



National Farmers'
FEDERATION

Pre-Budget Submission 2019-20
Agriculture – Growing Australia

1 February 2019

NFF Member Organisations



CANEGROWERS



Horticulture Council



The Pastoralists' Association of West Darling





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 88,000 farm businesses in Australia, 99 per cent of which are wholly Australian owned and operated.

The average age of a farmer is 57 years old, with the average female farmer being three years younger at 55 than the average male farmer at 58 years old. The gender ratio is 79 per cent male farmers to 21 per cent female farmers.

Economic >

In 2017-18, the agricultural sector, at farm-gate, contributed 2.4 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2017-18 is estimated to have reached \$60.1 billion. About two thirds of Australian food and fibre are exported, with Asia and Oceania now taking nearly 90 per cent of our exports by value.

Australian farmers have the second lowest producer support of any nation in the OECD, with only 1.7 per cent of farm income provided through government support payments. This compares to an average of 18.3 per cent of gross farm receipts paid for by government in the EU and about 50 per cent for South Korea, Norway and Japan.

Workplace >

The agriculture, forestry and fishing sector employs approximately 323,000 people, including full time (236,700) and part time employees (84,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 26 per cent of the employed workforce is casual.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 51 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 7.4 million hectares of agricultural land set aside by Australian farmers purely for conservation/protection purposes.

In 1989, the National Farmers' Federation together with the Australian Conservation Foundation was pivotal in ensuring that the emerging Landcare movement became a national program with bipartisan support.

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List of Recommendations

Recommendation 1:

That the Australian Government, with extensive industry input, commit to developing a National Agriculture Policy.

Pillar 1 – Customers and the Value Chain

Recommendation 2:

That the Australian Government commit to prioritising efforts to maintain existing markets and secure new international markets for Australian agricultural exports. That the Australian Government commit to prioritising efforts to maintain existing markets and secure new international markets for Australian agricultural exports. As a first priority, the Government should expend every effort to bring the Indonesia-Australia Comprehensive Economic Partnership and the Peru-Australia FTA into force.

Recommendation 3: That the Australian Government commit to a comprehensive and high-quality trade agreement with the EU that substantially improves market access for Australia's agricultural commodities.

Recommendation 4: That the EU-Australia FTA not include provisions that deprive Australian food producers of the ability to fairly market their products under generic and well know names.

Recommendation 5: That the Government and industry work together to establish a globally accepted product certification process for food and fibre.

Recommendation 6: That funding for initiatives to identify and reduce non-tariff barriers restricting Australian agricultural exports be increased and extended for the long-term.

Recommendation 7: That the Australian Government commit to pursue expansion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Recommendation 8: That the Australian Government establish the position of Special Agricultural Trade Envoy.

Recommendation 9: That the Australian Government provide support to investigate and develop an industry led mechanism to demonstrate, and as appropriate certify, Australian agriculture's sustainable credentials in an efficient manner.

Recommendation 10: That the Australian Government implements without delay all 42 recommendations of the IGAB report *Priorities for Australia's Biosecurity System*.

Recommendation 11: That the Australian Government agrees to a 10-year funding commitment for the Centre for Invasive Species Solutions (CISS) as a permanent institution as part of the strategic response to the over \$13 billion/year biosecurity problem. The funding includes a major weeds portfolio (\$10m/year) and a new vertebrate pests portfolio (\$10m/year from 2021).

Recommendation 12: That the Australian Government commits to establishing an animal welfare branch within the Department of Agriculture and Water Resources that is firmly based on scientific principles and that recognises the current standards and guidelines process as the mechanism for setting animal welfare standards in Australian agriculture.

Recommendation 13: That the Australian Government commits to spending a higher proportion of the infrastructure budget on maintenance, ensuring that all new infrastructure projects have a lifecycle cost base and that existing infrastructure asset can be used to their full potential, enabling access for higher productivity vehicles.

Recommendation 14: That the Australian Government commits to using evidence-based tools that identify bottlenecks and infrastructure gaps in rural, regional and remote areas of Australia such as TraNSIT to inform infrastructure decision-making.

Recommendation 15: That the Australian Government funds dedicated engineers to work with road managers in rural and regional local government areas to undertake assessments of local roads and enable an 'open all roads' status for large agricultural vehicles.

Pillar 2 – Growing sustainably

Recommendation 16: That the Australian Government commits to genuine EPBCA reform and implementation of recommendations from the Craik Report that recognise the contributions farmers make towards meeting biodiversity objectives.

Recommendation 17: That the Australian Government commits to increasing resourcing of EPBCA implementation to support greater engagement and communication with farmers.

Recommendation 18: That the Australian Government commits sufficient funds to develop accurate, multi-jurisdictional mapping that shows layers of all environmental legislative requirements on a specific site to a scale that is meaningful on the ground and is subject to challenge when groundtruthed.

Recommendation 19: That the Australian Government commits to the implementation of formal bilateral or trilateral (where local government is in play) negotiations to resolve how to ensure that a farmer can get a single set of advice on their particular site and be assured (protected) from sanction if the advice is adhered to.

Recommendation 20: That the Australian Government commit to the establishment of an Environmental Stewardship Fund with an initial investment of \$1 billion to facilitate the development of market-based instruments to improve biodiversity (natural capital) that includes a focus on listed threatened species and communities.

Recommendation 21: That the Australian Government maintain bipartisan support for the Murray-Darling Basin Plan and ensure there is sufficient funding to sensibly implement critical components of the plan.

Recommendation 22: That the Australian Government commit to the sensible development of Northern Australia underpinned by the objective assessment of the potential environmental, economic and social outcomes delivered.

Recommendation 23: That the Australian Government maintain financial liquidity of the Emissions Reduction Fund for the next five years.

Recommendation 24: That the Australian Government maintain a significant commitment to research and reform to enable direct participation by all farmers – large and small – in carbon markets and emissions abatement activities.

Recommendation 25: That the Australian Government review the rainfall triggers in the Carbon Farming Initiative Plantation and Farm Forestry Methodologies to remove the triggers to ensure the plantation sector can make investment decisions.

Recommendation 26: That the Australian Government maintain the funding for existing organisations, including Foodbank, SecondBite and OzHarvest.

Recommendation 27: That the Australian Government support the introduction of the National Food Waste Strategy with the goal of halving food waste by 2030.

Recommendation 28: That the Australian Government invest in R&D to discover new pathways for harvested, but not marketed, consumable produce.

Recommendation 29: That the Australian Government create tax incentives that fairly recognise food donations across the value chain.

Recommendation 30: That the Australian Government enhance public investment in research that delivers on-farm carbon abatement and productivity outcomes.

Pillar 3 – Unlocking innovation

Recommendation 31: That the Australian Government implements all ten recommendations from the *2018 Regional Telecommunications Review* without delay.

Recommendation 32: That the Australian Government invest in measures to put downward pressure on electricity prices and ensure a smooth transition to competitive, firming renewables.

Recommendation 33: That the Australian Government invest in transmission infrastructure to accommodate the rate of renewable energy developments, particularly in regional Australia.

Recommendation 34: That the Australian Government commit to maintaining the broad architecture of the rural research and development corporation model, including government contributions matching industry levies. It is also critical that appropriate extensions mechanisms, including by established lower grower groups, is fostered, promoted and shared.

Pillar 4 – Capable people, vibrant communities

Recommendation 35: That the Australian Government commit to trialling the agricultural visa in an area known to suffer labour challenges, such as the Sunraysia region in north-western Victoria, south-western New South Wales, and remote Northern Territory.

Recommendation 36:

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
- developing an agricultural curriculum program to ensure integration with other programs and greater focus agricultural courses to promote agriculture as a career of choice.

Recommendation 37:

The NFF supports the RAI's call for funding to provide:

- Support for up to 10 pilot regions to develop locally-led migration strategies in a number of communities and ultimately the regions as a whole, including annual financial support to provide for coordination and local strategy support.
- National coordination to share information and raise awareness, coordinate migrant community engagement and resolve common barriers such as housing and services gaps.

A projected cost of \$13.5m over five years is requested for the pilot. Approximately \$10m would be provided directly to support locally-led migration strategies in regions, with the remaining funds enabling the national platform.

