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Dear Minister and Taskforce Members

SUBMISSION TO THE AGRICULTURAL COMPETITIVENESS WHITE PAPER

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, particularly in light of the current Australia-China Free Trade negotiations and the broader prospect of Australia becoming a key supplier of food and fibre products to our Asian near neighbours.

1. The contribution of agriculture to the Northern Rivers regional economy

In 2012-13, Agriculture, Forestry and Fishing comprised 1.6% of NSW Gross Regional Product (GRP) (\$476,434 billion). In the same period, those sectors contributed more than double that in percentage terms (3.9%) to the GRP of the Northern Rivers (\$13.56 billion)¹.

The region is a base for 7,710 agricultural businesses (representing 17.5% of those in NSW or 5.7% of those in Australia), which employ 4,526 people or 5.2% of the region's workforce²; more than double the State average (2.3%) of whom 50% are 55 years or older. In Kyogle Local Government Area (LGA) the percentage of agricultural workers is 21%.

Beyond the farm gate, the strength of the region's agriculture and food production sector is evident in the high location quotient of 1.57 (compared to other non-metropolitan NSW regions) for food product manufacturing³, providing employment for 2,648 workers⁴. A further 4,353 are employed in food retailing and 6,571 in food and beverage service roles⁵. Combined, this represents more than 15% of the region's workforce. Moreover, our reputation for excellence in food and the quality of



ingredients is a key point of difference for our export efforts and an attractor for the annual 5 million visitors to the region who contributed almost \$1.5 billion to our regional economy in 2012-13⁶.

It is estimated that 80% of NSW land mass is zoned for agricultural production⁷ and in the Northern Rivers, this figure is 89% or two million of the region's 2.2 million hectares⁸. Grazing is the primary agricultural land use and the region is well known for its beef and dairy industries, which account for 17.7% (beef) and 19.1% (milk) of the total value of these commodities in New South Wales⁹.

Livestock products: major employers¹⁰ and value adders

The Northern Cooperative Meat Company Ltd employs approximately 1,000 people at its facilities in Casino and Booyong, where it processes beef and pork products, primarily for export to Asia, Europe and the United States. The processing facility at Casino is one of only two Export Accredited Abattoirs in the State, adding value not just to the region, but to NSW in terms of processing for export.

NORCO Cooperative Ltd is a dairy processing and agricultural supplies company with headquarters in South Lismore. It employs more than 600 staff across New South Wales and Queensland and produced 147 million litres of milk and 36 million litres of ice cream in 2009-10. It owns the Nimbin Natural cheese range and reacquired the licensing rights and associated assets relating to the Norco Milk brands from Fonterra Brands (Australia) Pty Ltd in 2012. Major customers include Parmalat, National Foods, Coles, Sara Lee, Aldi, Woolworths and export customers.

Horticulture is also important to the region. According to ABS 2011-12 estimates¹¹, the region's 1,637 horticultural businesses made up almost 30% of the total number in NSW (5,597). The region produces 100% of NSW's macadamias, 98.5% of NSW sugar from cane and 96.8% of NSW blueberries. The region also makes a major contribution to the supply of the State's avocados (82%), bananas (77%), fresh tomatoes (65%), and soybeans (32%)¹². In terms of gross value, the region produced 54.5% of Australia's total macadamias (\$77.9 million), 85.4% of Australia's total blueberries (\$82.3 million), 11.6% of Australia's total avocados (\$105.1 million) and more than 22% of Australia's total soybeans (\$ 14.9 million) in 2010-11¹³.

Agriculture and associated 'downstream' industries were responsible for \$1.3 billion in exports from the region in 2006-07¹⁴. Today they employ almost 20% of the Northern Rivers' workforce and, as stated in the NSW Department of Primary Industries Paper *North Coast Agriculture 2004*: "The direct and indirect benefits to the community which flow from a dynamic agricultural sector are well-recognised ... the contribution of agriculture to the region is immense."

2. Innovation and Productivity

Recommendations

- *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.*
- *Innovation in responding to market opportunities should be encouraged and existing Commonwealth schemes such as AusIndustry's R&D Tax Incentive should be resourced so they can be promoted more actively to small agricultural producers.*
- *Land lease, pesticide and other regulations should be examined to ensure they support innovation and increased production for agricultural industries.*

- *Farmers need to improve productivity and profitability through the produce of the land and not just the increasing capital value of the land.*
- *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.*

The Northern Rivers' LGAs have a preference to maintain the Northern Rivers as a 'region of villages', the unique character of the region as a lifestyle and visitor destination, which is reflected in the *Northern Rivers Regional Plan*, local planning instruments and the LGAs' communications activities. Furthermore, based on the region's natural resources profile, the Regional Australia Institute [In]Sight tool ranks the competitive advantage of the Northern Rivers as the second highest in Australia for 'Net Primary Productivity'¹⁵. In 2009-10, the region's agriculture, food manufacturing and the visitor economy contributed \$1.6 billion, or 16.5%¹⁶ of the region's GRP, much of which was leveraged from the region's clean and green brand reputation.

