



National Farmers'
FEDERATION

Budget Submission 2015-16



Nurturing Our Future

NFF Member Organisations



Australian Chicken Growers' Council Ltd



The National Farmers' Federation (NFF)

Federal Budget Submission 2015

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Front cover: *Glenn and Julieanne Rogan (cotton growers, St George, QLD) and children Annabelle and Edward*. Photo courtesy of Dana Gluzde via Cotton Australia.



The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

Following a restructure of the organisation in 2009, a broader cross section of the agricultural sector has been enabled to become members of the NFF, including the breadth and the length of the supply chain.

While our members address state-based 'grass roots' or commodity specific issues, the NFF's focus is representing the interests of agriculture and progressing our national and international priorities.

The NFF has for 35 years consistently engaged in policy interaction with government regarding a range of issues of importance to the sector including trade, education, environment, innovation to name a few.

The NFF is committed to advancing Australian agriculture by developing and advocating for policies that support the profitability and productivity of Australian farmers.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental sustainability.

Social >

There are approximately 115,000 farm businesses in Australia, 99 percent of which are family owned and operated.

Each Australian farmer produces enough food to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 percent of the total volume of food consumed in Australia.

Economic >

The agricultural sector, at farm-gate, contributes 2.4 percent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2012-13 was 47.9 billion – a 3 percent increase from the previous financial year.

Yet this is only part of the picture. When the vital value-adding processes that food and fibre go through once they leave the farm are added in, along with the value of all economic activities supporting farm production through farm inputs, agriculture's contribution to GDP averages out at around 12 percent (over \$155 billion).

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 52 percent of Australia's land mass.

Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 percent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which this year, celebrates its 20th anniversary.

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President's Message

The National Farmers' Federation (NFF) is committed to advancing Australian agriculture by developing and advocating policies that support the profitability and competitiveness of Australian farmers. The coming decades provide an enormous opportunity for Australian agriculture. This opportunity is centred on the growing global middle class, most of whom reside in our Asian region. In China, in Indonesia, in India and beyond, this middle class has created an ever-increasing demand for safe, high-quality food and fibre: a demand Australian farmers can help satisfy. To ensure these opportunities are capitalised on and that profitability grows, the sector needs a firm commitment from government.



The NFF recognises the government's challenging fiscal environment and supports the commitment to bring the budget back into surplus. The mid-year budget outlook projects that on current policy settings the budget will remain in deficit for the next decade. It is clear that policy settings need to change substantially if the level of economic growth is to increase and if the budget is to return to surplus.

The Australian farming and agribusiness community is looking to the government to pursue a responsible and equitable pathway to achieve fiscal sustainability over the course of the immediate economic cycle. Clear policy action that demonstrates the rationale underpinning the approach to restoring the budget surplus will do much to repair rural and regional business confidence. Such confidence is vital for ongoing growth; particularly on farms, where costs continue to rise and global competitiveness is critical.

The Agricultural Competitiveness White Paper is a vital step in translating sentiment and opportunity into meaningful action. Government commitment is required to strengthen the competitiveness of the agriculture sector as a whole. The sector must be founded on profitable, competitive and sustainable farm businesses.

Priorities for the NFF in the 2015-16 budget include:

- **Resources to implement the Agricultural Competitiveness White Paper.**
The White Paper must deliver a clear and tangible plan for farmers and agribusinesses. It must be a plan that delivers action and outcomes; not more talk and delays. This is the opportunity to establish a new and enduring approach to the next golden age of the Australian agricultural sector.

- **Allocation of resources to continue to open markets for Australian products.** Australia must build on our efforts in striking trade agreements with Japan, Korea and China – providing resources that underpin further market development and translating successful agreements into real opportunities by securing technical and non-tariff access.
- **Specific allocation of resources for investment in infrastructure and transport regulatory reform.** Investment and reform is required to drive down the cost of transporting our products from the farm gate to the world. Agricultural sector priorities must be provided with specific allocation of funding to facilitate further investment to progress the east coast rail network, reform the regulation of ports and shipping, and comprehensively map the bottlenecks in our road-based supply chains.
- **Commitment to secure and build our research, development and extension capability.** Australia’s rural Research and Development Corporation (RDC) model – supported by research institutions such as Cooperative Research Centres, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and universities – provide the foundation for continued innovation in our sector. Long-term funding commitment to the architecture of our Research and Development (R&D) system and mechanisms to encourage more private-sector investment and continued public investment are required. Combined with effective extension networks, R&D will assist Australian agriculture in embracing the opportunities and overcoming the challenges of the future.
- **Improving skills and productivity in the workforce.** Australian farming businesses can only grow with a committed and skilled workforce. A fundamental shift is required to assist our sector in better attracting and developing Australian workers and in embracing skilled foreign workers who want to live and work in rural and regional Australia. While this shift might take some time, in the short term migration policy reforms are urgently required to meet the ongoing skills gap and labour needs of our sector.

