

GRAINGROWERS PRE-BUDGET SUBMISSION



INTRODUCTION

GrainGrowers is a voice for Australian grain farmers with grower members across the country. We work to build a more profitable and sustainable grains industry for the benefit of Australian grain farmers. Our key pillars are policy and research, alongside leadership and events, designed to build on the knowledge and capability of our growers. Our growers are at the heart of all that we do and the focus of our work.

We are a powerhouse of regional Australia with 22,000 farm businesses growing around 45 million tonnes of grains, oilseeds and pulses each year for domestic and global customers. There are over 100,000 people directly employed in our sector and we look after 22 million hectares of land. Grain constitutes around 22% of Australian agriculture's gross value of production. In addition to ingredients for world class food, our grain, oilseeds and legumes are in high demand for livestock feeds, pharmaceuticals, biofuels, and more.

GrainGrowers welcomes this opportunity to provide a submission to the consultative process for the 2020-21 Budget.

Should you require any further information in relation to this submission, please contact GrainGrowers General Manager for Policy and Advocacy, Zachary Whale on (02) 9286 2000 or Zachary.Whale@graingrowers.com.au.

SUMMARY OF RECOMMENDATIONS

Across the country, Australian farmers continue to endure the devastating effects of drought, floods, fire, COVID-19 and China's recent decision to introduce duties on Australian Barley. As these issues converge, farm business management and recovery efforts are challenged. GrainGrowers provides the following submission to highlight grains specific priorities critical to enhancing the sector, which is vital to prosperity of regional and rural Australia.

GrainGrowers as a member of the National Farmers' Federation (NFF) also supports their comprehensive pre-budget submission which outlines a range of requests across Australian agriculture more broadly.

Trade and Market Access and Quality

- Allocate \$20 million towards an industry recovery fund designed to deliver activities that accelerate market development for Australian barley, alternative grains and to secure new and expand existing markets.
- Provide additional funding for the elimination of non-tariff barriers impeding Australian grains exports.

Freight, Infrastructure and Telecommunications

- Develop a targeted infrastructure investment program that removes bottlenecks along the grain freight routes.
- Fund further rounds of the Mobile Black Spots Program.
- Provide additional funding for the digital-hub funding beyond the current two-year funding commitment.

Farm Business and Economics

- Provide growers in severe drought temporary support to help cover the payroll expenses of on-farm employees, similar to the COVID-19 JobKeeper.
- Direct the ACCC to conduct a Market Inquiry to examine the complexity and equity of the current systems and assess if the regulatory instruments remain appropriate for a modern, globally competitive grains sector.

- Continuation of additional resources to the Regional Investment Corporation (RIC) so it can reduce assessment periods and continue to provide affordable and accessible finance options to supports farmers' viability, sustainability and resilience.
- Permanently increase the instant asset write-off threshold to \$150,000 per asset and retain the specific accelerated depreciation arrangements for primary producers.

Innovation, Farm Inputs and Biosecurity

- Evaluate current key visa programs utilised by the agriculture sector to ensure they are fit-for-purpose and address concerns raised by industry.
- Support Australia's biosecurity objectives via an ongoing process of risk mitigation and promotion of improvements to biosecurity measures, including improvements to surveillance, diagnostics, reporting and management of pests.
- Commit to long-term funding for the Improved Access to Agricultural and Veterinary Chemicals Initiative equivalent to the amount provided from 2014-2020.

Sustainability, Social Licence and Natural Resource Management

- Allocate Research, Development and Extension (RDE) investment to identify pathways to carbon neutrality (net zero) or better which are economically and socially feasible.
- Promote a consistent approach to carbon accounting and measurement across agricultural sectors to enable accurate measurement and assist with calculating mitigation efforts and offsets.
- Incentivise natural capital stewardship and payment for ecosystems services
- Prioritise targeted funding investment in education and awareness programs to assist farmers' understanding of carbon generation, offsets and markets.

1. THE AUSTRALIAN GRAINS INDUSTRY

The grains sector is a powerhouse of regional Australia with 22,000 farm businesses growing on average 45 million tonnes of grains, oilseeds and pulses each year for domestic and global customers. The farm-gate value of Australian grain production is \$14.2 billion, contributing 22% of the value of Australian agriculture. We are a major contributor to the Australian economy, directly employing over 100,000 people.