Responding to market opportunities, some Northern Rivers farmers have accessed less traditional markets such as dry-land rice, pecans and organic produce, and moved into value-adding on farm including nut oils, mueslis, artisan cheeses, chilli-based condiments, marinated olives, tea tree products and bison grazing. The region has thriving farmers' markets affording small-scale producers opportunities to retail their fresh produce and added-value products (condiments, sauces, cheeses, etc.) direct to consumers. The innovations of these early adopters based on the clean and green credentials, create opportunities for leveraging niche product lines for new specialised export markets and for jobs growth through the uptake of them by the mass/multiple retailers in the longer term.

Efforts by groups such as Northern Rivers Food, Inc. (originally established as a project of RDA-Northern Rivers) have enabled food grown and manufactured in the Northern Rivers to be showcased outside the region at major market export events including the Sydney and Brisbane Good Food and Wine Shows, bringing the region's produce to the attention of national and international buyers.

"The Australian macadamia industry faces a number of sustainability issues going forward, including geographic concentration significantly increasing exposure of production volumes to the effects of extreme weather events, pest and disease, and attractiveness of the industry to farmers¹⁷."

While global demand and production of macadamias increases in the next five years, driven primarily by Asian demand, production in the Australian industry is currently flat and efforts need to be made to increase it. Two barriers are currently of concern namely the high cost of entering the industry and inconsistent regulations regarding the use of pesticides between States.

In keeping with the national and regional trend of an ageing agricultural workforce, the average age of members of the Australian Macadamia Society (AMS) is 68 years. Some now wish to retire 'on farm' or sell up and release their capital to fund their retirement elsewhere. Those whose small, ageing orchards have not been well managed are falling behind in terms of farm viability and farms are difficult to sell at today's market prices. The current cost of land and equipment are prohibitive to new entrants.

In 2013, AMS worked with its counterparts from NSW Sugar to produce business modelling to encourage more corporate (share and lease) farming in the sector. The data was presented at two RDA-NR hosted seminars, intended to introduce mechanisms to the industry (which was largely built on a tax incentive scheme based on capital value of the land), to improve productivity and profitability by providing opportunities for younger farmers who cannot afford to enter the market through land purchase, to invest in existing farms and manage them as profitable businesses, gaining a return from the land based on the produce from it and not simply based on the improvements to the capital value of the land.

While the high attendance and interest at the seminars indicated good interest in the schemes, barriers were also expressed. Younger corporate farmers want long enough leases to secure a return on their investment, but some older landholders are resistant due to issues of succession and entitlements. Regulations on land leasing should be reviewed to encourage more productive use of prime agricultural land.

Another barrier to improving yield and therefore viability of macadamia farms is created by inconsistent regulations for pesticide use across the States; although regulation is primarily a function of the Federal Government's Australian Pesticides and Veterinary Medicines Authority, which could apply a consistent standard nationally. For example, in Queensland, pesticides are registered for use 'by crop', however NSW regulations require registration to be both pest and crop specific. This costs the AMS around \$200,000 in applications annually. AMS Productivity Development Officer Robbie Commens estimates this bottleneck in dealing effectively with pests could be holding back annual productivity by up to 20%.

There is acknowledgement by industry representatives such as the cooperatives and growers associations, that primary producers need to shift from a 'production focus' to a 'profit focus', which is a major skill gap in many agricultural sectors¹⁸, a situation created in part by the perpetuation of traditional practices by an ageing workforce that has sometimes been conservative, isolated and inward-looking. Given the impact of seasons on agriculture, this focus should be on long term profits.

To support and increase innovation in production, Commonwealth schemes such as the R&D Tax Incentive should be promoted more actively and delivery tailored to more closely match the needs of agricultural businesses. Austrade and similar bodies should be resourced appropriately in regions like the Northern Rivers where there is a high number and wide diversity in small agricultural businesses.

Ongoing training and development efforts from Government stakeholders such as NSW Department of Primary Industries tend to focus on improving productivity, biosecurity and sustainability. While farmers can apply for support under the various generic small business schemes offered by government programs, quite often they lag behind due to the nature of their time-poor daily routines and their necessary focus on day-to-day operations. More needs to be done, for example the creation of tailored programs not just relating to production, but services to support and improve their skills in marketing, planning, finance and for engaging in the digital economy.