Recommendation 38: That the Australian Government commit \$100,000 to support Farmsafe Australia and the biennial Farmsafe Conference, as well as campaigns around farm safety initiatives.

Recommendation 39: That the Australian Government commit to funding mental health awareness programs in rural and regional areas, as well as services and resources focussed on mental health available in these areas.

Recommendation 40: That the Australian Government commit to controlling wages blow-out by introducing regulatory measures which promote productivity and limit real unit labour costs.

Pillar 5 – Capital and risk management

Recommendation 41:

That the Australian Government commit to making the small business instant asset write off permanent and retain the specific accelerated depreciation arrangements for primary producers.

Recommendation 42: That the Australian Government adopt a single turnover-based definition for small business at \$10 million which is indexed to maintain its relevance over time.

Recommendation 43: Retain the existing system of fuel tax credits and extend fuel tax credits to aviation fuel for light aircraft, fixed wing and helicopters, used in pastoral operations.

Recommendation 44: That the Australian Government commit to retaining the current provisions around taxation of trust income.

Recommendation 45: That the Australian Government extend direct access to FMDs to companies and to agribusiness trusts.

Recommendation 46: That the Australian Government commences farm succession education programs, or provide grants to fund succession education programs, to promote proactive succession planning by farmers.

Recommendation 47: That the Australian Government investigates avenues for farmers to better access superannuation by making it easier to contribute as a farmer, thus providing farmers with the financial ability to retire off the farm.

Recommendation 48: That the Australian Government support cross-sectoral capacity building initiatives that build financial literacy, leadership and corporate governance knowledge and skills.

Recommendation 49: That the Australian Government creates a federal farm business grant program that supports farmers to measure farm performance for investment and business decision-making purposes.

Recommendation 50: That the Australian Government commits to further pursuing its deregulation agenda by improving the quality of regulation and minimising the burden of regulation on farm businesses.

Recommendation 51: That the Australian Government raise awareness about the ACCC Agricultural Enforcement and Engagement Unit and provide resources for small businesses to facilitate their engagement in the ACCC processes. In addition, Government should also raise awareness about the advocacy and arbitration roles of the Australian Small Business and Family Enterprise Ombudsman.

Recommendation 52: That the Australian Government amends the CCA to prohibit ‘concerted practices’ – the anti-competitive disclosure of pricing and other information.

Recommendation 53: That the Australian Government develops a comprehensive national drought policy.

Recommendation 54: That the Australian Government makes agricultural insurance, including multi-peril crop insurance, 150 per cent tax deductible to encourage farmers to take out insurance policies and support the long-term viability of the agricultural insurance market in Australia.

Introduction: Agriculture – Growing Australia

NFF's vision is for Australian agriculture to become a \$100 billion industry by 2030. The sector is a source of strength in the Australian economy, positioned to capitalise on growing global demand for safe, high quality food and fibre over coming decades. What we need to do to reach the \$100 billion goal is detailed in the NFF's [2030 Roadmap](#). It can be viewed as NFF's call to action and roadmap for success for Australian agriculture.

To achieve our vision, the sector needs regulatory and public policy settings that foster growth and productivity; innovation and reward endeavour. We also need a competitive, flexible and dynamic economy. The recommendations in this submission are organised under the five pillars of the 2030 Roadmap: Customers and Value Chains; Growing Sustainably; Unlocking Innovation; Capable People and Vibrant Communities; and Capital and Risk Management. Together, they provide the framework for a National Agriculture Policy that will ensure government policies support growth of the Australian agricultural sector into the future.

Recommendation 1:

That the Australian Government, with extensive industry input, commit to developing a National Agriculture Policy.

Pillar 1 – Customers and the Value Chain

NFF seeks a commitment to secure and expand access to global markets through enhanced international trade relationships and agreements. We seek a commitment to increase the international competitiveness of Australian agricultural exports through reducing regulatory red tape and building world class supply chain infrastructure. The NFF's vision for the future of food and fibre trade is a strong Australian agricultural brand that stands for quality and integrity and commands a premium price to match. To maintain this brand, Australia will need to maintain its pest and disease-free status and invest in preventative biosecurity measures that have proven to have the highest rate of return for biosecurity spending.

Trade Growth = Wage Growth

Trade between Australia and the rest of the world generates economic growth, creates jobs, and leads to better paid jobs. Lowering trade barriers is critical to expanding trade. The NFF seeks a commitment to secure significantly expanded market access for agricultural goods under the Australia-EU FTA, strengthen our trade relationship with India, launch new trade negotiations, at the appropriate time, with the UK, conclude ambitious agreements with the Gulf Cooperation Council and Regional Comprehensive Economic Partnership countries, expand membership of the TPP-11, update and improve existing free trade agreements (FTA), identify opportunities to link Australia's FTAs, and work to protect and strengthen the multilateral trade system.

Critical to improved market access for Australian agricultural exports in the near term is rapid ratification of the Indonesia-Australia Comprehensive Economic Partnership and the Peru-Australia FTA.

Recommendation 2:

That the Australian Government commit to prioritising efforts to maintain existing markets and secure new international markets for Australian agricultural exports. As a first priority, the Government should expend every effort to bring the Indonesia-Australia Comprehensive Economic Partnership and the Peru-Australia FTA into force.

Commit to an Ambitious Agriculture Outcome in the EU-FTA

Significant scope exists to expand Australia's agricultural exports to the (EU). According to ABARES data, Australia exported approximately \$3.8 billion worth of food to the EU in 2016-2017 and imported agricultural goods worth more than \$4.7 billion. This is a significant deviation from Australia's usual agricultural trade pattern, with Australia being a net food exporter with all other major markets. This trade relationship is fundamentally the result of extremely high tariffs and quota restrictions on Australian agricultural exports to the EU, and unfair EU agricultural subsidies.

The NFF seeks a commitment from Government for a comprehensive and high-quality trade agreement with the EU that substantially improves market access for Australia's agricultural commodities, including red meat, dairy, horticulture, grains, sugar, cotton, rice and wool. In addition, the NFF urges Government to prioritise this FTA and to include the Australian agricultural industry in talks between Australian and EU officials. To this end, the NFF

recommends including a Special Agricultural Trade Envoy (as described under Recommendation 3) in agriculture talks with the EU. We also reject any attempt to include in the FTA restrictions on generic terms used to describe food that deprives Australian producers of the ability to fairly market well known products in Australia and overseas.

Recommendation 3: That the Australian Government commit to a comprehensive and high-quality trade agreement with the EU that substantially improves market access for Australia's agricultural commodities.

Recommendation 4: That the EU-Australia FTA not include provisions that deprive Australian food producers of the ability to fairly market their products under generic and well know names.

Commit to Reduce Non-Tariff Barriers

Beyond tariff reductions and quota expansion, the Government must ensure it actively works to resolve non-tariff barriers that materially impede Australia's agricultural exports. To this end, the NFF seeks a commitment that Government and industry will work together to establish a globally accepted product certification process for food and fibre.

Recommendation 5: That the Government and industry work together to establish a globally accepted product certification process for food and fibre.

The NFF applauds the Government's work through the Department of Agriculture and Water Resources Non-Tariff Measures Working Group and the Department of Foreign Affairs and Trade's Non-Tariff Barriers Action Plan to work with industry to identify and try to remove non-tariff barriers. As non-tariff barriers are expected to increase in both number and type, NFF seeks a commitment that funding for this work be both increased and secured for the long term.

Recommendation 6: That funding for initiatives to identify and reduce non-tariff barriers restricting Australian agricultural exports be increased and extended for the long-term.

Commit to TPP 11 Expansion

The NFF welcomed the Government's ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (TPP-11) in 2018. The TPP-11 improves trading conditions for Australia's farm sector and helps Australian agriculture reach our vision of exceeding annual farm gate output of \$100 billion by 2030. TPP-11 importantly delivers new market access for Australian agricultural exports and increases the competitiveness of Australian food and fibre products in global markets. It will strengthen regional supply chains and build prosperity. The TPP-11 also signals strong support for open markets and acknowledges that international cooperation is critical to creating economic opportunities for all. In order to further increase the benefits of this important agreement, the NFF seeks a commitment from the Government to encourage other economies to take on the commitments that would enable them to join the TPP-11.

