

**Submission to the Senate Select Committee on
Financial Technology and Regulatory Technology**

WOOLPRODUCERS
AUSTRALIA

Committee Secretariat
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: fintech.sen@aph.gov.au

12 December 2019

To Whom It May Concern

Submission to the Senate Select Committee on Financial Technology and Regulatory Technology

WoolProducers Australia (WoolProducers) welcomes the opportunity to provide this submission to the Senate Select Committee on Financial Technology and Regulatory Technology inquiry.

WoolProducers is the peak industry council for the wool industry. Our membership is comprised of the industry's commercial, superfine and stud breeding sectors. WoolProducers is nationally representative through our State Farming Organisation members and three democratically elected Independent Directors. WoolProducers' policy areas include animal health and welfare, biosecurity, pest management control, natural resource management, drought policy, emergency animal disease outbreak preparedness, and industry development including research and trade.

FinTech, RegTech and AgTech provide substantial opportunities for Australia's wool industry through digital and financial innovations that could lead to transformational efficiencies for businesses throughout the wool industry pipeline. These opportunities may require standalone developments in any of the three aforementioned 'X-Tech' categories, or collaborative developments across X-Tech categories that lead to new ways of conducting business for the wool industry.

WoolProducers supports the opportunities outlined in the issues paper for Australia to prepare for and take advantage of potential benefits that can be achieved through opportunistic approaches to development of these technologies. These opportunities may be either incremental or transformational in nature, and will require sufficient support so that industry can reap the rewards of positive innovation in X-Tech. Opportunities as outlined in the issues paper include:

- Enhanced customer and consumer value;
- Increased productivity;
- Creation of jobs, and
- Creation of export opportunities.

These opportunities would no doubt be able to positively influence and be created within Australia's wool industry.



WoolProducers welcomes the opportunity to discuss our submission with the Committee further.