The Australian agricultural sector is striving to reach \$100 billion by 2030, up from current value of \$65 billion with the broader agribusiness supply chain striving to reach \$300 billion. A significant increase in the value of farm production in a decade is clearly a challenging task. However, the Australian grain industry has a history of transformational change, underpinned by research and development and innovative farm businesses.

Grains are produced in all Australian states and territories. Australia's total winter crop area is around 24 million hectares each year, with summer crop area around 1.3 million hectares. By land area, nearly 40% of winter crop is concentrated in Western Australia, followed by 25% in New South Wales.

While drought has been a common feature of the agricultural landscape in recent years, this year seasonal conditions are generally more positive with over 22.5 million hectares planted, a 23% increase on 2019. The grains industry is optimistic yet addressing border issues are paramount if we are to achieve the forecasted 44.5 million tonne harvest.

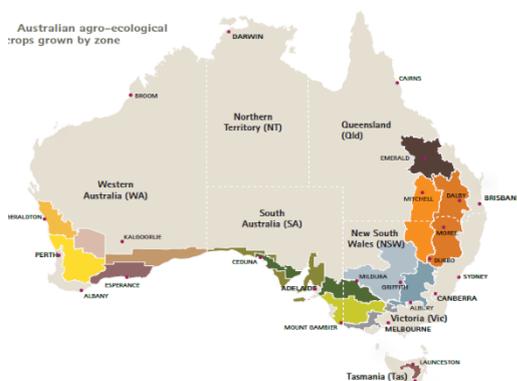


Figure 1 Australian grain production regions

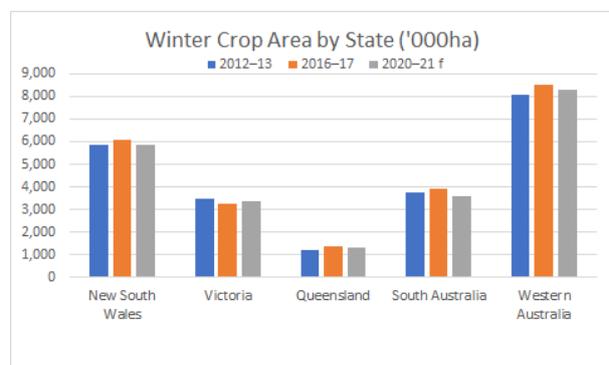


Figure 2 Winter crop area by state. Source: ABARES

The Australian grain industry is export focused with approximately 70% of total production sold to overseas customers in normal (non-drought) years.

2. BUDGET REQUEST DETAILS

Trade and Market Access and quality

The grains industry is a significant contributor to the Australian economy and is particularly export focussed, accounting for approximately 70% of total production annually. There are significant market opportunities that exist both internationally and within the domestic market. It is important that government continues to work effectively with industry and adequately resources an ambitious agenda to deliver enhanced trade and market access outcomes.

Australian Barley producers are set to face a \$2.5 billion loss over the next five years due to the Chinese government decision to impose 80.5% duties. The events of 2020 have reinforced the need for the Australian Government to be committed to the development and implementation of positive international trade and market access outcomes for the Australian grains industry and its customers.

- Allocate \$20 million investment towards an industry recovery fund designed to deliver activities that accelerate market development for Australian barley, alternative grains and to secure new market, including expansion of existing markets.
- Provide additional funding for the elimination of non-tariff barriers impeding Australian grains exports

Freight, Infrastructure and Telecommunications

Freight and infrastructure

Australian supply chain costs are comparably higher than our competitors. As a result, growers are penalised through lower grain prices and reduced profitability. Grain supply chain costs are significant, making up roughly 30% of the value of Australian export grains at port. This reduces the international competitiveness of Australian grain and directly reduces the prices paid to Australian farmers.

High cost supply chains also hurt Australian grain processors and consumers such as feedlots, flour mills and maltsters – and ultimately the Australian population who enjoy grain-based foods and beverages every day. Freight savings represent dollars directly back into the pocket of growers and reduce costs for consumers.