Recommendation 7: That the Australian Government commit to pursue expansion of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Commit to Create the Position of Special Agricultural Trade Envoy

The NFF seeks a commitment to appoint an eminent Australian with significant experience in agriculture and international trade as a Special Agricultural Trade Envoy. This envoy would reinforce government efforts to strengthen trade relationships by working directly with agricultural groups in other countries. It could also provide direct input to trade negotiating objectives, act as a conduit for information between the Australian agricultural sector and government, and advocate domestically on the benefits of open markets. The Special Agricultural Trade Envoy could be part of a broader industry consultative committee with confidential access to negotiating text and briefings from senior officials during FTA negotiations so that industry views can be considered before a finalised agreement is pursued through the Parliament.

Recommendation 8: That the Australian Government establish the position of Special Agricultural Trade Envoy.

Building and maintaining community and customer trust

The NFF is committed to the development of an independent mechanism that continues to build and maintain community and customer trust in the Australian agricultural industry. Whilst farming is regularly acknowledged as one of Australia’s most trusted professions, the NFF acknowledges that this trust must be maintained through ongoing two-way communication between our industry and the community. This process should both inform and build support of the practices used within our industry, whilst shaping how we farm in the future to ensure profitability, productivity and alignment with community and customer values.

The NFF understands that there is genuine benefit in understanding and addressing community and customer sentiment to ensure the ongoing future of the industry, but to gain the greatest value of the ‘clean and green’ reputation that underpins our brand. Success in building trust may also assist in supporting the establishment of globally accepted stewardship as required.

The NFF recognises that building on existing traceability and labelling systems to improve the integrity of product information provided to the community is an important consideration. Labelling laws which help consumers make fact-based decisions on imported or ‘alternative’ foods are also important.

Recommendation 9: That the Australian Government provide support to investigate and develop an industry led mechanism to demonstrate, and as appropriate certify, Australian agriculture’s sustainable credentials in an efficient manner.

Maintain commitment to biosecurity standards

The NFF seeks a strong, robust and science-based approach to biosecurity that protects Australia’s community at large and Australia’s agriculture from pests and diseases and underpins the

competitiveness of Australian produce overseas. Pests, weeds and other invasive species cost Australia over \$13 billion a year.

Australia's pest and disease-free status is vital for farming, for the wider community and for the environment. Biosecurity boosts agricultural production and is a competitive advantage when marketing Australian produce overseas because new export markets demand high-quality, safe food. Australia's favourable pest and disease status contributes to Australian produce being both highly competitive and sought-after on the world market.

A robust, efficient and science-based quarantine and biosecurity regime is critical to maintaining Australia's favourable trade position by preventing pest and disease incursions. This includes a strong emphasis on the concept of shared responsibility. Improved awareness of biosecurity by stakeholders and the general community is vital to ensure high biosecurity compliance and the prevention of incursions in our globalised world with increased travel and trade.

The NFF notes that funding of preventative biosecurity measures has the highest rate of return for biosecurity spending. Biosecurity management should principally focus on prevention, particularly 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 cannot apply. The NFF is concerned that only 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 should be a shared responsibility between governments, industry and the community at large and therefore endorses the Government's response to the Intergovernmental Agreement on Biosecurity (IGAB) report *Priorities for Australia's Biosecurity System* that highlights that Australia's national biosecurity system is under pressure from increased international trade and passenger movements.

<p>Recommendation 10: That the Australian Government implements without delay all 42 recommendations of the IGAB report <i>Priorities for Australia's Biosecurity System</i>.</p>
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The Centre of Invasive Species Solutions (CISS) is the only national biosecurity RD&E organisation established by the Australian and State governments, Meat and Livestock Australia and CSIRO that can replace the now defunct biosecurity Cooperative Research Centres (CRC). The national biosecurity system was formerly supported by four collaborative biosecurity CRCs – now there are none. The CISS plays a crucial role in developing and rolling out better, cheaper, quicker tolls and systems to tackle growing invasive and biosecurity threats.

However, secure, long-term funding is required to enable the development of transformational solutions that remain uncertain due to the inefficient boom-bust cycle of funding. While the CISS has funding up to 2022, stronger support for the CISS will provide confidence to industry, and all Australians, that the Government recognises long-term solutions are underpinned by a certainty of funding.

The operations of the CISS will complement the Government's biosecurity blueprint in its national response to the Intergovernmental Agreement on Biosecurity (IGAB) report – *Priorities for*

Australia's Biosecurity System. Strong support for the CISS will also give clear effect to the NFF's 2030 Roadmap as it relates to invasive species and biosecurity.

The NFF seeks a commitment that the Australian Government will secure the Centre for Invasive Species Solutions (CISS) as a permanent institution as part of the strategic response to the over \$13 billion/year biosecurity problem. The funding would enable CISS to continue to broker and manage strategic, large-scale collaborative invasive species RD&E, with a 10-year funding commitment, including a major weeds portfolio (\$10m/year) and a new vertebrate pests portfolio (\$10m/year from 2021).

Recommendation 11: That the Australian Government agrees to a 10-year funding commitment for the Centre for Invasive Species Solutions (CISS) as a permanent institution as part of the strategic response to the over \$13 billion/year biosecurity problem. The funding includes a major weeds portfolio (\$10m/year) and a new vertebrate pests portfolio (\$10m/year from 2021).

Maintain a credible live export trade

The NFF remains committed to the future of a live export trade which meets the animal welfare expectations of farmers and the community. The NFF acknowledges that the agricultural sector has a responsibility to be a leader in animal welfare for commercial livestock and production animals. Consequently, the industry is committed to continuous improvement in animal welfare, and we take our responsibility to consumers and the community very seriously.

The NFF welcomed the Moss Review recommendations and is of the firm view that the proposed changes will improve the regulator's capability and culture, ultimately increasing confidence in the regulations of live exports. The NFF also expects that the Moss Review recommendations will set the direction for a sustainable industry that has animal welfare as its highest priority. It is vital that implementation of the Moss Review will occur in partnership with the broader agriculture industry, driven by a culture of continuous and science-based improvements.

The Moss Review has found that the regulatory capability, powers, practices and culture of the Department need significant change to provide assurance to the Australian community that our high standards can be met. The regulator must demonstrate that there are processes and systems in place to prevent mistreatment of animals, which is what both farmers and the community expect.

Recommendation 12: That the Australian Government commits to establishing an animal welfare branch within the Department of Agriculture and Water Resources that is firmly based on scientific principles and that recognises the current standards and guidelines process as the mechanism for setting animal welfare standards in Australian agriculture.

Transport Infrastructure that provides a Competitive Connection to Markets

The NFF has identified transport infrastructure downfalls, especially first and last mile issues, as a major risk to the competitiveness of Australian food and fibre in the global marketplace. The rural location of agricultural production in Australia makes transport costs crucial to the revenue of farmers, determining profitability of Australian agriculture. 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 cost¹. Further investment along the supply chain is needed to ensure that Australian produce remains internationally competitive. Well-chosen transport infrastructure projects can boost economic efficiency and raise productivity.

Australia's national land freight task is expected to grow by around 75 per cent between 2011 and 2031². Being a significant export industry with roughly two thirds of Australian food and fibre sent to overseas markets, 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. Australia faces a major maintenance deficit for road and rail infrastructure. Although Australia's spending on new investment in transport infrastructure is high by OECD standards, maintenance spending is low in per cent of GDP. Bearing in mind that the majority of infrastructure that will be used in the next 50 years is already built, it is paramount to invest additional funding in the maintenance, renewal and upgrade of existing roads.

Recommendation 13: That the Australian Government commits to spending a higher proportion of the infrastructure budget on maintenance, ensuring that all new infrastructure projects have a lifecycle cost base and that existing infrastructure asset can be used to their full potential, enabling access for higher productivity vehicles.

Improving transport infrastructure for agriculture is fundamentally dependent on long-term, strategic investment planning. When planning freight routes, it is crucial to use supply-chain modelling tools. 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. 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 is key to identifying infrastructure gaps and to set the agenda for new infrastructure projects in rural and remote Australia, using scientific evidence to assess all possible transport route combinations. The supply chain modelling tool was, for example, instrumental to the project prioritisation for the Northern Australia Beef Roads Programme. Including a tool such as TraNSIT upfront in infrastructure decision-making and planning would enable Government to cater more holistically to rural communities by looking at entire supply chains instead of evaluating infrastructure projects in isolation.