This submission identifies a series of high-level issues which require government commitment as part of the 2015-16 Federal Budget. The objective is to highlight the key issues and seek government commitment to them, and to engage in a process of consultation and negotiation to further develop the measures and strategies that will address these issues. The NFF seeks regular consultation with government to promote a cooperative approach to agricultural sector policy and programs that can allow the industry to take advantage of the well-documented prospects, domestically and internationally.

The NFF looks forward to working with government to ensure that the Australian agricultural industry continues to play a strong and valuable role in the national and regional economy.



Brent Finlay
PRESIDENT

Summary of 2015-16 Budget Requests

Agricultural competitiveness:

- Provision of new resources over the forward estimates to enable the successful implementation of policy recommendations generated from the Agricultural Competitiveness White Paper (and other related White Papers and reviews).

Improving market access and development:

- Commitment to funding and providing resources to enhance completed trade agreements to deliver comprehensive outcomes for all agricultural sectors.
- Investigation and implementation of effective and appropriate partnerships between industry and government to drive outcomes in trade negotiations through Team Australian Agriculture.
- An increase in the number of agriculture counsellors in key markets to report on and prioritise technical barriers to trade.
- Funding of \$200,000 for the National Farmers' Federation to develop a working group with Indonesian Farmers Federation HKSI and a resultant *Economic Agreement roadmap with Indonesia*; to support the Government's trade aspirations.
- Ongoing commitment to maintain strong and transparent biosecurity measures.

Water & Natural Resource Management:

- Establish and fund a specialist team within the Department of Infrastructure to facilitate strategic assessments, the development of business cases and investment in new water infrastructure options.
- Continuation of funding for the next phase of research and development into mitigation and abatement opportunities that improve the emissions intensity of the agriculture sector.
- Fully fund the Environmental Water Holdings Special Account over the full forward estimates.
- Dedicated resources provided to the Department of the Environment to facilitate the strategic communication of the agricultural sector's regulatory responsibilities under the *Environment Protection and Biodiversity Conservation (EPBC) Act*.
- Dedicated resources assigned to the Department of the Environment to develop the information, tools and resources that can assist farmers in verifying the information provided to them by aggregators under the Emissions Reduction Fund (ERF).

People in agriculture:

- Development of a program and guidelines to reduce the costs of VET education for a future agricultural workforce, providing an incentive to work in agriculture.
- Classification of agriculture-related courses under the National Priority Band for compulsory HECS-HELP repayments to increase student numbers.

- Funding of \$60,000 for research to underpin the development of a new Best Practice Standard for Employment in Agriculture.
- Funding of \$200,000 for Farmsafe Australia to develop new farm safety rules for small business and mobile apps to support compliance with the new rules.

Energy efficiency and energy costs:

- Investigation into specific electricity tariffs designed to suit the energy demands of industries in the agricultural sector.
- An extension of programs to encourage energy efficiency in the agricultural sector, including rebates for on-farm energy efficiency audits, upgrades to technology and online farm energy use calculators.
- Maintenance of the fuel tax excise scheme to provide farmers and the agricultural sector with the capacity to reduce costs on farm and contribute to global competitiveness.

Building infrastructure:

- Development of a priority list of infrastructure needs for the agricultural sector to ensure it receives attention in the infrastructure investment pipeline.
- Creation of a fund for strategic infrastructure projects beneficial to agriculture and regional communities.

Research, Development and Extension:

- Commitment to the broad architecture of the rural Research and Development Corporation model, including the government's contribution matching industry levies.
- Development of an attractive investment environment for innovative public-private research partnerships.
- Cross-jurisdictional review of agricultural extension services, exploring the development of extension models to meet the needs of farmers through a range of delivery mechanisms.

Redefining drought policy:

- Provision of adequate resources for in-drought support measures and further development of an adequate long-term drought policy framework.

1. Agricultural Competitiveness

Agricultural Competitiveness White Paper

Australian agriculture has the lowest level of government funding support in the world. Further, when compared to other Australian industries which come under scrutiny for government assistance, agriculture receives much less assistance, considering the value of assistance as a percentage of industry output.

In recent years there have been a number of Government and industry reports and reviews, including the NFF-led Blueprint for Australian Agriculture, identifying the challenges and opportunities that lie ahead for the sector. The time has come for implementation of the strategies and recommendations generated from this body of work. The White Paper must deliver a clear and tangible plan for farmers and agribusinesses, and in doing so ensure a prosperous future for the Australian farmer and the agricultural sector.

The NFF welcomes the recognition by the Australian Government of the importance of the agricultural sector to the wealth and wellbeing of all Australians, as one of the five pillars of our economy. The Agricultural Competitiveness White Paper is a vital step in translating sentiment and opportunity into meaningful action.

Action is required to support the competitiveness of the agriculture sector as a whole. The sector must be founded on profitable, competitive and sustainable farm businesses.

Accordingly, it is critical that key reviews and policy initiatives announced by the Government as part of the White Paper process are given the necessary funding and priority to be advanced and implemented. They should not simply join the already long list of reports filling shelves in government and industry offices.

The NFF seeks government commitment to:

- Provide adequate resources in the forward estimates to implement the recommendations generated from the Agricultural Competitiveness White Paper.

