



5th December 2014

Agricultural Competitiveness Taskforce

Department of Prime Minister and Cabinet

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Dear Minister and Taskforce Members

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Submission to the Agricultural competitiveness Green Paper

1. Introduction

Regional Development Australia – Northern Rivers (RDA-NR) is an independent not-for-profit organisation jointly funded by Federal and State governments and a catalyst for regional growth and innovation. It acts as advocate, broker and project manager on behalf of regional industry, community and government stakeholders. RDA-NR welcomes the opportunity to contribute to the development of this White Paper and seeks to provide a regional perspective on topics in the Issues Paper.

2. RDANR Submission to White Paper

In April 2014, in its submission to the White Paper, the RDA Board made several Recommendations. To the extent that these recommendations have not been incorporated in to the Green Paper RDANR again respectfully seeks their inclusion as part of an important suite of proposals which ought to inform and address Australian agricultural competitiveness. In summary our fourteen recommendations were:-

Innovation and Productivity

- 1. The unique and diverse characteristics of individual regions should be maintained and supported. The Northern Rivers' reputation as a clean and green region is crucial to agricultural success and the visitor economy. Efforts to increase production and profitability should build on, not undermine, this competitive advantage.*
- 2. Innovation in responding to market opportunities should be encouraged and existing Commonwealth schemes such as AusIndustry R&D Tax Incentive should be resourced so they can be promoted more actively to small agricultural producers.*
- 3. Land lease, pesticide and other regulations should be examined to ensure they support innovation and increased production for agricultural industries.*
- 4. Farmers need to improve productivity and profitability through the produce of the land and not just the increasing capital value of the land.*



5. *Training and development support for small business should be tailored specifically to the needs of agricultural producers, including appropriate modelling for their needs. Services should be available at times that fit with their other commitments.*

Investment

6. *Agricultural businesses must be based on profitability, with downstream prices reflective of input costs and economics managed to improve returns to farmers. Regional investment in enabling infrastructure that improves jobs and facilities for workers and efficiency in getting products to market will be critical if production is to increase.*
7. *New programs and incentives are required to enable new cohorts of workers to enter the agricultural workforce.*

Trade

Investment in enabling infrastructure including transport routes and commercial-grade broadband will improve access to domestic and international markets and assist farmers to improve profitability and reach new export markets.

9. *Free trade agreements will assist the development of new export markets as incentives to improve productivity.*
10. *In regions such as the Northern Rivers where farm size tends to be small, the Government should acknowledge the invaluable role that the agricultural cooperatives play in the regions prosperity and economic development.*

Farm Profitability

11. *To ensure a strong and competitive agricultural sector and food security, prime agricultural land in regions such as the Northern Rivers, should be protected and prioritised over competing land use demands at State and Federal levels.*
12. *The Northern Rivers reputation for 'clean and green' is a competitive advantage that can be further exploited.*
13. *Free trade agreements and trade missions to new (particularly Asian) export markets, based on regional (not just State level) attributes will incentivise and enable profitability.*
14. *Research and development activities should be accompanied by extension and advisory services to disseminate findings to primary producers to maximise the return on R&D investment.*

The RDANR now makes a number of observations in relation to the Green Paper and requests that each be given careful consideration.

3. NSW Agricultural Industry Action Plan

It is timely that this Plan was released on 17th November 2014. RDANR supports the six key themes in that Plan and **recommends** that they each be considered in the context of future agricultural competitiveness. Those themes are:-

1. Build the appropriate frameworks to maintain the profitability, productivity and innovation that will underpin competitiveness of the agriculture sector in the face of declining terms of trade
2. Maximise the efficient use of human capital through a focus on workforce and skills

3. Review the business and regulatory operating environment in NSW to ensure the focus is on business development in the sector
4. Investigate new models for investment and ownership within the industry to facilitate the capital investment required to underpin growth
5. Develop the partnerships, supply chains and operating environment to capitalise on market and export opportunities
6. Improve long-term market development by effectively connecting with communities to build the social licence for production systems and products.