Recommendation 14: That the Australian Government commits to using evidence-based tools that identify bottlenecks and infrastructure gaps in rural, regional and remote areas of Australia such as TraNSIT to inform infrastructure decision-making.

¹ See Garry Goucher. *Transport costs for Australian agriculture*. Surry Hills: Australian Farm Institute, 2011.

² See Department of Infrastructure and Regional Development. *Trends – Transport and Australia's Development to 2040 and Beyond*. Canberra: Commonwealth of Australia, 2016.

Road access for large agricultural vehicles

Successful conclusion of the impending *Class 1 Agricultural Vehicle Exemption Notice 2019* has the potential to remove unnecessary red tape from farm businesses and create a practical and safe system for the movement of heavy farm vehicles on public roads.

In 2017, the Productivity Commission recommended in the *Regulation of Australian Agriculture* report that transport regulation be proportionate to the risks involved, and that NHVR, road managers, and relevant third parties should “make greater use of gazettal notices or other exemptions for oversized agricultural machinery”. To help the process of increasing effective road access for agricultural machinery, NFF recommends that Government assist relevant local government bodies to bring as many local roads as possible up to standards that enable access for heavy agricultural vehicles under the *Class 1 Agricultural Vehicle Exemption Notice 2019*. To help LGAs to better evaluate their road asset base and to ensure an ‘open all roads’ status for large agricultural vehicles, NFF specifically asks Government to consider funding dedicated engineers to assess local roads in rural and remote areas.

Recommendation 15: That the Australian Government funds dedicated engineers to work with road managers in rural and regional local government areas to undertake assessments of local roads and enable an ‘open all roads’ status for large agricultural vehicles.

Pillar 2 – Growing sustainably

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 productive land and water. As part of the NFF’s 2030 aspiration of \$100 billion farm gate value by 2030, a policy framework that allows sustainable growth is imperative.

Better deal for agriculture under a renewed EPBC

The NFF recommends policy reform to improve farmers’ interactions with the *Environment Protection and Biodiversity Conservation Act 1999* (EPBCA). Led by Dr Wendy Craik, the review of the interaction between the EPBCA and farmers identified several shortcomings including that some requirements under the Act were both confusing and impractical, and that lack of resourcing compounded these problems. The NFF notes that almost half of Australia’s landmass is managed by farmers and, in that respect, the EPBCA needs to recognise that farmers are ideally placed to both manage land sustainably and protect the environment and should be encouraged to do so. Key areas of improvement in implementing the EPBCA include increasing resourcing, improving communications and mapping.

Communications

The EPBCA is a complex piece of legislation. The Government’s ability to effectively communicate the Act and inform farmers of the rights and responsibilities under the Act is critical to its successful operation. However, the NFF’s survey of farmers’ experiences with the EPBCA found that the Act remains ‘distant’ from agricultural users, with many expressing frustration over the lack of on-ground consultation and direct communication with farmers. This includes the development of conservation advice, most of which is impracticable and unreasonable. This is compounded by the duplication and confusion created by State and Commonwealth environmental laws, and regular changes to the laws as governments change.

Mapping

Accurate mapping is a key requirement of the EPBCA, especially when developing conservation advice. However, there is substantial evidence in NSW and Queensland that mapping is inaccurate and unreliable. The NFF is of the view that the current state of mapping is such that it cannot be relied upon as a decision tool, nor reasonably utilised as a compliance tool.

<p>Recommendation 16: That the Australian Government commits to genuine EPBCA reform and implementation of recommendations from the Craik Report that recognise the contributions farmers make towards meeting biodiversity objectives.</p>
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<p>Recommendation 17: That the Australian Government commits to increasing resourcing of EPBCA implementation to support greater engagement and communication with farmers.</p>
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Recommendation 18: That the Australian Government commits sufficient funds to develop accurate, multi-jurisdictional mapping that shows layers of all environmental legislative requirements on a specific site to a scale that is meaningful on the ground and is subject to challenge when groundtruthed.

Recommendation 19: That the Australian Government commits to the implementation of formal bilateral or trilateral (where local government is in play) negotiations to resolve how to ensure that a farmer can get a single set of advice on their particular site and be assured (protected) from sanction if the advice is adhered to.

\$1 billion for Environmental Stewardship Fund

The command and control approach of the EPBCA has proven inefficient and inadequate in protecting matters of national environmental significance. The recent State of the Environment Report in 2016 highlighted an increasing decline in Australia's biodiversity, despite the efforts of current legislation in arresting this decline. The NFF seeks reform of environmental legislation through a paradigm shift from command and control to market-based instruments as a more efficient method of protecting the environment, and more importantly, as a way to empower landholders to participate. The NFF supports the establishment of an Environmental Stewardship Fund (ESF) with an initial investment of \$1 billion to facilitate coordinated management (between landholders, industry and government) of endangered and critically endangered biophysical assets that recognises and incorporates the expertise and knowledge of the local community. The ESF could be spent through the implementation of market-based instruments for recovery and threat abatement with the aim of transitioning to a market-based trading scheme.

Recommendation 20: That the Australian Government commit to the establishment of an Environmental Stewardship Fund with an initial investment of \$1 billion to facilitate the development of market-based instruments to improve biodiversity (natural capital) that includes a focus on listed threatened species and communities.

Bipartisan support for MDBP

The Murray-Darling Basin Plan (Plan) is in its critical implementation phase. As such, it is incumbent upon Basin Governments and all stakeholders to ensure that the Commonwealth and the Murray-Darling Basin Authority respond to implementation issues and new information that emerges. Public confidence in the Plan is crucial to its success. The NFF recommends bipartisan support is maintained and ensure there is sufficient funding to implement critical components of the Plan. There are significant socio-economic ramifications if the Plan cannot be implemented sensibly.

Recommendation 21: That the Australian Government maintain bipartisan support for the Murray-Darling Basin Plan and ensure there is sufficient funding to sensibly implement critical components of the plan.

Commit to implement Northern Australia plan

An ever-increasing global population means that traditional agricultural land is under increasing pressure. The loss of quality land to urban encroachment and other non-agricultural land developments increases the urgency of securing new locations for food and fiber production. For this reason, work to expand agricultural production in northern Australia must continue.

The NFF, in principle, welcomed plans to dramatically increase the food and fibre production capacity of northern Australia with the construction of three new dams. The Northern Australian Water Resource Assessment (NAWRA) report provided a scientific basis for expanding the irrigation opportunities and, therefore, agriculture across the top end. This development, however, which aligns with the NFF's aspiration of growing agriculture to a \$100 billion industry by 2030, must be backed by objective, well-considered assessments that consider the triple bottom line priorities of environmental, economic and social outcomes.

Recommendation 22: That the Australian Government commit to the sensible development of Northern Australia underpinned by the objective assessment of the potential environmental, economic and social outcomes delivered.

Commit to appropriate funding for the Emissions Reduction Fund

The NFF recommends the continuation of the emissions reduction fund (ERF) as a mechanism to transition the economy to lower net emissions. The ERF is not yet mature enough to be supported by private investment and there is little indication this will be the case in the absence of an international mechanism to assess the credibility of carbon credit units.

While the ERF is a key Government policy to reduce emissions, it is also limited by fundamental barriers that prevent farmers participating in the carbon market, including:

- Significant impediments to a farmer's ability to bundle up and sell the different sequestration and emission reduction strategies available to them based on their farm system and business model. Very high administrative costs and reduced efficiency being key barriers.
- A very limited number of methods available that are relevant to most farmers. For most Australian farmers cost-effective methods are not yet available.
- Difficulties in understanding the legal and financial risks to participating in the carbon market, and sourcing trusted and independent advice. Emissions reduction projects are long term commitments of at least 7 years, and, in the case of sequestration projects, 25 or 100 years.

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, means several methods are barely or never utilised. Most of Australia's 88,000 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 23: That the Australian Government maintain financial liquidity of the Emissions Reduction Fund for the next five years.