Competition policy

The Harper Review of competition policy is a key milestone in shaping the reform required to improve the profitability and competitiveness of the Australian agricultural sector. The outcomes of the Review must work in concert with the Agricultural Competitiveness White Paper to ensure



that the two initiatives deliver a legislative framework that drives competition in the domestic market place.

In our submissions to the Harper Review and the Agricultural Competitiveness Green Paper, the NFF emphasised that the focus for change in the short term must be:

- Amending the *Competition and Consumer Act (CCA)* to:
 - Make it easier to prove breaches of market power provisions
 - Introduce a flexible anti-competitive effects test in the misuse of market power provisions
 - Increase penalties for breaches of the CCA
- Establishing a Supermarket Ombudsman with penalty powers and a mandatory code of conduct for supermarkets.

The NFF seeks government commitment to:

- Providing adequate new resources to accelerate the implementation of key changes to the CCA and to establish a Supermarket Ombudsman as a matter of priority.

2. Improved market access and development

Australia's agriculture sector remains strongly market oriented. It receives little or no market price support, with domestic and international prices closely aligned. The operating environment for Australian farmers and agribusinesses is extremely volatile; dealing with variable climatic conditions and increasing costs of inputs such as labour, energy and ageing infrastructure. Australian farmers are much more self-sufficient than their international competitors, with whom we compete on both an international and domestic level.

Whether aiming for domestic or international markets, Australian agricultural produce must focus on the strengths of safety, quality and reliability to remain internationally competitive. The completion of recent bilateral trade agreements with Japan, Korea and China is a great start, but continued resources and effort is required. Beyond high-level commitments, it is important that follow-through occurs; with resources and capacity to identify and address technical market access efforts (such as pre-customs clearance) and a collective supply chain approach to team/brand Australia, favourably positioning Australian produce.

It is vital that the Australian Government continues to work closely with the NFF and its members to build further trade opportunities for Australian agriculture. The NFF seeks commitment from government to implement formalised cooperative structures, which allow industry and government to work closely and drive more effective results from trade negotiations. The current view is that while commodity and agri-business representatives work cooperatively with government officials, this process can be improved.

The NFF seeks further opportunities to partner with government on initiatives to address market access issues and technical barriers to trade that can delay farm exports. While market access is a key priority, technical barriers to trade (including certification and protocol delays) can often undermine hard-won access achievements. In line with this, the NFF seeks funding in the next Budget for more agricultural counsellors in overseas markets and specific resources within the Department of Agriculture to address these issues.

The success of Australian agriculture is dependent upon the strength of our biosecurity system. Accordingly, it must be a core focus of the government budgetary processes. The competitive advantage of Australian agriculture is our ability to produce and supply high-quality, safe, trusted products, which are fully traceable from farm to consumer and underpinned by our privileged pest and disease-free status. Our biosecurity systems have the potential to be an enabler of market access for Australian food and fibre, rather than a cost barrier. We ask that this Budget reaffirms the government's commitment to safeguard our industry by ensuring that our biosecurity system receives a funding boost and is not made subject to any government efficiency dividend. Additional funding should be committed to ensuring that our biosecurity system is science-based, robust and comprehensive.

Government funding spent on biosecurity initiatives is a direct investment in farm gate returns, as they will help ensure pest and disease-free food and fibre – the central driver of access to global markets.

NFF seeks government commitment to:

- Complete trade agreements that provide comprehensive commercial outcomes for all agricultural sectors.
- Commitment to funding and resources that will enhance completed trade agreements that provide comprehensive outcomes for all agricultural sectors.
- Investigation and implementation of effective and appropriate partnerships between industry and government to drive outcomes in trade negotiations, including \$250,000 to promote and coordinate Team Australian Agriculture.
- Increase the number of agriculture counsellors in key markets to report on and prioritise technical barriers to trade, resulting in increased trade of Australian products.
- Ongoing commitment to maintain independent, science-based and robust biosecurity measures.



3. Climate Policy



A resilient and adaptable farm business is one that is profitable, sustainable and can effectively manage variations in the environment, its finances and the wider economic environment (including commodity prices, input costs and interest rates).

Managing climate variability and climate change are specific business 'risks' which must be managed by Australian farmers, to ensure long-term productivity and profitability. The risks are multi-faceted and relate to both biophysical changes (such as more frequent severe weather events, long-term changes in seasonality) and some that are related to government policy responses.

Change – whether biophysical or in policy – also creates opportunities for farmers. A collaborative effort between government and industry is required to harness the opportunities and ensure that appropriate information, tools and resources are available for farmers to make adaptive management decisions.

There are constructive ways for the Australian Government to work with the agriculture sector in reducing the intensity of agricultural emissions. An ongoing government commitment to research and development of mitigation and abatement opportunities in the agriculture sector will help underpin a partnership between industry and government aimed at meeting Australia's emissions reduction commitments to 2020 and beyond, while delivering continued opportunities for the farm sector to improve competitiveness.