4. Potential for Agricultural Cooperatives

RDANR strongly believes that the Northern Rivers provides a unique case study of the future potential for agricultural cooperatives to harness supply chain collaboration, and in many cases integration, whilst also generating significant social and economic returns to the regions in which they operate. Agricultural cooperatives, such as Northern Cooperative Meat Company Ltd., NORCO Cooperative Limited, NSW Sugar Milling Cooperative Ltd, provide for a range of distinct sources of competitive advantage.

In a submission to the Agriculture Competitiveness Taskforce on 26th March 2014, Southern Cross University in partnership with the NSW Northern Rivers Combined Cooperatives Group argued compellingly as follows:-

“Given that agriculture will be of greater importance to the nation in the face of a declining manufacturing sector, it is imperative that Australian farmers receive assistance with respect to ensuring that they maintain their competitiveness in both domestic and international markets. Among their many positive attributes, cooperatives offer a means to ensure that government investment in promoting greater efficiency is capitalised on, with the cooperative acting as a vehicle to disseminate best practice and innovation.

Cooperatives have been a strong fixture in the NSW Northern Rivers community since the late 1800s. At present, the NSW Northern Rivers Combined Cooperatives Group represents a combined annual turnover of in excess of \$700 million across six key cooperatives, with a membership base extending to over 28,500 members regionally, and with 2,500 people employed locally. Cooperatives are user owned businesses and, in this case, the owners are the local farmers. The basic functions of an agricultural cooperative include input supply, storage, and processing, aggregating and selling produce provided by members.

Cooperatives contribute to a vibrant and viable local and regional community, because not only are the farmers customers, patrons and members, but also are the owners of the cooperative business. This means that there is an inherent motivation to align the cooperative with the needs and values of the local community, which proudly identifies with local cooperative brands. Further to this, the cooperative provides business profits back to the community through its distribution to members or as improved community resources”.

RDANR supports the foregoing perspective as a sound way forward to Australian agriculture.

5. Food Policy and Agriculture Industry Development

The Green Paper highlights the fragmented, silo approach that is taken in Australia when considering food policy and industry development. Agriculture in the context of government policy, and industry is considered separately from other parts of the farm-to-plate value chain. Australia's fragmented approach to food does not enable easy addressing of the challenges and opportunities emerging from the changes that are happening globally in how food is produced, value added or manufactured, traded, transported, marketed, regulated and ultimately consumed or wasted. By continuing to focus on 'agriculture' rather than a 'food' approach to policy and industry development, we are exacerbating this disconnect between agriculture and the food value chain., which is caused in part due to a failure of government to respond in a timely manner with a more holistic approach to policy that moves beyond the farm gate. The net outcome is that farmers have been restricted or impeded in their ability to move beyond the farm gate and leverage greater yield from their primary production and their agricultural landscape by participating in other aspects of the farm-to-plate value chain. This submission **recommends** a broadening of the scope of the policy approaches beyond agriculture.

The concept of dealing with food-related policy more broadly, rather than just agriculture, would ensure greater synergy between agricultural policy and other food related policies that currently sit in other portfolios such as health, trade, small business, land use planning, and attorney general. As an example of more holistic approaches, the way the Commonwealth has now integrated education and health into single ministries and policy areas is yielding more cohesive policy between different educational spheres and, as a result, more productive outcomes. If a similar approach were taken with food it would help to reduce the policy silos that currently inhibit innovation on and off farm in the food area by providing a more integrated approach to food policy that would consider farm to plate.

Given we desire strong vibrant rural communities; we need strong, resilient agriculture as an underpinning economic driver. If a strong resilient agricultural sector is the goal, we need to reposition agriculture to enable vibrant innovate multifunctional farming businesses that allow diversified income and a greater share of the farm-to-plate value chain. We need to incorporate innovation in agriculture by following basic economic development principles which allow incubation of new business models, testing diversification in smaller scale options and allowing for scaled expansion and growth once these concepts are adequately tested.