Recommendation 24: That the Australian Government maintain a significant commitment to research and reform to enable direct participation by all farmers – large and small – in carbon markets and emissions abatement activities.

Implement forest industry plan

The NFF welcomed the announcement of the Government’s National Forest Industries Plan to support the growth of a sustainable forestry industry. If the forestry industry plants one billion new trees over the next ten years, an estimated additional 18 megatonnes of carbon dioxide will be sequestered per year by 2030. Critical to this is continued bipartisan support for the National Forestry Industries Plan and reviewing rainfall triggers in the Carbon Farming Initiative Plantation and Farm Forestry methodologies.

Recommendation 25: That the Australian Government review the rainfall triggers in the Carbon Farming Initiative Plantation and Farm Forestry Methodologies to remove the triggers to ensure the plantation sector can make investment decisions.

Halve food waste by 2030

Up to 25 per cent of all vegetables produced don’t leave the farm. The Foodbank Hunger Report 2018 showed that Australians living in regional or remote areas are 33 per cent more likely to experience food insecurity than those living in major and capital cities. This means more than 1.5 million country Australians have experienced food insecurity. It is an unacceptable statistic considering regional Australia is where food is sourced. Existing charities, including Foodbank, SecondBite and OzHarvest, should have their funding maintained to reduce food waste and relieve hunger.

The NFF recommends the Government’s commitment to the National Food Waste Strategy with the goal of halving food waste by 2030. This includes funding R&D to discover new pathways for harvested, but not marketed, consumable produce. The NFF also recommends the Government create tax incentives that fairly recognise food donations across the value chain.

Recommendation 26: That the Australian Government maintain the funding for existing organisations, including Foodbank, SecondBite and OzHarvest.

Recommendation 27: That the Australian Government support the introduction of the National Food Waste Strategy with the goal of halving food waste by 2030.

Recommendation 28: That the Australian Government invest in R&D to discover new pathways for harvested, but not marketed, consumable produce.

Recommendation 29: That the Australian Government create tax incentives that fairly recognise food donations across the value chain.

Carbon neutral trajectory

The NFF recognises that climate change is impacting and ongoing constructive policy is required to support transition and adaptation while protecting agriculture from increased costs that cannot be passed forward. There is a great opportunity for Australian agriculture to contribute to our national emissions reduction goals, but innovative approaches are needed to reduce the emissions intensity and enable farmers to efficiently participate in carbon markets. Meat & Livestock Australia's Carbon Neutral by 2030 (CN30) is one example of industry's efforts to move towards carbon neutrality.

It is critical, however, that the suite of policies that seek to reduce emissions are fully examined to ensure they work cohesively while minimising the risk of unintended consequences or perverse outcomes. Mandatory cap and trade policies are not suited to the farm sector. The NFF recommends enhanced public investment in research that delivers on-farm carbon abatement and productivity outcomes.

Recommendation 30: That the Australian Government enhance public investment in research that delivers on-farm carbon abatement and productivity outcomes.

Pillar 3 – Unlocking innovation

To achieve a \$100 billion agricultural industry by 2030, the sector depends on public policy settings that foster growth and increase productivity, establish new market opportunities and champion innovation. This includes creating world-class connectivity that positions farmers to capture the benefits of the next generation of farming technology.

A truly connected agricultural sector will assist Australian agriculture to compete and connect with global markets. State-of-the-art tools such as Big Data and fast internet greatly increase on-farm productivity by enabling farmers to digitally analyse critical information such as soil moisture, meteorological records and satellite imagery. A recent collaborative research project, *Precision to Decision: Accelerating Precision Agriculture to Decision Agriculture – Enabling Digital Agriculture in Australia*³ 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, the Australian agricultural sector is currently valued at around \$60 billion. This means that agriculture is currently only reaching 75% of the potential it could reach if it was enabled to fully participate in the digital economy.

To unlock innovation and to ensure that Australia is a world leader in cutting edge science and technology that improves the quality of our products and reduces input costs, NFF has three key objectives for the industry:

- 1) By 2030, the agricultural value chain be highly digitised, and the telecommunications infrastructure in regional, rural and remote Australia support this digitisation;
- 2) Biofuels and renewable sources of electricity be affordable and provide reliable power to supply the agricultural value chain;
- 3) Australian agriculture have a competitive edge because of world-class research, development and extension.

A national strategy for regional telecommunications

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 thrive.

It is NFF’s aspiration to have an agricultural value chain that is highly digitised, with the benefits of new technology shared fairly among participants. To achieve this vision, it is crucial to have internet connectivity with adequate speeds and data allowance available to every Australian farm at a reasonable price, and to build the industry’s capacity to take advantage of connectivity and

³ Zhang A, Baker I, Jakku E and Llewellyn R (2017) *Accelerating precision agriculture to decision agriculture: The needs and drivers for the present and future of digital agriculture in Australia. A cross-industry producer survey for the Rural R&D for Profit ‘Precision to Decision’ (P2D) project.* CSIRO, Australia.

digital farming practices. In addition, farmers need to have ultimate control of their data through clear rules for farm data management. They should also receive a fair share of value from their farm data. Moreover, there is need for frameworks that allow for the seamless exchange of industry data across the value chain, enabling industry to take advantage of data analytics.

Reliable broadband and telephone services are not only essential for survival in the Australian bush, they are also crucial to the creation of new opportunities in agriculture. To achieve this goal, the NFF is one of the founding organisations of the Rural, Regional and Remote Communications Coalition RRRC Coalition. The coalition includes a critical mass of organisations, ranging from relatively established lobby groups through to fledgling volunteer interest groups, which are advocating on similar access and service quality issues for rural and regional telecommunications users. The breadth and number of organisations involved highlights that high-standard telecommunications in rural, regional and remote areas is critical.

The rollout of the National Broadband Network (NBN) and the Mobile Blackspot Programme have significantly improved telecommunications in rural and regional Australia. The *2018 Regional Telecommunications Review: Getting it right out there*⁴ confirmed, however that there are still communication infrastructure gaps in regional Australia in terms of coverage, data speeds and competition between different telecommunication carriers. The review has put forward ten recommendations to address the inequalities faced by many in regional, rural and remote Australia. These recommendations include increased capacity through investment in telecommunications infrastructure, better consumer protections, and promotion of digital inclusion through literacy. The NFF calls on the Government to support and implement all ten recommendations to safeguard and deliver growth and prosperity to all communities and industries in regional, rural and remote Australia.

<p>Recommendation 31: That the Australian Government implements all ten recommendations from the <i>2018 Regional Telecommunications Review</i> without delay.</p>

Investment in electricity

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 Australians 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. While serious efforts have been used to address the problem, there has been no material solution thus far.

The NFF seeks a solution that addresses the trilemma of affordability, reliability and sustainability and advocates for investment in measures to put downward pressure on electricity prices and ensure a smooth transition to competitive, firm renewable.

⁴ Australian Government (2018) *2018 Regional Telecommunications Review - Getting it right out there*, Commonwealth of Australia, Australia.

Currently, the renewables sector is developing at a rate that the transmission and firming infrastructure is ill equipped to keep up with. This lag is a critical issue that needs to be addressed. The NFF supports measures to improve grid capacity to accommodate the rate of renewable energy developments, particularly in regional Australia.

Recommendation 32: That the Australian Government invest in measures to put downward pressure on electricity prices and ensure a smooth transition to competitive, firming renewables.

Recommendation 33: That the Australian Government invest in transmission infrastructure to accommodate the rate of renewable energy developments, particularly in regional Australia.

Utilise innovation to reduce farm sector costs

Agricultural goods are subject to declining terms of trade, meaning continuous productivity improvements are required to maintain the sector's competitiveness. Key to advancing these improvements in productivity and profitability is the generation of new knowledge and technology delivered through R&D. Such R&D breakthroughs within agricultural production systems and supply chains can subsequently deliver better quality and more competitively priced food and fibre to consumers. However, it remains a challenge to make new R&D technologies and mechanisms available to farmers, and it is crucial that there are extension transfer services in place that closely link research outcomes to farmers.

The majority of rural R&D in Australia is overseen by the Rural Research and Development Corporations (RDCs) that are funded through industry levies matched by government co-contributions. The RDC model has undergone frequent reviews and inquiries in recent years. To help Australia become a world leader in translating cutting-edge science and technology into more efficient and innovative farming practices, it is crucial to maintain our longstanding network of RDCs.