The NFF is of the view that domestic policy settings aimed at meeting international climate change commitments must not place Australian agriculture at a competitive disadvantage to its competitors or hamper Australia's ability to meet the growing global food production challenges. Government must continue to facilitate and support the participation of agriculture in voluntary domestic climate policy initiatives. A continued focus on research is required to develop cost-effective emissions reduction technologies to unlock the potential for further abatement in agriculture. Investment in focused climate Research, Development and Extension (RD&E) for the agricultural sector will assist Australian farmers in managing risks that may arise as climate changes in the short, medium or long term. It will also allow them to take advantage of the opportunities arising from governments' domestic and international policy responses.

The national Climate R&D agenda must encompass:

- Mitigation - to improve our efficiency and reduce the emissions intensity of our production

- Adaptation – to provide options for farmers should climates change in the longer term
- Resilience – to provide the tools, information, resources and options for farmers to better deal with season to season variability and to prepare for adverse climatic events.

The Emissions Reduction Fund (ERF) is the centrepiece of the Australian Government’s direct action policy. Despite the ERF being largely an extension of the Carbon Farming Initiative across the economy, the reality is that for much of the agriculture sector, participation in the ERF will be limited. While a “least cost approach” to pricing is economically efficient, it comes with a significant risk that agriculture is priced out from accessing the ERF.

A continued challenge for much of the agriculture sector is that many cost-effective emissions reduction technologies are still in the embryonic phase of research and development and not yet “method ready”. To unlock the potential for further mitigation and abatement in agriculture, further investment in research and development is required, particularly to develop realistic and cost-effective methods. Continued R&D is critical to ensuring that agriculture is well placed to take advantage of opportunities in the future and to enhancing the voluntary contribution that the sector makes to Australia’s emissions reduction task.

The Australian Government’s Filling the Research Gap Programme has been an important investment in supporting research into emerging abatement technologies, strategies and innovative management practices that reduce greenhouse gas emissions from the land sector or sequester carbon. This research assists farmers in adapting to a changing climate and enhancing sustainable agricultural practices. The program is in its final stages, and as yet there has been no renewed commitment to this initiative.

An additional barrier to the participation of farmers in the ERF will be the requirement to participate in an “aggregated” project. There is a risk that farmers could be duped into participating in an aggregated project by unscrupulous aggregators, who place additional risk on farmers.

The NFF’s view is that Government should ensure that there is clear, accessible independent information available for farmers about the ERF and the aggregator model. By providing such information, farmers would be better placed to verify the claim of an aggregator, and thus better able to understand the risks and benefits of participating in an aggregator’s project.

The NFF seeks government commitment to:

- Maintaining core funding to the Bureau of Meteorology to continue to improve forecasting capabilities
- A continuation of funding for the next phase of research and development into mitigation and abatement opportunities that improve the emissions intensity of the agriculture sector
- Dedication of resources to the Department of the Environment to develop the information, tools and resources that can assist farmers in verifying the information provided to them by ERF aggregators.

4. Water and Natural Resource Management (NRM)

The NFF expects to see no diminution of funding to the Government's current work program in relation to natural resources, including:

- The National Landcare Programme, including the Green Army and 20 Million Trees initiatives, and the delivery of NRM investment through the regional NRM groups.
- The Bioregional Assessments Programme, which provides the scientific underpinnings for regulation of coal mining and coal seam gas developments.
- The establishment of one-stop shops for environmental assessment and approval.
- The implementation of the Murray Darling Basin Plan, including ongoing investment in irrigation infrastructure and environmental works to bridge the gap.

In addition to maintaining the budget of the current work program, the NFF has three specific priorities for this Budget:

- Investment in water infrastructure planning.
- Full funding of the Commonwealth Environmental Water Holder.
- Investment in education and awareness activities for farmers in relation to the EPBC Act.



Investment in water infrastructure

Both the Agricultural Competitiveness White Paper and the Water Infrastructure Ministerial Working Group have gone on to flag the need for greater investment in water infrastructure to underpin the growth of the agriculture sector.

Investment in new water infrastructure development should:

- Ensure the long-term environmental sustainability of the works.
- Be compliant with the principles of the National Water Initiative.
- Be based on a sound business case, to ensure the long-term financial sustainability of the scheme or dam for water users.

- Be accelerated by streamlining the project development and approval phases of projects.

The development of strategic business cases for possible projects will be fundamental to ensuring sensible investment in infrastructure that can support growth in our sector. History has shown that irrigators will invest in prudent development that provides the water products and services they require over the longer term. Importantly, the business cases must articulate the long-term cost structures and cost recovery arrangements for the infrastructure to ensure that co-investors can provide the required investments in the long term.

Appropriate resourcing of project development and streamlining of government environmental approvals are, in the NFF's view, the two key mechanisms that require fast-tracking. The lead time for projects can be significantly reduced by ensuring that resources are available to develop project concepts, conduct strategic assessments, develop business cases and engage with end users, possible investors and other stakeholders.

The NFF seeks government commitment to:

- Establish and fund a specialist team within the Department of Infrastructure to facilitate the strategic assessments and the development of business cases and to facilitate investment in new water infrastructure options.

