



The Australian Agricultural Company Ltd

Supplementary Submission to the Senate Rural and Regional Affairs and Transport References Committee

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On August 10, 2012, I gave evidence before the Senate Rural and Regional Affairs and Transport References Committee's hearing into the Foreign Investment Review Board's national interest test.

The Committee invited me to make further written submissions to expand on my evidence.

I outlined to the committee the short time horizon – now less than 37 years – before the predicted peak food demand, especially in Asia. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) predicts Australia will have to double production in almost every major commodity to meet the demand for a growing Asian middle class with a rising income and rising demand for more protein-rich foods such as beef.¹

If Australia continues to produce food at its current level it will not only miss out on an opportunity, but the lack of food provision could have catastrophic consequences for the region and Australia's diplomacy within. With the long-term, cyclical nature of agriculture, it is critical that Australia prepare in the next five years to increase production to the necessary levels.

This will take a range of initiatives and forward-thinking policies. It will require infrastructure for northern Australia – the gateway to Asia. It will require an increased focus on research and development, not just into agriculture, but into associated sectors such as logistics and international commerce. Above all, it will require policies and financial structures which encourage and incentivise investment in agriculture. The Committee is well aware of the reluctance of many Australian investment funds, with their short-term time horizons, to invest

¹ Verity Linehan, Sally Thorpe, Neil Andrews, Yeon Kim and Farah Beaini, *Food demand to 2050 - Opportunities for Australian agriculture*. Research by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES). Paper presented at the 42nd ABARES Outlook conference 6-7 March 2012, Canberra, ACT.

in a long-term business such as agriculture. Many foreign funds have no such short-sighted policies and see the benefit of investing in Australian agriculture.

The policy here must be twofold – encourage Australian investment and refrain from blocking the international capital Australia will need to meet the food boom.

To this end, I propose the Committee recommends the establishment of an Independent Commission of Audit into Agribusiness. Such a committee, which should be modeled on recent independent inquiries such as the Henry Review into Taxation, should have a wide-ranging remit to look at a number of issues facing agriculture, including taxation incentives for investment and the ability of Government to either underwrite supporting infrastructure projects or participate in public-private partnerships.

AACo has worked with accounting firm BDO's executive director, corporate finance, Margaux Beauchamp, to come up with a list of suggested terms of reference and timings for such a commission. The appended document also outlines some of the issues that have already been addressed in some form by the recent National Food Plan and the Queensland 30-year plan.

It is our contention that the terms of reference need to pull together all the strands of national policy and the national economy, rather than addressing the issues of agribusiness in a piecemeal fashion, or on a state-by-state basis. It is not enough to simply look at the tax treatment of agricultural investment without considering other, equally important aspects of encouraging investment, such as access to markets, logistics and research and development support. Australia must demonstrate that agriculture is not just an attractive financial investment, it is a viable industry with long-term potential.

A Commission of Audit needs to have the objective of arriving at an overarching legislative solution. The United States' Farm Bill and the Common Agricultural Policy in the European Union have demonstrated that agriculture should not be seen as a separate policy challenge, but one which is inextricably linked with commerce, logistics, investment incentives, taxation and workplace productivity.

Above all, the Commission needs to approach agricultural policy from the perspective of its role in overseas commerce. Australia's greatest agricultural challenge is not feeding itself – it is increasing its production to feed the world. Agricultural policy must no longer be inward-looking – it must be first and foremost seen as an international-facing export industry.

International commerce needs to be the reason for agricultural reform, not a consequence of it.

Appendix one – suggested terms of reference for an Independent Commission of Audit into Agribusiness

BACKGROUND

This document outlines suggested terms of reference for an Independent Commission of Audit into Agribusiness, as well as outlining existing policy proposals that address part of these terms of reference.