To deliver these outcomes on farms, the R&D investment environment needs to be fostered to ensure that the research is quickly turned into commercial tools and services. Investment in the capacity of digital and human networks to share and promote new practices and tools is also critical.

Recommendation 34: That the Australian Government commit to maintaining the broad architecture of the rural research and development corporation model, including government contributions matching industry levies. It is also critical that appropriate extensions mechanisms, including by established lower grower groups, is fostered, promoted and shared.

Pillar 4 – Capable people, vibrant communities

For the industry to succeed, it needs the right people for the job, especially with the industry’s aim of reaching \$100 billion by 2030. People are the backbone of Australian agriculture, and it’s “people power” that will deliver Australia’s world-class commodities to the world. Unfortunately, the industry is experiencing widespread labour challenges which many farmers fear threaten the future viability of sector.

Commit to providing sufficient and suitably qualified labour force for agriculture

Access to quality labour is critical for the growth of Australian agriculture and the NFF’s vision for a \$100 billion industry by 2030, but the sector continues to be burdened by labour challenges, including a general shortage of workers and a shortage of skilled workers. These challenges stifle the productivity of farms. While precise figures remain elusive, the size and significance of the problem is well documented. Studies indicate, for example, that more than 60 per cent of growers in the fruit and vegetable sector experience difficulty recruiting. Industry has responded at the ‘grass roots’ with a number of initiatives⁵, and government programs⁶. But the issue persists. Produce goes uncultivated and unpicked, productivity is choked, and farms suffer. Case studies have suggested aggregate losses can range into the hundreds of thousands — occasionally even millions — of dollars. The costs escalate when the impact on future productivity of farms, the broader supply chain, and the flow-one effect to agricultural communities is considered.

More worryingly, however, these labour challenges are a driver of disgraceful employment practices which continually dog the industry. Stories persist of under-payments and improper deductions, mistreatment of legitimate workers, sham arrangements, bonded labour and other forms of modern slavery. Industry is commitment to stamping out this problem. Nevertheless, that commitment is frustrated by the underlying causes including mass labour shortages.

The government has proven receptive to the NFF’s calls for solutions to labour shortages, especially measures to cover the busy summer harvest. In November 2018, the Government announced amendments to many of the key migration programs used by Australian farmers to access overseas workers for their farms. Industry considers these moves a positive short-term step towards alleviating labour issues. However, the complexities underpinning the issues remain, as does the need for sustained Government engagement.

The NFF continues its call for a tailor-made scheme — a dedicated Ag Visa — which would specifically address agriculture’s labour shortages while reducing opportunities for exploitation by providing a legitimate and targeted visa for those with an interest in working in agriculture. It would remove gaps in the current visa system which render migrant workers vulnerable, obscure the problem, and force silence in the face of mistreatment. It would give these workers options which the current system denies them.

⁵ Greener Futures.

⁶ E.g. SWIT, backpacker arrangements and SWP.

The key features of the ag visa are:

- Workers are not tied to an employer but can follow the work, allowing for more effective distribution of labour and limiting opportunity for abuse associated with tied schemes.⁷
- A coordinating body monitors workers' location, employment, wellbeing and provides assistance, and maintains contact with government and employers.
- Employers are approved or accredited, requiring them to demonstrate fair and appropriate employment practices before engaging ag visa workers.
- Two streams: short-term/unskilled with a 12 month duration and a multi-entry component; and a medium-term/semi-skilled with a 4 year duration and pathways to permanency.
- Caps on visa numbers which are needs and region based, determined in consultation with industry and local communities, and no requirement for farcical 'labour market testing'.
- Mechanisms to ensure workers comply with visa requirements; e.g. a portion of their pay (e.g. the superannuation component) is held on trust pending departure, rewards for demonstrated compliance such as easier access to subsequent visas.

The NFF is cognisant that other measure will have to be considered, such as the workers' home nations, requirements regarding financial independence, health, and language, the content of pre-arrival briefings, measures to safe guard existing programs.

Recommendation 35: That the Australian Government commit to trialling the agricultural visa in an area known to suffer labour challenges, such as the Sunraysia region in north-western Victoria, south-western New South Wales, and remote Northern Territory.

Attracting Australian Youth to Work in Agriculture and Tertiary training

Despite varied efforts by industry to attract local workers to careers in agriculture, there has been limited uptake of jobs in agriculture by domestic workers. While there are multiple factors which might explain this, including the often isolated location of farms and perceptions that the industry does not provide long-term career paths, it is clear that there are inadequate incentives attracting local workers to the industry. Meanwhile, every year a mass of "backpackers" undertakes three months of agricultural work in regional Australia. These workers are almost all entirely motivated by the incentive of a second-year visa to stay and work in Australia.

With the right incentives, young Australian residents will also go to regional areas to work in agriculture. Youth unemployment in many regions of Australia is too high. Research suggests that young (under 30) single unemployed persons or those looking for work have a strong willingness to relocate for work, but that they often lack the skills and experience that employer's need. The government can boost participation of young Australians in the agriculture workforce by targeting policy settings to incentivize the uptake of both vocational education and training (VET) and regional agricultural work. This aligns the 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. The important distinction between a program of this nature and one that

⁷ Such as bonded labour and illegal wage deductions.

imposes a requirement to undertake work-like activities is that uptake depends on individual choice – that is, those applying for work actually want it.

Specifically, the Government should consider implementing a new 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. 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.

The job market for graduates of tertiary agriculture qualifications is five times larger than the supply of graduates. There needs to be publicity of the compelling rationale for a career in agriculture and an agricultural lens must be applied to school and tertiary education curricula. The NFF is targeting a doubling of the tertiary and vocational agriculture graduates by 2030.

Recommendation 36:

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
- developing an agricultural curriculum program to ensure integration with other programs and greater focus agricultural courses to promote agriculture as a career of choice.

Resettlement and immigration

Studies indicate that the vast majority (up to 80 per cent) of immigrants to Australia settle in either Sydney or Melbourne. Australia’s population needs to be decentralised, with the movement of people from large urban centres toward regional areas and communities which are experiencing population decline.

In recognition of this need, the government is publicly supportive of changes to visa settings which encourage migration beyond the capitals and/or discourage settlement within major cities. It has recently been promoting Designated Area Migration Agreements in response to this issue. In principle this is sound policy. Its long-term success, however, is dependent on the support of regional communities. It follows that a holistic approach is required: an approach which looks not just at visa settings, but which facilitates settlement of the new (and temporary) Australians within regional communities; which links these new Australians with regional communities, business, and support networks; which enables these new Australians to find jobs, housing, social networks, etc; which support growing regional populations with infrastructure, medical care, transport, schools; and which creates the grass roots which these programs — and ultimately the new Australians and their new homes — need to thrive.

The Regional Migration initiative” (RMI) developed by the Regional Australia Institute (RAI) directly addresses these matters. The RMI seeks funding to enhance the infrastructure and services in regional areas, to make them both more attractive to new (and old) Australians and more capable of managing this growth. The NFF considers the RMI to be an important initiative for regional

Australia. Not only does it ensure that the vitality of regional Australia is sustained, its aim to encourage and facilitate migration to regional areas aligns significantly with the NFF’s vision for addressing labour shortages in the farming sector.

Accordingly, the NFF fully supports the proposed submission to the Federal Government for both policy and funding support in this area.

Recommendation 37:

The NFF supports the RAI’s call for funding to provide:

- Support for up to 10 pilot regions to develop locally-led migration strategies in a number of communities and ultimately the regions as a whole, including annual financial support to provide for coordination and local strategy support.
- National coordination to share information and raise awareness, coordinate migrant community engagement and resolve common barriers such as housing and services gaps.

A projected cost of \$13.5m over five years is requested for the pilot. Approximately \$10m would be provided directly to support locally-led migration strategies in regions, with the remaining funds enabling the national platform.