Funding for the operation of the Commonwealth Environmental Water Holder (CEWH)

The 2014-15 budget did not fully fund the operations of the Commonwealth Environmental Water Holder (CEWH) over the full forward estimates. Sections 111-113 of the *Water Act 2007* set the provisions for the establishment, crediting and debiting of the Environmental Water Holdings Special Account.

In essence, the funds of this account are used to meet the CEWH's obligations, including the payment of ongoing fees and charges associated with holding water access entitlements.

The NFF does not support counter-cyclical trade of Commonwealth Environmental Water Holdings. While the CEWH could be given greater flexibility in its ability to trade to optimise environmental outcomes, the NFF does not support the CEWH trading for other reasons such as providing drought relief or to generate income to pay fees and charges.

The NFF's view that the operating costs of the CEWH should be met from Commonwealth consolidated revenue is consistent with the findings and recommendations contained in the Report of the Independent Review of the *Water Act 2007*, tabled in the parliament by the Government in December 2014.

The NFF seeks government commitment to:

- Fully fund the Environmental Water Holdings Special Account over the full forward estimates.

EPBC Act Education and compliance

At the end of the 2013-14 financial year, the role of Environment Liaison Officer (ELO), outposted to the NFF, ceased. The ELO was an important contributor to ensuring that the Department's communication efforts concerning the EPBC Act were appropriately tailored to farming situations. The ELO also played a critical role when new species or ecological communities were listed; implementing active communication, education and undertaking awareness campaigns in rural and regional areas. This awareness-creating role extended beyond the farming community. The ELO also provided information to local catchment organisations, local councils and other advisers.

The Commonwealth Government's current commitment to ensuring that farmers are aware of their rights and responsibilities under federal environmental law is inadequate. The communication strategies put in place to fill the gap left by the ELO are all reactive. They require a farmer to instigate research or contact, and presume that farmers have a baseline awareness of the existence of the EPBC Act and that their proposed activities might trigger the Act.

Proactive communication efforts are beneficial for farmers, for the government and for the environment. Farmers are more aware of their responsibilities and less likely to end up as compliance cases. Awareness raising is more cost-effective than compliance processes, and unintentional impacts on threatened species or ecological communities are less likely to occur. Resources are required to focus proactive communication efforts in regions subject to significant new listings of threatened species or ecological communities and to hotspots of increased compliance activity, where increased awareness raising may improve the levels of compliance.

The NFF seeks government commitment to:

- Provide dedicated resources to the Department of the Environment to facilitate strategic communication of farmers' regulatory responsibilities under the EPBC Act.

5. People in Agriculture

The future of Australia's food and fibre industries will be defined by the people engaged in the sector. The variety of opportunities, from highly technical roles to business ownership, will continue to require a mix of labour sources and skill-building mechanisms. Increased flexibility will be critical as agriculture competes with other sectors of the Australian economy.

The 'earn or learn' agenda: new incentives for work and study in agriculture

Every year in Australia, more than 40,000 overseas working holiday makers undertake regional agricultural work – almost entirely motivated by the incentive of a second year visa to stay and work in Australia. The working holiday maker program offers a key solution to chronic labour shortages in the agriculture sector and is hugely important. It is successful because it offers overseas visitors something that they value highly.

What the program shows is that with the right incentive, young people will go to regional areas to work in agriculture. Current policy settings provide the right incentives for overseas visitors to work on farms, but there is no equivalent incentive for Australian workers to do the same. Youth unemployment in Australia is high and shows no sign of easing. A recent report¹ found that 75 per cent of single unemployed / looking for work persons under 30 years of age have a strong willingness to relocate for work. The same report concluded that lack of success in recent programs such as Move 2 Work and Connecting People with Jobs was likely to be attributable to workers not having the skills or experience that employers need.

There is an opportunity for government to boost the participation of young Australians in the agriculture workforce, by targeting policy settings to incentivise the uptake of 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 imposes a requirement to undertake work-like activities is that uptake depends on individual choice: that is, those applying for work actually want it.

Trade Support Loan offsets for students in regional agricultural work

¹NCVER, *Incentives for Relocating to Regional Australia for Work* National Vocational Education and Training Research Program Research Report, Commonwealth of Australia, June 2014



The 'earn or learn' agenda could support young Australians in entering the agricultural workforce by aligning Vocational Education and Training (VET) programs with incentives to undertake regional agricultural work. A new government driven, industry supported, initiative 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.

Funding for the program could draw on unspent budget allocations under the *Relocation Assistance to Take Up a Job program*.

The NFF seeks a commitment from government to:

- Development of new guidelines to simultaneously incentivise VET participation and regional agricultural work through VET-FEE HELP or Trade Support Loan offsets if a VET student undertakes regional agricultural work for at least 3 months in any year.



National Priority Band – HECS-HELP Payments

The agriculture sector is a pillar of the Australian economy and in the case of agribusiness, one of the fastest growing sectors of the economy.² And yet chronic skills shortages persist, in part because of a lack of investment in agricultural education. Low student numbers and the relatively high costs of agricultural education do not fit well with a university agenda focused on

² Deloitte *Positioning for prosperity? Catching the next wave* <http://www2.deloitte.com/au/en/pages/building-lucky-country/articles/positioning-for-prosperity.html>

maximising student numbers.³ At risk is the underlying competitiveness of the sector and its capacity to grow.