TERMS OF REFERENCE

The Independent Commission of Agribusiness Audit to be asked to review and report on:

TERMS OF REFERENCE	National Food Plan	Queensland’s Agricultural Strategy
1.Resource Availability		
1.1 Capital Resources		
<ul style="list-style-type: none"> a) Historical returns to agricultural investment and agricultural role within investment portfolios b) Current views of Australian and foreign institutions on Australian agricultural investment; c) The Australian taxation treatment for overseas investors and for Australian investors; d) Profile of the institutional capital available globally and in Australia to invest in Australian agriculture e) Names of the various funds that have a mandate that would allow them to invest in Australia, the size of the funds, and the amount of uninvested funds; f) Global trends in institutional investment in agriculture 		

g) Australia's competitive position in attracting international institutions to invest in Australian agriculture		
1.2 Labour Resource		
Strategies to attract some of our brightest minds to the industry	<ul style="list-style-type: none"> • Invest \$9billion over 5 years from 2012-13 for the National Vocational Education and training system • Commission workforce assessments through the National Rural Advisory Council and Australian Workforce and Productivity Agency • \$1.5 million for the inclusion of food and agriculture in the National Curriculum 	<ul style="list-style-type: none"> • Improve agricultural skills and career pathways by developing workforce plans, and use the Agriculture, Fisheries and Forestry Skills Advisory Group to provide leadership and direction for future strategies
1.3 Land Resources		
<p>Improve our soils Use of land resources wisely and protect Australia from introduced pests and diseases</p>		<ul style="list-style-type: none"> • Implement the government's response to the Land Access Independent Panel Review • Improve the security and certainty of land tenure to support increased investment • Represent agriculture as a state interest in

		<p>statutory regional plans and local government planning schemes</p> <ul style="list-style-type: none"> • Local government planning provisions to protect and develop agricultural land • Prepare and capitalise on large strategic investments in critical resources from external sources which will increase connectivity in rural areas and support technology development? • Work with research agencies and industry to identify new opportunities for agricultural areas (including the North Queensland Irrigated Agriculture Strategy) and release unallocated water in Baffle Creek, the Finders and Gilbert river catchments, and the General Reserve for the Great Artesian Basin
1.4 Water Resources		
Use of water resources (including marine waters) wisely		<ul style="list-style-type: none"> • Liaise with local service providers to develop and implement regional water supply strategies • Ensure defined water entitlements, water trading markets available, and release unallocated sustainable water • Ensure sustainable management of surface water and groundwater • Develop strategies to extend water supply through local innovative, cost effective water-

		<p>use efficiency, recycling and re-use solutions</p> <ul style="list-style-type: none"> Investigate options for increasing availability of water for agricultural users, such as raising the Burdekin Falls Dam
1.5 Infrastructure Resources		
	<ul style="list-style-type: none"> Investing \$60 billion towards transport infrastructure through National Building Program since 2008 Investing \$5.8 billion in the Sustainable Rural Water Use and Infrastructure Program Investing up to \$30.4billion in the National Broadband Network Building a more viable, cost-effective and sustainable biosecurity system 	<ul style="list-style-type: none"> Invest up to \$50m in addition rail passing loops across the Toowoomba range Develop and implement a Queensland ports strategy
2. Productivity		
a) World-leading research capability		<ul style="list-style-type: none"> Implement a research, development and