Support Farmsafe Australia towards zero farm fatalities

Farms continue to be amongst the most dangerous worksites in Australia. According to current statistics held by Safework Australia “on average, the [farming] industry ranked second in terms of fatality rate and accounted for the highest number of fatalities over the last five years. The industry was ranked third for the frequency rate of serious claims” and “worker fatality rates are high with 14.6 fatalities per 100,000 workers and apart from some year-on-year volatility there has been no dramatic improvement over the last 10 years.”

More has to be done to address this alarming situation, but the NFF believes that responsibility rests principally with individual farmers, farm families, and farm workers. They are the people with the closest connection to the farm and its activities, plant and equipment; they work and typically live within its gates; so they are best placed to identify and address risks to health and safety which the farm and farming business creates. However, farms can better discharge that responsibility when they are provided with appropriate support in the form of information and guidance on health and safety issues, including information on identifying critical risks and their control. The agricultural industry, the rural community, and state and federal governments and their agencies (including research and development corporations) each have important roles to play in providing that support.

Consistent with this belief, the NFF supports Farmsafe Australia, a not-for-profit ‘umbrella’ body of organisations (including the NFF) which share a common interest in agricultural health and safety. Its membership consists of bodies representing the farming industry,⁸ health and safety

⁸ The NFF and the state farming organisations.

practioners,⁹ regional communities,¹⁰ and government. With its broad membership and connections with the farms, farming business, and rural communities, Farmsafe is well placed to:

- Maintain an acute awareness of health and safety concerns which are emerging from farming businesses and communities and at the ‘grass roots’;
- Develop a coordinated health and safety messages which is informed, not just by theory, statistical data, and an academic understanding, but by the practice of farming and the rural experience; and
- Disseminate that message throughout the industry, up and down supply chains, throughout the farming community, and directly to farms and faming business themselves.

In addition to maintaining a profile in the farming community, Farmsafe strives to achieve this goal by holding the biennial Farm Safe Conference, the annual Farm Safety Week, through its website¹¹, and various promotional and media activities. Sadly, however, Farmsafe requires funding. At present Farmsafe subsists on a small annual membership fee. This is inadequate for it to develop — indeed, to meaningfully continue with —its safety role. The NFF is calling on the Federal Government to commit to budgetary measures which will demonstrate its meaningful support for this invaluable institution.

Recommendation 38: That the Australian Government commit \$100,000 to support Farmsafe Australia and the biennial Farmsafe Conference, as well as campaigns around farm safety initiatives.

Focus on mental health for the farm sector

Mental health is a key issue facing rural and regional communities. According to the Centre for Rural and Remote mental health (CRRMH), while the rate of mental illness does not vary greatly between rural and urban areas, the rate of suicide increases with remoteness. While there are various causes at play, the CRRMH says that distance from services and resources contributes to this trend, as well as the lesser likelihood that people in rural and remote areas recognise signs and symptoms of mental illness.

Recommendation 39: That the Australian Government commit to funding mental health awareness programs in rural and regional areas, as well as services and resources focussed on mental health available in these areas.

Caution against wages breakout

According to the Productivity Commission, productivity growth “arises from many small, everyday improvements within organisations to improve the quality of products, service customers

⁹ The Royal Flying Doctors Service.

¹⁰ The Country Women’s Association.

¹¹ <https://www.farmsafe.org.au/>

better, and reduce costs”.¹² In addition to investment in research, development and new technology, a key driver of agricultural productivity is deregulation and industrial reform.

The chart below shows a correlation between the flat-lining of real unit labour costs¹³ and the introduction of the *Fair Work Act 2009 (FW Act)* in 2009 with its shift in the focus of industrial relations regulation in a number of respects. The downward trend in costs ceases with the introduction of the FW Act. IN recent years, if anything, the trend has turned slightly upwards indicating increasing labour cost pressure in the economy from that time.¹⁴



Source: ABS *Australian National Accounts, National Income, Expenditure and Product*, Cat. No. 5206.0, Sep Qtr 2016

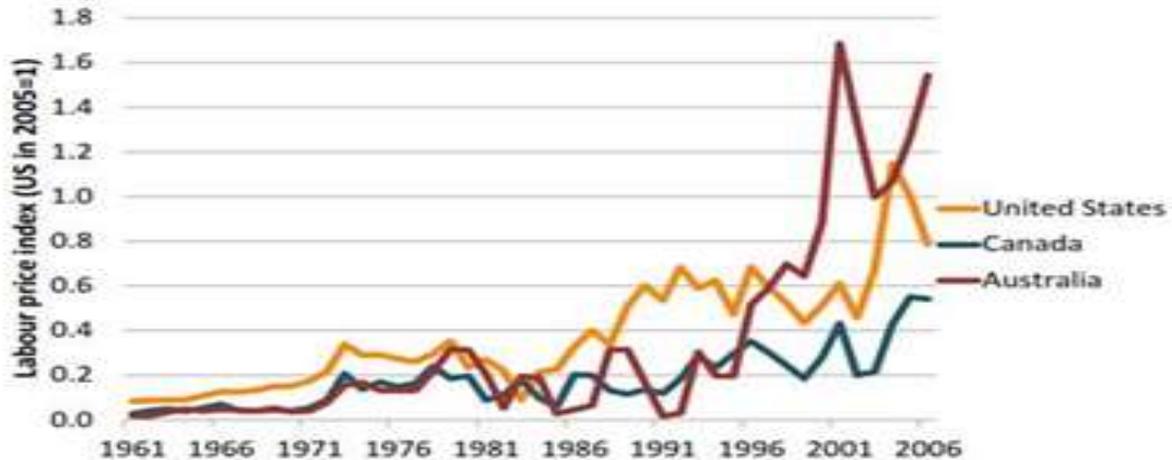
In the agriculture sector, labour cost pressures are even more evident than in the economy generally. Indeed, labour cost are the single greatest cash cost to farm business, with agricultural labour prices having risen sharply since the late 1990s, as the chart below shows. The chart also demonstrates the fact every Australian farmer knows – that their labour costs are significantly higher than their competitors in the USA and Canada.

¹² Productivity Commission, *Annual Report 2007–08*, 2008.

¹³ Real unit labour costs are determined by real wages and labour productivity.

¹⁴ ABS *Australian National Accounts, National Income, Expenditure and Product* Cat. 5206.0, 4 March 2015, p.15.

Input price drivers: agricultural labour price



Source: Sheng Yu, *Comparing agricultural total factor productivity across countries: the case of Australia, Canada and the United States*, 57th AARES Conference, Sydney, 5-8 February 2013

High business running costs are ever-present. Farmers face costs at every turn because of their position at the very beginning of the supply chain. Every cost passed down the supply chain affects farmers' terms of trade, with cumulative increases threatening the viability of primary production. For this reason, even more so than in other industries, small regulatory adjustments designed to make it easier to operate a business can make a large difference in growing productivity. And productivity growth is what enables growth in real wages (and therefore incomes and standards of living) without increasing the real unit labour costs.

At a time when wage growth has been stagnating, flat or rising unit labour costs are a concern and demonstrate the need for policy reforms to boost productivity. A flexible workplace relations system will enable business owners and managers to allocate their labour resources to the most productive uses.

The challenge is to ensure that Australia's relatively high minimum wages and conditions do not deter business investment and employment growth. For Australia to compete against comparable overseas markets with lower labour costs, the business environment must support innovation and responsiveness, through a skilled workforce and flexible labour regulation.

Recommendation 40: That the Australian Government commit to controlling wages blow-out by introducing regulatory measures which promote productivity and limit real unit labour costs.

Pillar 5 – Capital and risk management

The NFF considers it crucial for the future of the farming sector in Australia that farm businesses become increasingly sophisticated in their approach to governance, risk management and planning for the future. It is NFF's vision that every farm business has a clear strategy for managing the inherent risks of farming. This includes an expanded role for insurance, and business models which share production risks along the value chain. Farm businesses need to be investment-ready and able to access new capital pools in Australia and overseas. They need to strengthen their partnerships with providers of debt finance and have firm succession plans or alternative ownership models in place.

Tax reform

The NFF's principles for Australia's taxation system are that it 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. Given Australia is a relatively small, open and developed economy operating in an increasingly globalised world, there is critical that Australia's tax system support our international competitiveness.

