the production of cotton. Water regulation has a great impact on our local economy and the viability of local businesses. The lifeblood of heavily irrigated areas is water: the ability to trade water allocations dependent on the season can assist irrigators in riding out the peaks and troughs faced by dry-land farmers.

As such, Regional Development Australia Orana would support Macquarie Valley Food and Fibre's recommendation of a review of storage capacity within flood mitigation zone of Burrendong Dam to improve security and reliability of water entitlement for downstream towns, industry and environmental water holders. Burrendong Dam is the largest flow regulating structure in the region, holding three times as much water than Sydney harbour when at capacity. Burrendong regulates flows from the Macquarie, Cudgegong and Turon Rivers, for flood control and downstream irrigation use. Regional Development Australia Orana would support any work to assess the feasibility of building re-regulating capacity downstream of Burrendong.

Regional Development Australia in the Orana region will continue this open dialogue with both State and Federal government, industry in the region and peak bodies, to ensure maximum productivity and the reduction of barriers in our region. As a regional development body, we are committed to delivering projects which will grow and maintain our key industries and attract investment. To summarise, our key recommendations are:

- Promote region-led integrated planning of infrastructure to support growth in the Agricultural sector and supply chain support
- Promote the decentralisation of government services to support population decentralisation
- Provide incentives to reduce barriers between research and industry, to both increase adoption of new methods/technologies and collaboration for innovation

Engage | Invest | Grow

- Progress the removal of red tape for Agricultural businesses, especially in regard to gaining consistency across state and territory boundaries
- Adopt a model for risk mitigation in agriculture, including a multi-peril insurance scheme and low interest finance options
- Increase access to information on new markets and potential value-add industries

Thank you for considering this submission.

Kind regards,



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Regional Development Australia Orana