3. Investment

Recommendations

- *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.*
- *New programs and incentives are required to enable new cohorts of workers to enter the agricultural workforce.*

As with many regions, the Northern Rivers agricultural sector faces significant challenges, with subsequent effects on jobs and the local economies in which they operate.

Recent drought conditions in some localities have severely affected beef prices by as much as 20% in a week¹⁹ while storms and floods elsewhere have damaged mature macadamia orchards and decimated sugar crops in successive growing seasons. Other phenomena such as the high Australian dollar, a propensity for small land holdings, an ageing workforce and lack of high speed internet are further barriers to maximising productivity and profitability.

Small scale dairy farmers such as Tony Wilson are taking the initiative to introduce innovations such as ‘robotic milking’ of his 200 Holstein herd north of Kyogle to increase production²⁰, where purchasing additional land is not an option. While this is an expensive and trailblazing move in terms of investment in infrastructure (this is only the second robotic dairy in NSW) Tony believes it is the only way to ensure his family’s future in dairying.

The national shortage of skilled agricultural labour noted in *Food for a Growing Economy – An economic development framework for the Queensland food industry* (Queensland Government, 2011) is also prevalent in the Northern Rivers. Recognising real shortages in casual skilled labour in the region, the North Coast Agricultural Shared Labour Pool was established in 2012 as part of the NSW Sugar Workforce Development Program, which was funded by the Australian Government Department of Education, Employment and Workplace Relations through the Local Employment Coordinator Flexible Funding Pool.

In 2012, 98 job seekers undertook accredited training and 17 new ‘positions’ were created in the ‘Pool’, providing seasonal skilled labour on an ‘as needed’ basis across the sugar, macadamia and tea tree sectors. The Pool labourers are contacted about potential work via SMS and accept jobs in the same manner. Following the severe storms in early 2013, more than 300 days of work were undertaken to address damage to orchards affected by the storms. Since the conclusion of the pilot scheme, a number of Pool labourers have been employed full-time on farms. Most of the work has been in the macadamia industry. An additional seven workers have been added to the Pool and there is steady interest from workers in joining the scheme.

Programs such as the Shared Labour Pool that provide collaborative cross-sector solutions to shared problems should be replicated and extended in collaboration with relevant industry groups, education providers and governments, as a means to filling labour shortages. In addition to cultivation and production skills, future training should also include basic workplace training skills to enable the long term unemployed to enter, or re-enter the workforce. Such programs could help to offset high unemployment in regional areas such as the Northern Rivers where secondary school

Year 12 completion levels are lower than the remainder of the State (38% compared to 52%) and unemployment rates for those individuals are as high as 17.6%²¹.

4. Trade

Recommendations

- *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.*
- *Free trade agreements will assist the development of new export markets as incentives to improve productivity.*
- *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.*

Regional investment for infrastructure that enables goods to get to market more efficiently is critical. Farmers who produce good value, quality product on farm but face prohibitive and inefficient costs in getting goods to market will never be competitive. The Rural Industries Research and Development Corporation's (RIRDC) report *Transport Infrastructure for Australia's Agricultural Needs*²² says that the existing information base for infrastructure planning is limited. Agricultural transport is largely reliant on rural road systems and "there is evidence that current transport infrastructure has some gaps and lacks consistent maintenance". As part of integrated transport planning, more investment is needed to understand true freight needs of the agriculture sector.

Many agricultural businesses in Australia are becoming dependent on fast internet capability to improve productivity. NSW Sugar Milling Cooperative uses a 3G-enabled GPS system to ensure 'just in time' logistics management of haul-out trucks to its mills. Although the introduction of the system was expensive it has created efficiencies, for example reducing the number of trucks required from 17 to 12²³, which has enabled the milling operation to remain competitive. All members have access to the secure website to access the delivery analysis in real time from when the information is uploaded to the web servers. NSW Sugar also operates more than 120 [digitally enabled] devices that are completely dependent on the wireless network.

Roll out of commercial-grade broadband across the Northern Rivers will enable all producers to take advantage of technology to improve productivity, profitability and market intelligence gathering. It will also provide opportunities to improve export activities, skill levels and employment opportunities in the region. Some farmers in the region are unable to establish a website or undertake social media promotion because of slow speeds and inconsistency of their internet connections²⁴ which wastes time and creates lost opportunity costs.

Efforts are underway to grow new export markets for the region's industries based on the power of digital communications. Recently the AMS hosted a visit by five Korean bloggers to macadamia farms and local restaurants utilising macadamias, in a bid to grow the Korean market. One of the bloggers, Song Hyun Jung, was quoted in the Northern Star²⁵: "*in Korea food is grown with chemicals and the air is not fresh; but here everything is so green and natural... that is why Koreans will love the macadamias.*"

Free trade agreements such as those currently being negotiated with China, Korea and other Asian neighbours must be encouraged as an incentive to increase production and coupled with investment in enabling competitive infrastructure to reduce costs and improve profitability.