The NFF is a strong advocate for stability in government risk management policies including income averaging and Farm Management Deposits that increase self-reliance and certainty when making business decisions. In addition, the instant asset write-off has proven an effective way to assist farm businesses build resilience by incentivising investment in farm equipment and machinery valued at \$25,000 or less. The \$25,000 write-off complements accelerated depreciation measures under which farmers can claim costs expended on fodder storage, such as silos and hay sheds, after one year as opposed to three.

Recommendation 41:

That the Australian Government commit to making the small business instant asset write off permanent and retain the specific accelerated depreciation arrangements for primary 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.

One of the biggest issues in taxation policy for the NFF is the lack of a coherent definition of small business for tax purposes. NFF strongly recommends rationalising the number of small business definitions for tax purposes to a single definition based on turnover. In addition, the definition of a Capital Gains Tax small business entity (turnover of less than \$2 million) 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 42: That the Australian Government adopt a single turnover-based definition for small business at \$10 million which is indexed to maintain its relevance over time.

Fuel tax credits

Fuel tax credits (FTC) recognise the longstanding principle of taxation that business inputs should not be taxed, and that tax should be collected from the end user to minimise distortions. Under no sensible definition are fuel tax credits considered a ‘subsidy’. 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.

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 43: Retain the existing system of fuel tax credits and extend fuel tax credits to aviation fuel for light aircraft, fixed wing and helicopters, used in pastoral operations.

Maintain trust treatment

Many family farms are still organised in trust business structures, making trusts an important farm finance tool. Farmers manage the significant volatility a farm business faces year to year with trusts, enabling them to offset costs in good years to weather unprofitable years. Trusts also help with the complex task of farm succession by allowing assets to be owned across generations, thus making the succession process smoother. The NFF seeks a commitment to continue the current taxation arrangements for family farms under trust structures.

Recommendation 44: That the Australian Government commit to retaining the current provisions around taxation of trust income.

The NFF also recommends extending direct access to Farm Management Deposits (FMD) to agribusiness trusts given the changing structuring of primary production businesses, which should enable financial institutions to offer a wider range of interest offset facilities for farm debt.

Recommendation 45: That the Australian Government extend direct access to FMDs to companies and to agribusiness trusts.

Renewed effort on succession planning leadership by government

Smooth generational change in agriculture is key to the successful future of the Australian farming sector. Farm businesses have high barriers to entry due to the high costs of land and equipment. In addition to the traditional process for enabling generational change in agriculture through farm

succession within the family, new pathways for enabling generational change in agriculture are important to its future growth.

Succession, when done well, empowers the new generation of farmers to take over the family farm. Unfortunately, farm succession is complicated because of the three competing priorities of retirement of the outgoing generation of farmers, succession for the new generation of farmers and fair inheritance for all family members including those outside of the family farm business. To tackle this conundrum, the NFF recommends that government runs farm succession education programs to encourage proactive succession planning that maximises knowledge transfer and embraces new governance models to help farmers better plan, manage risk, and increase profit.

Recommendation 46: That the Australian Government commences farm succession education programs, or provide grants to fund succession education programs, to promote proactive succession planning by farmers.

Successful succession is often impaired because of difficulties – both legal and cultural – to transfer land, income and assets. In addition, succession and estate planning are not always separated, and, to further complicate retirement, many farmers do not have separate retirement savings such as superannuation. As a first step to enable outgoing farmers to retire, the NFF recommends that government investigates how superannuation for farmers can be facilitated, with a view to enable farmers to roll Farm Management Deposits into superannuation and to increase the enable personal contributions to super for small business owners to be averaged over several years in line with the variability of farm income.

Recommendation 47: That the Australian Government investigates avenues for farmers to better access superannuation by making it easier to contribute as a farmer, thus providing farmers with the financial ability to retire off the farm.

Supercharge investment into agriculture

Australian agriculture faces a serious capital shortfall. New sources of investment will help the sector grow and support generational change. To facilitate capital injections into Australia's agricultural businesses, farms need to be able to demonstrate returns. Consequently, the NFF is of the view that Government can play a constructive role in helping to build the financial literacy of farming businesses. This could include helping them to identify different farm finance options, such as foreign and equity investment.

Recommendation 48: That the Australian Government support cross-sectoral capacity building initiatives that build financial literacy, leadership and corporate governance knowledge and skills.

In order to attract different sources of investment, farm businesses need to create robust and timely investment performance data. To achieve this and to get farm businesses investment-ready, the NFF recommends the establishment of producer peer review boards and benchmarking groups that enable collection of performance data and can contribute to farm business decision making. The

NFF recommends the Government create a supportive policy environment for farmers through a federal grant program that helps farmers purchase relevant software and advice to enable them to create robust investment performance data for their farm business.

Recommendation 49: That the Australian Government creates a federal farm business grant program that supports farmers to measure farm performance for investment and business decision-making purposes.

Continued commitment to reduce business red tape

The NFF regards competition within the marketplace as a major driver of industry innovation, investment and international competitiveness. It is critical that competition laws are effective in maintaining and improving competition across the agricultural supply chain. Farm businesses are subject to a vast and complex array of regulations at every step of the supply chain. While regulation can be important for safety, competition and governance purposes, the volume and complexity of red tape affecting farm businesses can hamper innovation and investment on farm. Good regulatory impact assessment processes need to be in place, and duplicative or unnecessary regulation needs to be eliminated.

Recommendation 50: That the Australian Government commits to further pursuing its deregulation agenda by improving the quality of regulation and minimising the burden of regulation on farm businesses.

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. Consequently, there are imbalances between farmers and other players in the supply chain. This includes both upstream suppliers (such as telecommunications companies, energy networks, financiers and chemical and biotechnology companies) and downstream customers (including transport and logistics companies, food processors and retailers).

Recommendation 51: That the Australian Government raise awareness about the ACCC Agricultural Enforcement and Engagement Unit and provide resources for small businesses to facilitate their engagement in the ACCC processes. In addition, Government should also raise awareness about the advocacy and arbitration roles of the Australian Small Business and Family Enterprise Ombudsman.

Where anti-competitive conduct based on power imbalances between farmers and upstream and downstream supplier occurs, it may be difficult to clearly distinguish them from legitimate business conduct. However, due to the nature of the markets, the conduct has a substantial impact on competition. Currently, the Competition and Consumer Act 2010 (CCA) does not provide sufficient protection against anti-competitive behaviour from firms with substantial market power. In contrast to jurisdictions such as the US and the EU, a lack of scale combined with a lower threat

of sanction under Australian legislation means Australian farmers are more exposed to anti-competitive behaviour.

Recommendation 52: That the Australian Government amends the CCA to prohibit ‘concerted practices’ – the anti-competitive disclosure of pricing and other information.

Drought policy

Drought policy must target preparedness, enhance resilience and thereby reduce the impact of drought on the viability and profitability of Australian agriculture over time. Drought policy must maximise farmers’ options to manage their risks and facilitate preparedness, provide support during drought events and enable rapid recovery. Government should also seek to reduce confusion among farmers about their eligibility for drought assistance and ensure the provision of personal support services. The NFF seeks a nationally consistent approach to drought policy, underpinned by a comprehensive national drought policy.

Recommendation 53: That the Australian Government develops a comprehensive national drought policy.

150% tax deductibility for agricultural insurance products

Agriculture is more volatile than any other sector of the Australian economy, requiring farmers to make daily decisions about risk management. It is NFF’s vision that farm businesses across Australia have access to innovative tools that reduce the inherent risks of farming, and that these tools are supported by consistent and well administered government risk management policies. A key tool for farmers is access to affordable agricultural insurance products including multi-peril crop insurance. To encourage the uptake of income protection insurance products, and support the long-term viability of the agricultural insurance market in Australia, the NFF seeks a commitment from Government to introduce measures that lower premiums. The NFF recommends making agricultural insurance, including multi-peril crop insurance, 150 per cent tax deductible for 5 years.

Recommendation 54: That the Australian Government makes agricultural insurance, including multi-peril crop insurance, 150 per cent tax deductible to encourage farmers to take out insurance policies and support the long-term viability of the agricultural insurance market in Australia.

Conclusion

The NFF strongly believes that agriculture is key to Australia's future prosperity and that our vision of a \$100 billion industry by 2030 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 5 key ingredients and 54 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.