Australia's high grain freight costs reflect the condition of, and ability to access, rail and road infrastructure, the level of competition, and inconsistent government regulation. As a major exporter, globally competitive supply chains are crucial for Australia to retain and expand its grain export markets.

Targeted infrastructure investment and improved government regulation is needed to ensure Australia has an efficient and globally competitive grain supply chain. Improved freight efficiency not only supports the productivity of the entire industry, but also removes road congestion and improves the safety for all road users.

- Develop a targeted infrastructure investment program that removes bottlenecks along the grain freight routes.

Telecommunications

Connectivity is essential for all farm businesses to operate efficiently and adopt new technology. Yet blackspots, slow speeds, and poor service hamper regional Australia every day. Inadequate mobile and broadband telecommunications services and infrastructure in regional Australia continue to hinder rural Australians and farm businesses.

An NFF survey found that more than a third of farmers reported no mobile service across most of the land they farm, including 7% who receive no coverage at all. The Australian Digital Inclusion Index continues to show an unacceptable and substantial difference in connectivity between rural and urban Australia.

Connectivity is critical for peoples' everyday lives in rural Australia, providing access to essential services influencing how we interact and do business. Connectivity is essential to enable innovation and digitisation of agriculture while providing a safe working environment.

Economic modelling has shown that digital agriculture could increase the gross value of Australian agricultural production by \$20.3 billion, with the benefit to the grains sector of \$5.9 billion. The current poor state of connectivity is preventing this opportunity from being realised.

- Fund further rounds of the Mobile Black Spots Program.
- Provide additional funding for the digital-hub funding beyond the current two-year funding commitment.

Farm Business and Economics

Drought and managing risk

Drought is one of the most significant risks faced by agricultural enterprises and regional communities. GrainGrowers has been calling for an enduring, coordinated, and effective national drought policy along with immediate support measures to assist those who are managing the effects of drought currently. 2020 has seen some positive seasonal conditions however, there are still many communities in drought and many that will manage the consequences despite the rainfall.

- Provide growers in severe drought temporary support to help cover the payroll expenses of on-farm employees, similar to the COVID-19 *JobKeeper*.
- Continuation of additional resources to the Regional Investment Corporation (RIC) so it can reduce assessment periods and continue to provide affordable and accessible finance options to supports farmers' viability, sustainability and resilience.

Economic stimulus

Business investment allowances have been a positive tool to encourage grain growers to invest in new assets that improve their resilience and productivity on-farm. The complementary mechanisms of instant asset-write off and accelerated depreciation has meant growers have been able to claim costs expended to increasing on-farm storage such as silos.

- Permanently increase the instant asset write-off threshold to \$150,000 per asset and retain the specific accelerated depreciation arrangements for primary producers.

Competition

The Australian Grains industry has undergone significant structural change over the past two decades which has resulted in an uneven supply chain where there are large regional monopolies compared to over 20,000 individual grain farming businesses. This has created distortionary information asymmetry, placing Australian grain farmers at a disadvantage when making decisions.

- ACCC to conduct a Market Inquiry to examine the complexity and equity of the current systems and assess if the regulatory instruments remain appropriate for a modern, globally competitive grains sector.

Innovation, Farm Inputs and Biosecurity

Workforce

The broader agriculture sector continues to experience challenges meeting workforce demands. The complexity of these issues remains unaddressed and the nature of agricultural workforce demands, and accessibility is not widely understood.

GrainGrowers recognises the current work underway by the DAWE to develop a *National Agricultural Workforce Strategy*. However, to progress positive outcomes in relation to the challenges encountered by employers and jobseekers alike, characteristics of supply and demand need to be better understood. Therefore, it is recommended that the Government commit to a thorough evaluation of the agricultural sector and its workforce requirements, as well as the success of relevant visa programs in supporting these needs for industries beyond the horticulture sector. Evaluation of mechanisms available to regional, rural and remote agricultural businesses could also prove valuable to determine uptake and gaps in provision of support to attract and retain workforces in these communities.

- Government to evaluate current key visa programs utilised by the agriculture sector to ensure they are fit-for-purpose and address concerns raised by industry.