Farm-to-plate value chain policy should consider agriculture in the context of the end consumer and the other components of the value chain including transport, processing, wholesale retail food service, tourism and the ultimately the consumer whether they be eating food at home or in a restaurant. Leveraging consumer pull factors to increase return on investment to farmers through participating in the value chain beyond the farm gate is vital.

RDANR submits that three fundamental elements are required to assist the agricultural community to become part of the farm to plate value chain including:-

1. Information – the agricultural sector needs to understand the scope of the opportunity and to assess how this might work for them in their situation.
2. Education - learning how to change their current business models to generate greater revenue and yield from new and value added activities, products and services.

3. Facilitation – Assistance to navigate the complex business environment beyond the farm gate in the foundation period of their expanded farm to plate value chain business.

These matters are urgent if the agricultural sector is be going to be ready to access new market opportunities in domestic and export markets resulting from new trade agreements in Asia.

6. Land Use Planning and Agriculture

Whilst it is acknowledged that land use planning is the domain of states and local governments, the issues associated with land use planning significantly limit the ability of the farming sector to innovate and develop farm to plate enterprises. There are two issues requiring consideration, firstly protecting agricultural land for use for food and fibre production for current and future generations, and secondly, making provision for diversification and value-adding to allow agribusiness innovation or "Multifunctional Farming." The concept of multifunctional farming allows farmers to integrate other business activities associated with primary production and/or the rural landscape into the farm business. Current land use planning regulations have significant restrictions in order to protect the agricultural land but, in so doing, have limited the financial viability of the farm business particularly in regions like the Northern Rivers of NSW, where land costs are high and lot sizes relatively small.

The balance between economic viability and protection of land needs to be considered and addressed. This does not mean allowing incompatible development on rural land but should allow producers to innovate in a farm-to-plate value chain model which would more easily integrate processing, value adding, retail and even Agri-tourism into on-farm business. Current planning schemes and regimes are difficult and extremely costly and time consuming to navigate. Therefore, consideration needs to be given to size, scope and scale of development and the requirements placed upon farmers who may wish to trial some form of value-adding business on their property.

A recent discussion paper on Multifunctional Farming written for the Mackay, Isaac and Whitsunday Region highlights the issue and potential solutions that would enable agricultural land to be protected whilst enabling farmers to innovate, increase yield and prosper.

7. Lack of focus of Green Paper

The biggest problem we see with the Green Paper is its lacks focus on what the Government wants to achieve for the industry. It discusses extensively the current industry problems while it does not really focus on where the Government wants to focus the industry.

The Australian agricultural and food industries are high cost producers relative to many other international suppliers. To ensure we secure the returns required to prosper, the industry needs to focus on value adding rather than the supply of commodities. If this is to be achieved, Australia will need to capitalise on its natural assets, such as the disease free status of our continent, and the perceived safe, trusted, quality nature of Australian products that appeal to the growing Asian middle class.

The history of agriculture in Australia witnessed a period of significant returns followed by the breaking down of many of the industries marketing bodies and the deregulation of many industry sectors. The returns to farmers have changed significantly across this time as has the ownership and control of the various elements of the supply chain. If a deregulated industry is to prosper, is it critical that supply chains work collaboratively to ensure all participants achieve a fair return on the capital they employ, irrespective of the end price of the products they produce.

8. Conclusion

The Green Paper is fundamentally challenged and constrained by issues of scope. While the Paper acknowledges the role that agriculture plays in the economic and social fabric of Australia, the core objective of farm gate returns narrowly constrains the development of strategies to achieve the objective that take an integrated view of the supply chain and food system. Isolating the farm gate risks significant competitive disadvantage, as greater supply chain collaboration is emerging as a way of generating strong returns, particularly into export markets.

RDANR appreciates the opportunity to contribute this submission to the Green Paper.

Yours sincerely

A handwritten signature in purple ink, appearing to read 'I. Tiley', with a long horizontal flourish extending to the right.

Dr Ian Tiley

Chairperson