Yours Sincerely,

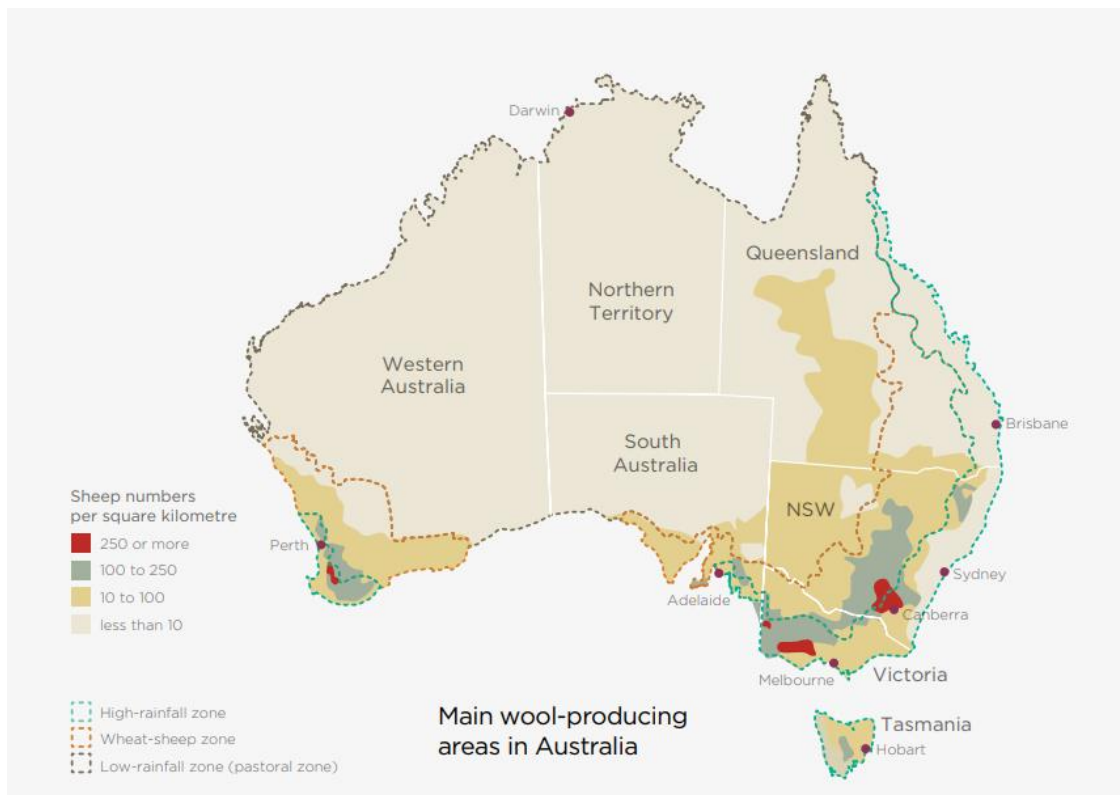
Jo Hall
CEO

Overview of the Australian wool industry

The wool industry is a significant commodity in Australian agriculture and makes a substantial contribution to the national economy. The industry employs approximately 200,000 workers and contributes more than \$4 billion to Australian exports each year¹. Australia is the world's biggest producer of raw wool, which makes up 1.2 per cent of the global apparel market by volume but 8 per cent by value.

Australia is the largest producer of wool in the world and wool was the third largest agricultural export commodity by value in 2017-18 (\$4.34 billion) and forecast by ABARES to remain in this position in 2018-19 (\$4.71 billion). Australia exports 98 per cent of its wool, with China our largest export destination by volume (74 per cent)¹ followed by the European Union (8 per cent) and India (5 per cent)².

Diagram 1. Main wool production areas in Australia³



\$100 billion value industry by 2030

WoolProducers is supportive of the National Farmers' Federation's (NFF) vision for Australian agriculture to become a \$100 billion industry by 2030. Opportunities for the broader agricultural industry to benefit from its reputation for producing safe, high quality food and fibre will enable agriculture to work towards achieving this vision. But to do so, the industry must be supported by regulatory and public policy settings that support the industry to grow. X-Tech provides substantial opportunity for agriculture to reach this ambitious value target. The NFF 2030 Roadmap⁴ identifies

¹ AWI, 2018

² ABARES, 2019

³ Adapted from www.learnaboutwool.com

⁴ NFF 2030 Roadmap, 2019, www.nff.org.au



Disruptive Technology as a 2030 Megatrend, with digital and genetic opportunities unlocking productivity growth, and automation improving quality of life for farmers and offering the ability to reshape the skill needs of the agricultural sector.

As a commodity, wool has great potential to contribute to Australian agriculture achieving the NFF's \$100 billion vision. Opportunities for the Australian Government to assist the wool industry contribute to this vision include export market opportunities, investing in technology and infrastructure that supports farm businesses and reduces supply chain costs, providing improved connectivity in regional and remote areas, and encouraging the next generation of workforce in the wool industry will all contribute to enabling profitable wool growing businesses. In doing so, wool's contribution to the \$100 billion vision of the NFF will be considerable. This can be achieved by Australia taking advantage of X-Tech innovations and developments in alignment with opportunities identified in the NFF 2030 Roadmap.

X-Tech working for the wool industry

The *Accelerating precision agriculture to decision agriculture* report⁵ estimates that digital agriculture being fully implemented in Australia would boost the value of agricultural production by 25 per cent, or \$20.3 billion to the gross value of agricultural production. The flow-on effect to other parts of the Australian economy would be \$24.6 billion. The report quantifies the impact of unconstrained decision agriculture to the Australian economy from the wool sector alone would equate to a \$452 million increase in GVP (18 per cent) and the potential benefit to the economy would be an increase in GDP of \$1,128 million. This exceeds the estimated contribution that commodities such as beef, sheep meat, pork and dairy would make to the economy. However, these significant contributions to the national economy, and to the businesses of farmers throughout Australia, can only be achieved through investment by the Australian Government to generate innovative opportunities for sustainable growth in the agricultural sector. These opportunities include developments and innovation in X-Tech, and adoption by industry stakeholders of commercially available technologies.

Capturing X-Tech opportunities will require Australia providing an attractive environment for investment in FinTech, RegTech and AgTech. These factors are identified in the issues paper and WoolProducers is supportive of the outlined opportunities that exist to enhance investment across these areas. The factors are listed below, with more detail provided later on how the Australian Government and industry can facilitate investment. The factors are:

- Capital and funding;
- Tax incentives;
- Skills and talent;
- Culture, and
- Regulation.