Biosecurity

Biosecurity is critical to support agriculture productivity, to protect Australia's agricultural industries, environment, human health, and social and cultural values and to support international and domestic market access for Australian grains.

The control of weeds, pests and diseases already established in Australia costs Australian grain growers over \$5 billion each year. This includes the losses and costs of managing diseases at \$1.4 billion, weeds and herbicide

resistance over \$3.3 billion and invertebrate pests over \$360 million. In addition to direct control costs, the diversity and extensiveness of our cropping regions increase the potential to host a range of pests that threaten production and market access.

GrainGrowers supports a shared responsibility of biosecurity, covering growers, industry, government and the community. To achieve strong biosecurity outcomes Australia's biosecurity objectives must be delivered through an ongoing process of risk mitigation and promotion of improvements to biosecurity measures, including improvements to surveillance, diagnostics, reporting and management of pests. Greater clarity in the roles and responsibilities of all stakeholders will aid cohesion and support capacity and capability within the system.

- Support Australia's biosecurity objectives via an ongoing process of risk mitigation and promotion of improvements to biosecurity measures, including improvements to surveillance, diagnostics, reporting and management of pests.

Agricultural Chemicals

Access to safe, effective chemistry and associated technologies is essential for agriculture and the production of food and fibre, contributing to food safety, food security and environmental sustainability. Accordingly, the appropriate regulation of agricultural and veterinary chemicals is critical to the ongoing development, innovation and support for the Australian agricultural sector.

GrainGrowers supports the robust regulatory and science-based framework used by the APVMA in its assessment of all chemicals for agricultural use, and in the APVMA's independence and autonomy in relation to chemical evaluation and registration of products which are safe, efficacious and fit-for-purpose. We recognise the current DAWE review into the agvet chemicals framework and look forward to engaging with industry and governments as the framework for the new system evolves. Subject to industry evaluation and support, the recommendations of the review should be prioritised for implementation.

An important component of the current system has been the *Improved Access to Agricultural and Veterinary Chemicals Initiative* which has been instrumental in supporting new product registration applications to the APVMA. As such, we recommend ongoing support for this initiative through commitment of long-term funding.

- Commit to long-term funding for the Improved Access to Agricultural and Veterinary Chemicals Initiative equivalent to the amount provided from 2014-2020.

Sustainability, Social Licence and Natural Resource Management

Maintaining Australian grains domestic and global competitiveness while reducing emissions and increasing carbon sequestration is a key ambition of the industry. The grains industry has and will continue to adapt practices, systems, and businesses to futureproof the sector, enabling farmers to operate sustainably and prosper in a changing climate.

Further, the grains industry has developed Behind Australian Grain, a sustainability framework for the Australian grains sector. This framework strengthens our industry's sustainability credentials and assists in ensuring we continue to meet the changing expectations and needs of our consumers, the community, investors, and governments.

However, for these ambitions to be realised and for the framework to be a success, coordinated government policies and investment are required. Investment into identifying carbon neutrality pathways, accounting frameworks, incentives and targeted education will all be critical to enabling the sector to address climate change while supporting economic, environmental, and social growth.

- Allocate Research, Development and Extension (RDE) investment to identify pathways to carbon neutrality (net zero) or better which are economically and socially feasible.
- Promote a consistent approach to carbon accounting and measurement across agricultural sectors to enable accurate measurement and assist with calculating mitigation efforts and offsets.
- Incentivise natural capital stewardship and payment for ecosystems services
- Prioritise targeted funding investment in education and awareness programs to assist farmers' understanding of carbon generation, offsets and markets.

Conclusion

GrainGrowers welcomes the opportunity to provide a submission to the 2020-21 budget consultation process. We appreciate the difficult headwinds facing the Australian economy and we believe the grains sector and agriculture can play a critical role in our economic recovery, if provided appropriate policy settings and targeted enabling investments. We implore the panel to consider the recommendations outlined in this submission. To discuss further, please contact Zach Whale, General Manager, Policy and Advocacy (Zachary.Whale@graingrowers.com.au) on 02 9286 2000.



Stay in touch with GrainGrowers

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