One way of increasing student numbers is to accord agricultural studies the same priority status as more traditional subjects including Maths, Science, Statistics, Nursing and Education under the National Priority Band for compulsory HECS-HELP repayments.

Classifying Agriculture and related courses under the National Priority Band of the HECS-HELP repayment scheme will reduce the cost of students' full-time study each year, providing an incentive to study agriculture and reinforcing the Government's commitment to deepening and expanding the skills, capabilities and adaptability of Australia's agricultural workforce.

The NFF seeks a commitment from government to:

- Classify Agriculture, Agricultural Science, Agribusiness and other agriculture-related courses under the National Priority Band for compulsory HECS-HELP repayments. Eligibility should be conditional on graduates commencing work in a related field after graduation.

Funding for research to underpin a new 'best practice' standard for agricultural employment

Attracting new workers into regional agricultural work, both from Australia and overseas, also requires industry to continually evolve in a way that meets changing community expectations. As part of this, the NFF is proposing the development of a new, industry-led Best Practice Standard for Employment in Agriculture. The new standard will promote the social license of Australian agriculture, to attract more workers both locally and from overseas. It will build on existing industry initiatives to promote employers of choice across the sector and will be open to labour hire companies as well as direct employers. It will be developed in consultation with relevant stakeholders, including affected unions. The aim is to ensure that workers and the broader community have the confidence to engage with the sector so that over time, employment in the agriculture sector will start to grow. This is an important policy measure given that employment in the sector is predicted to decline by 2.8 per cent by 2018.⁴ The new standard will also help to address ongoing concerns about exploitation of workers in the sector.

The NFF seeks a commitment from government to:

- Funding of \$60,000 for research to underpin the development of a new Best Practice Standard for Employment in Agriculture.

Farm Safety

Agriculture is a priority industry under Safe Work Australia's Australian Strategy, due to high rates of injury and death in the sector. Harmonisation of the model Work Health and Safety (WHS) laws

³ Keogh, M *A need for some caution regarding agricultures celebrity status* Australian Farm Institute http://www.farminstitute.org.au/_blog/Ag_Forum/post/a-need-for-some-caution-regarding-agricultures-celebrity-status/

⁴Department of Employment *Employment Outlook to November 2018*

was an important initiative. Unfortunately, the cost of harmonisation was a compromise in the quality of the laws. The current WHS laws are out of balance and the needs of small businesses and businesses in rural and remote Australia have been largely overlooked.

More than half of farm businesses in Australia are small businesses⁵ and almost half of all farm businesses in Australia have no employees at all. Anecdotally, our members tell us that this is because they fear prosecution under safety legislation. Reducing the risks of employment by delivering certainty for small business as to how to comply with WHS laws will substantially boost agricultural employment and foster an environment of jobs growth and productivity.

A new approach to safety regulation for small business is required to align community expectations with the certainty that small businesses need to comply. A good example is the Small Business Fair Dismissal Code in operation under the *Fair Work Act 2009*. Unfair dismissal laws, once seen as almost impossible to comply with, are now manageable for small business. A similar approach is required in relation to WHS regulation.

Certainty for small business can be delivered through changes to the model WHS laws to deem compliance with the primary duty of care if prescribed minimum standards (set out in new, industry specific, small business safety rules) are met.

The NFF seeks a commitment from government to:

- Funding of \$200,000 for Farmsafe Australia to develop new farm safety rules for small business and develop mobile apps to support compliance with the new rules.

⁵ Australian Bureau of Statistics *Australian Farming and Farmers*- Australian Social Trends, Dec 2012, Cat. 4102.0.

6. Energy Efficiency and Energy Costs

Energy use is variable across agriculture; depending on industry, intensification of operations, location and structure of the business. Intensive agriculture uses large amounts of energy for heating and cooling or distributing water on irrigated properties. There are also key periods in agriculture (i.e. sowing or harvesting seasons) that require large quantities of energy. The evidence that demonstrates that the cost of energy on farms is escalating is unquestioned. There is not enough transparency or equity in the regulation of energy prices and the establishment of tariff structures.

Australian farmers have been innovative in making significant progress in energy reduction on-farm. On-farm energy

assessments programs in various sectors, including dairy, have proved successful and have identified many opportunities for energy efficiency measures driving the investment and adoption of renewable energy technology. Energy-efficient equipment upgrades and renewable energy options such as variable speed drives on pumps, or thermal heat recovery systems, can involve large up-front costs with payback over a number of years. However, these programs are not widespread across the sector. They require increased commitment from government to continue the successful outcomes generated to date. Government commitment to continue programs to support further assessments for the capital cost of conversions and technology changes would have direct impact on the farmers' and the broader industry's emissions reductions.