<p>b) Adoption of new technology</p>		<p>extension plan that sets clear targets for transformational research, capability, industry development, sustainability, industry development, sustainability and improved international linkages</p> <ul style="list-style-type: none"> • Increase the uptake of best practice, including measures such as conservation cropping techniques, irrigation efficiency, machinery adoption and sustainable grazing land use • Improve preparedness and response mechanisms to enhance resilience to national disasters and biosecurity threats • Increase funding for sugar research • Focus on research projects through the Northern Beef Research Alliance • Enhance science and technology capability, including partnerships with universities and industry • Continue the Queensland Alliance for Agriculture and Food Innovation • Invest in industries that have potential for growth e.g. tropical pulses • Provide assistance and facilitation for value-add operations to establish, expand and relocate to Queensland through inward investment activities and programs • Deliver an updated Queensland climate adaption strategy • Support capability-building and productivity
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		<p>improvement in industry in collaboration with Enterprise Connect's food network</p> <ul style="list-style-type: none"> • Work with regional bodies, funding providers and landholders to leverage resources to expand and increase uptake of best management practice • Collaborate with producer groups, industry and scientists from around the world to develop solutions and opportunities • Provide growers and industry stakeholders with immediate access to cutting-edge research and industry information through best-practice principles and guidelines, and industry and extension staff • Work with producers, local governments and communities to continue to fight against weeds • Hold a feral animal summit • Provide additional frontline officers to deliver on-ground solutions and outcomes • Continue to improve biosecurity systems, surveillance and detection
3. Markets		
Grow our markets for our expertise in agricultural innovation and research, water and land management - help people in developing nations increase their capacity to grow food	<ul style="list-style-type: none"> • Global, regional and bilateral trade agreements • Work with Australian businesses to seize opportunities 	<ul style="list-style-type: none"> • Streamline the regulatory environment whilst protecting and enhancing Queensland's biosecurity status and high-level food safety and animal welfare standards

<p>Form partnerships across the region All Australians to be food secure and food savvy</p>	<ul style="list-style-type: none"> • Help small to medium businesses sell products overseas • Promote Australia’s food safety management and biosecurity systems • \$28.5 million in the Asian Food Markets Research Fund • \$5.6million to build relationships with trading partners • \$2million to develop brand identify 	<ul style="list-style-type: none"> • Implement policies that support financial payments for environmental services • Realign the Global Markets Initiative within Trade and Investment Queensland to ensure the program has greater emphasis on trade outcomes • Enhance trade development services for food and agribusiness clients • Help Queensland companies capitalise on our international reputation as a supplier of high-quality food and ingredients • Work with industry partners to identify new market opportunities and the capability to process/refine raw produce to a stage suitable for medical treatments • Facilitate the development and location of agriculture-based secondary industries • Promote healthy eating • Support health promotion campaigns and consumer education strategies
<p>4. Production Costs</p>		
		<ul style="list-style-type: none"> • Develop 30 year strategies for both electricity and water supply • Provide a robust water trading framework • Undertake a rigorous review of Queensland’s electricity sector • Local management of Sunwater’s channel irrigation schemes

		<ul style="list-style-type: none"> • Support integrated planning and investment decisions for airports • Reduce red tape including workplace health and safety and development approval processes • Develop heavy vehicle access options for agriculture • Continue to preserve rail access for agriculture • Work with industry to identify and develop supply-chain opportunities to enhance the efficiency, timing and economies of scale of agricultural commodity movement • Develop customer-focused service delivery systems that enable 24/7 online transactions and information • Continue to be responsive in supporting and promoting agricultural industry and its supply chain e.g. improved access to rail services
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GOVERNANCE ARRANGEMENTS

The Independent Commission of Agribusiness Audit to consist of three independent Commissions appointed by the Prime Minister and the Minister for Agriculture, Fisheries and Forestry. The Commissions are to be agribusiness leaders with a global perspective and expertise in investment, research and development, and policy.

The Commission will be supported by a secretariat consisting of a small group (16-18 people) of State and Federal public service officials seconded to the Commission.

The Commission will be authorised to access such personnel, documents, information and financial records in respect of the Federal departments and agencies as it deems appropriate to complete the audit including Department of Agriculture, Fisheries and Forestry; Australian Bureau of Agricultural Resource Economics and Sciences; Australian Council of Food. The Commission may request those bodies and State government departments and agencies to prepare reports.

The Commission will seek external advice and support where required from various industry stakeholders including Australian Farm Institute, Cotton Australia, Meat and Livestock Australia, and others as necessary.

Interested parties outside the public service will be asked to make submissions.

TIMETABLE

After 3 months	Interim report covering the situation analysis
After 8 months	Interim recommendations
After 11 months	Final Report