Digital disruption was identified as one of six forces affecting the Australian wool industry by Ernst Young in their Review of AWI Performance⁶, which highlighted that disruption is changing the traditional operations and supply chain of the wool industry. Industry stakeholders have already begun to trial and utilise X-Tech technologies to facilitate their business activities, primarily using Blockchain. Some examples include:

⁵ Cotton Research and Development Corporation, 2017, *Accelerating precision agriculture to decision agriculture: Enabling digital agriculture in Australia*, <http://farminstitute.org.au/p2dproject>

⁶ Ernst Young, 2018, *EY Independent Review of Australian Wool Innovation Ltd*, <https://www.wool.com/globalassets/wool/about-awi/how-we-consult/review-of-performance/accordion/ey-independent-review-of-awi---2018.pdf>



- HSBC completed a cross-border blockchain transaction between Australian wool exporter, Fox & Lillie and a Chinese importer, SDIC Trade Nanjing in March 2019⁷;
- AWH is working on their plan to be able to digitally track the entire wool supply chain by 2020⁵;
- The inclusion of Blockchain and Automated Clearing Houses in the Australian Wool Innovation Strategic Plan 2019/22⁸;
- MyOrigins Technology collaborating with Eco-Merino Cooperative Ltd members, the Textile Exchange and the Federal Government's 'Farming Together Program' delivering the first stage of a wool industry Blockchain backed platform⁹, and
- BlockGrain announced in 2018 that they would be looking to develop technology for the wool industry over 2019/2020¹⁰.

The Australian Farm Institute¹¹ has identified three key purposes that Blockchain can deliver to Australian agriculture and these are identified as the greatest advancements in X-Tech that the wool industry can benefit from:

- Business/operational: facilitated bilateral financial transactions and payments;
- Traceability/provenance: fraud minimisation, real-time and accurate traceability of products enhancing food safety and product guarantees (including location, production methodology), and
- Trade: supporting asset transfer, provision of trading platforms.

For the wool industry (and Australian agriculture more broadly) to be able to prepare for, and keep up with X-Tech innovations so that they can be realised commercially, the Australian Government should ensure it is investing in the required infrastructure that is vital to enable X-Technologies to be used on farms and in regional and remote areas of the nation. Many woolgrowers live and work in parts of Australia that suffer poor connectivity and provision of telecommunications services. Issues include mobile blackspots, internet and NBN connection drop-outs, lack of service providers and increased costs associated with telecommunications. Reliable and affordable telecommunications is important for farmers and their families so that they can access the digital economy for their business, education, health and social needs.

Results from the 2018 *National Farmers' Federation Telecommunications Survey*¹² highlighted stark results for Australia's rural telecommunications services. Of the 614 respondents who answered their occupation was a farmer, 70 per cent identified they operated a sheep enterprise. It is therefore vital that telecommunications services are improved in regional Australia for woolgrowers to be able to access Ag-Technologies. Regional telecommunications services are essential for woolgrowers to run profitable farm businesses.

The Australian Government has a great opportunity to help agriculture reap the benefits of X-Tech innovations. Agricultural industries must also play their part. To do so, WoolProducers believes that:

- FinTech and RegTech regulations and government policies should be conducive to attracting investment and the operation of technology companies and start-ups in Australia;
- Tax regulations should incentivise and attract investment in Australian X-Tech;

⁷ HSBC, 2019, <https://www.about.hsbc.com.au/news-and-media/hsbc-and-fox-and-lillie>

⁸ AWI Strategic Plan 2019/22, 2019, <https://www.wool.com/globalassets/wool/about-awi/media-resources/publications/awi-strategic-plan-201920-to-202122/awi-strategic-plan-2019-2022.pdf>

⁹ MyOrigins, 2018, <https://www.myorigins.com.au/about/>

¹⁰ Business Insider, 2018, <https://www.businessinsider.com.au/blockchain-food-supply-chain-blockgrain-2018-4>

¹¹ Australian Farm Institute, 2019, *Farm Institute Insights Vol. 16, No. 1, February Quarter 2019*

¹² Results can be accessed at <https://www.nff.org.au/get/submissions/6119.pdf>

WOOLPRODUCERS AUSTRALIA

- Rural Research and Development Corporations (RDCs) should prioritise X-Tech research and development, and through extension and/or commercialisation, be able to demonstrate greater community benefit from adoption of Ag-Technologies;
- Rural RDCs should seek private investment and collaboration to accelerate advancements in Ag-Tech that will benefit farmers, who are their compulsory levy payers, as well as the broader community whose tax dollars are co-contributed by the Australian Government to Rural RDCs;
- Free Trade Agreements should encourage the exchange of X-Tech research, development and services;
- Access to skills and talent should continue to be facilitated by the provision of the Temporary Skills Shortage visa, the Global Talent Scheme and Entrepreneur visas (soon to be introduced), and
- Ag-Tech start-up hubs should be encouraged to establish in regional Australia.