The NFF seeks a commitment from government for additional measures to facilitate and assist with energy audits and drive on-farm investment in improvements to energy efficiency. Identifying energy improvements, such as upgrades to pumps or the installation of power factor correcting capacitors, has the potential to make significant savings in electricity costs for farmers, as well as decreasing greenhouse gas emissions. This will assist with on-farm competitiveness, contribute to growing food and fibre exports, and provide much-needed support for farmers facing declines in their terms of trade.



The NFF seeks support for an energy efficiency program aimed directly at farmers and including education and extension services. The program should include rebates for on-farm energy efficiency audits and online farm energy use calculators and incentives to invest in new technology.

Encouraging the active demand side participation of farmers would have the dual benefits of increasing farm profitability and competitiveness by offsetting rising electricity costs and reducing emissions.

Farm businesses need lower energy costs, transparency in the energy market and consideration of tariffs tailored to suit the needs of agricultural industries. Farmers should have access to electricity tariffs that are designed to suit the energy demands of their industry and do not penalise their regional location. Ideally, a farm business tariff would be volume based (not network demand driven), and would include an option for a weekend tariff rate, without disadvantaging agricultural businesses that cannot alter patterns of use.

The NFF seeks government commitment to:

- An extension of programs to fund energy efficiency activities in the agricultural sector, such as rebates for on-farm energy efficiency audits, upgrades to equipment and online farm energy use calculators.
- An investigation into specific electricity tariffs for the farm sector, designed to suit the specific energy demands of its industries and recognising their need to be located in rural and regional areas.



7. Infrastructure

The NFF has welcomed the Government's commitment to improving infrastructure and establishing a priority list of projects to guide the long-term investment decisions of the public and private sectors. As a key pillar of the Australian economy, agriculture must be allocated specific funding in the budget to increase agricultural freight efficiencies and reduce costs to market.

Australian farmers are continuing to witness a running down of assets integral to distributing food and fibre in Australia. Freight costs constitute around one third of the farm-gate price in many commodities. This has a number of implications; not only for farmers, but for the entire Australian community. Transport infrastructure, as well as the regulations which govern its use, needs to be a continued focus; in order to improve the efficiency of transport, bolster the competitiveness of the agriculture sector and reduce costs across the supply chain.

The NFF recognises that public funding alone will not meet the investment required to unlock all the productivity gain opportunities for the sector. Private sector investment has a major role to play in helping to respond to the farm sector's infrastructure requirements. The NFF seeks government commitment to generating high-quality policy options and arrangements to facilitate private sector investment and financing. The infrastructure requirements for the farm sector need to be delivered, and delivered in a timely manner.

The NFF therefore encourages the Government to undertake a number of projects, through Infrastructure Australia, exploring the opportunities for public-private partnerships to invest in rural Australia's roads and rail. Funding the improvement of roads in grain-growing regions, in order to allow higher productivity vehicles access, will be very different from building new toll roads in capital cities. More work needs to be undertaken to understand how the investment case can be built and facilitated.

The NFF believes real improvements could be delivered through a structured approach to defining our current and future agricultural freight infrastructure needs, and planning and investing appropriately. Solving the infrastructure problem is critical, as the Green Paper has outlined. Infrastructure that is ageing or no longer fit for today's farm businesses needs leads to inefficiencies in the transportation of agricultural products from the farm gate through the supply chain, and drives down the competitiveness of the products on the global market.

The agriculture industry has huge potential for growth as new markets open and existing markets develop. Investing in infrastructure (including road, rail, port and air) will facilitate the growth of the industry and also benefit rural and regional communities. The Government has committed itself to infrastructure audit, planning and prioritising. The NFF welcomes this commitment. Specific funding and initiatives for projects beneficial to agriculture and rural communities are needed to ensure that the commitment is met.

The NFF seeks government commitment to:

- Working with industry and Infrastructure Australia to develop a priority list of infrastructure needs for the agriculture sector to ensure it receives attention in the infrastructure investment pipeline.
- Creation of a fund for strategic infrastructure projects beneficial to agriculture and regional communities.
- Development of policy options and arrangements to facilitate private sector investment and financing that delivers the future infrastructure requirements for the farm sector.

8. Fuel Tax Credits Scheme

Under the current Fuel Tax Credits Scheme (FTCS), the government provides a rebate of the excise and customs duty paid on diesel and like fuels purchased for specific off-road uses – mainly in the mining, agriculture and other primary production industries. The tax helps to fund upkeep and maintenance of the nation’s road network. Australian farmers only receive the excise rebate for fuel used off-road.

The rebate is generally payable on diesel fuel and like fuels used in the following activities:

- Primary production – forestry, agriculture and fishing (use of a road vehicle on a public road is not eligible).
- Mining operations.
- Businesses where there is no ready access to a commercial supply of electricity.
- Rail transport, and marine transport.



The fuel tax credit reimburses Australian farmers for tax already paid on a key business input. While the liability for fuel tax falls on producers or importers, the incidence of fuel tax is generally intended to fall on on-road users of light vehicles (with a road user charge applying to heavy vehicles). Therefore, as with the GST input tax credits, farm businesses that purchased fuel on which excise has been levied (other than those using the fuel in light on-road vehicles) should be entitled to a fuel tax credit to offset the incidence of the tax.