The organisation of small Northern Rivers producers in the region's largest sectors into six cooperatives including beef, dairy and sugar provide competitive advantage for farmers through aggregation of supply chain, logistics, equipment, value-add processing, access to markets and price negotiation, bringing the economies of scale enjoyed by large agribusiness operations to groups of smaller producers.

Despite drought and flood events, in the five years to 2012-13, NORCO members have managed to increase the average farm milk production by 13%. With the heightened international interest in food produced in Australia from Australian-sourced ingredients, NORCO is developing relationships in Asian markets and commenced exporting ice cream to a new major Japanese customer in 2012-13²⁶.

The value of cooperatives, which enable profits to be retained and reinvested by farmer-members into the local economy and provide a powerful means to disseminate best practice information efficiently to members, should not be underestimated in any future planning and regulations.

5. Farm Profitability

Recommendations

- *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.*
- *The Northern Rivers reputation for 'clean and green' is a competitive advantage that can be further exploited.*
- *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.*
- *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 clean and green competitive advantage of the Northern Rivers as acknowledged by the Regional Australia Institute and promoted by organisations such as Northern Rivers Food, the AMS and others will be crucial to maintaining a strong and competitive agricultural sector.

To protect this brand equity the region's prime agricultural land must be protected from competing land use priorities, including inappropriate residential, commercial and industrial development. In his presentation to RDAs in South East Queensland in July 2013, Austrade's Brent Moore (Executive Officer, East Asian Growth Markets) noted that 10 of Australia's top 12 export markets are in Asia, and while Asian countries have different needs and drivers, Australia's exports to Indonesia, Philippines, Singapore, Thailand, Hong Kong and South Korea are all being driven by consumer demand. He provided data showing that demand for food products and agribusiness expertise would increase by more than US\$1 billion per annum across the top nine Asian economies in the same period.

If regional Australian producers are to take full advantage of these opportunities, governments will need to organise more trade missions (in and out-bound). Such initiatives should be designed to offer regional producers opportunities for direct contact with representatives from potential markets, such as the one recently organised for Korean bloggers by the Australian Macadamia Society, to build first hand understanding of their preferences and requirements. Fast broadband that enables direct communication and a combination of push and pull marketing activity (including video conferencing and webcams that evidence production conditions and facilities) will also be a key enabler of this activity as consumers become ever more demanding with regard to all aspects of the production value chain.

While the Commonwealth Government provides considerable investment in the future sustainability of agricultural land through schemes such as Caring for Country, there is more room for research programs that 'prove up' alternative farming models and enterprises with the potential to reduce input costs, improve efficiencies and improve farm gate returns.

Research and development is critical to maintain innovation, competitiveness and productivity. Two examples of agricultural research and development initiatives in the Northern Rivers are the NSW Department of Primary Industries current program to introduce new soybean varieties with more flexible sowing seasons, end uses and which increase nitrogen fixing in the soil; and the work of the Australian Tea Tree Industry and RIRDC on harvesting techniques and agricultural production uses for tea tree oil, which has seen an almost 5,000% increase in that industry in the past 30 years.

Research and development programs must be complemented by well-resourced extension and advisory services that provide targeted and practical assistance to implement the findings. Extension services have been withdrawn by governments in recent years²⁷ and that function now resides largely with growers' associations and representative groups limiting effectiveness due to the already considerable pressure on resources. Without proper on-ground assistance for implementation, the return on investment of any research and development project is diminished.

In areas such as the Northern Rivers, there is a proliferation of smaller land holders; an increasing diversity of agricultural products; and a lack of large agri-businesses that can afford their own advice on research and development. This presents a challenge for support services and should be taken into account when negotiating and planning extension services with State government and industry stakeholders.

Regional Development Australia – Northern Rivers welcomes the development of this White Paper in the anticipation its outcomes will have a positive effect on farmers, communities and regional, State and Federal economies as its subsequent policies are enacted.

Yours sincerely



Dr Ian Tiley

Chairman

Regional Development Australia – Northern Rivers

6. References

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- ²⁴ personal Interview with Frank Boyle, Nimbin Valley Pecans and Rice
- ²⁵ Northern Star, *Bloggers maca the most of it*, Friday 4 April 2014 (page 2)
- ²⁶ NORCO *Annual Report 2012/13*
- ²⁷ RDA-NR Submission to NSW Agriculture Industry Action Plan 2013