The NFF understands that in a tight fiscal environment governments will look to review and make savings where possible. However, the fuel tax rebate is a critical measure with strong and united support from the Australian farming sector. Farmers do not need an unnecessary tax. They already operate without subsidies in a highly distorted international marketplace. Ensuring that farmers are reimbursed for road-funding taxes when they use their machinery off-road, helps the Australian agricultural sector to maintain a level of competitiveness in the global market.

The NFF seeks government commitment to:

- Maintaining the fuel tax excise scheme to provide farmers and the agricultural sector with the capacity to manage their on-farm costs and maintain global competitiveness.

9. Research, Development and Extension (RD&E)

A key source of improved competitiveness and growth in agriculture has and will continue to be the generation of new knowledge and technology, delivered through RD&E. The slowing pace of productivity growth in Australian agricultural industries presents risks to the competitiveness of Australian agriculture; particularly given the fact that the production and price risk in Australia exceeds that faced by international competitors.

Significant challenges exist for Australian agriculture:

- Delivering better quality and competitively priced food and fibre in response to market demands.
- Improving profit margins inside the farm gate.
- Improving environmental and animal welfare outcomes.
- Responding to climate variability and resource scarcity.
- Dealing with emerging biosecurity threats.

There will be greater demands for innovation in agriculture. The capacity for rural R&D to make a significant contribution to these challenges, which have far-reaching implications for all Australians, is evident from the high returns identified in published studies on return on investment from rural research and development. The challenge is to make sure the agricultural innovation system works; the research effort is maintained; and the system can deliver the innovation required and encourage further investment. It will be important that there is not a reduction in funding to what is recognised as an effective program.

The NFF's view is that Australia has the broad architecture for public and industry investment in rural R&D in place, with only minor improvements required. However, as public focus on extension by state-based agencies continues to decline, further work is required to ensure effective extension pathways. Uptake of R&D is critical to competitiveness and realising R & D investment. There is a clear role for Government in facilitating the provision of extension where a natural market is unlikely.

While the development of closer relationships between the research function and the extension/adoption process has distinct benefits, other factors are constraining effective extension and technology transfer. The challenges confronting extension and technology transfer deserve on-going strategic attention to ensure the system is properly resourced and funded and is operating effectively in achieving rapid adoption of innovations and new technology. The Government has an important leadership role in establishing future collaborative extension models.

The NFF seeks government commitment to:

- Ongoing commitment to the broad architecture of the rural research and development corporation model, including the government contribution matching industry levies.

- Building on the existing model, work on developing an attractive investment environment for innovative public-private partnership investments by providing investment and tax incentives, enabling regulatory settings, intellectual property protection and access to technologies
- Undertaking a cross-jurisdictional review of agricultural extension services, exploring how the Government could facilitate the development of extension models to meet the needs of farmers through a range of mechanisms (including those of the private sector).



10. Refining Drought Policy

Following Australia's warmest spring on record in 2014, the Bureau of Meteorology is currently forecasting a warmer and drier than normal summer over Northern, Eastern and Central Australia. It is now vital that a proactive plan of practical and effective assistance measures are put in place.

Drought and climate variability will continue to have an impact on the profitability of farm businesses. Farmers will continue to implement practices to better manage the risk of drought and adapt to climate change, an issue dealt with more broadly later in this submission. The lack of structure and framework in drought policy has led the NFF to call twice in 2014 (in February and December) for Government commitment to assist farmers in the midst of record-breaking droughts. While the response has been welcomed and the Government has tried to ensure farmers are well supported in times of need, the lack of a consistent approach is leading to confusion regarding the variety and certainty of assistance measures available.

In recognition of the inherent and uncontrollable risks associated with agricultural production, Government policy needs to facilitate preparation by farmers for future drought events. Appropriate policies need to recognise that preparedness requires time, effective skills and resources, and acknowledgement that there may be future drought events which are beyond the reasonable capacity of farmers to make preparation.

Regarding specific policy ideas (such as those presented in the Agricultural Competitiveness Green Paper), the NFF believes it is important that these are considered within a clear, transparent framework, rather than delivered in an ad hoc manner in response to seasonal conditions.

While the NFF accepts that the previous Exceptional Circumstances framework did not always deliver fair outcomes for drought-affected farmers, there were many successful elements that seem to have been forgotten in the delivery of current drought assistance measures. Such examples include an agreed framework for State and Federal Government cost-sharing mechanisms, and a level of certainty regarding what assistance measures would be in place once certain drought thresholds are triggered.

The NFF seeks government commitment to:

- Addressing the inadequacies of the current Intergovernmental Agreement on National Drought Program Reform, by working with industry and across jurisdictions to develop an adequately funded, holistic National Drought Policy that improves outcomes for farmers in drought preparedness, management and recovery.
- The development of a clear framework, considered from the farmers' perspective, rather than that of various bureaucratic silos.
- Ensuring that a whole-of-government approach is taken, given the multifaceted issues that emerge as a result of drought, including feral animal control, family welfare needs, social support and business support requirements.