



**TASMANIAN FARMERS AND GRAZIERS ASSOCIATION
SUBMISSION**

TO

**THE SENATE SELECT COMMITTEE ON AGRICULTURAL AND
RELATED INDUSTRIES O INQUIRY INTO FOOD PRODUCTION
IN AUSTRALIA**

November 2009

The Tasmanian Farmers and Graziers Association

The Tasmanian Farmers and Graziers Association is the leading representative body for Tasmanian primary producers. To this aim the TFGA currently has a membership of 3100 Tasmanian agricultural enterprises, which translates to 80% of enterprises within the Tasmanian agricultural sector. Consequently, there is no doubt that the TFGA is the peak representative organisation for the agricultural sector in Tasmania.

With its mission being to advance the development of Tasmanian primary industries, the TFGA is committed to ensuring that the agriculture sector in Tasmania is profitable and sustainable. The TFGA is also committed to promoting the agricultural sectors' vital contribution to the environmental, social and economic fabric of Tasmania to all levels of government and the wider community.

Operationally, the TFGA is divided into separate councils and committees that deal with each of the major commodity areas. Via this structure the organisation plays an active role in championing issues affecting the agricultural sector so that they are recognised by Government, industry and the wider community within decision-making process.

Purpose and Context of this Submission

The Terms of Reference for this inquiry are extremely broad. Consequently, this submission summarises the main areas or issues that affect the capacity of food production within Tasmania that the TFGA believes the Australian Government can have some influence over. The TFGA has appeared twice before the Senate Select Committee during this inquiry. The purpose of the TFGA's submission is to add greater detail to the evidence given at these hearings as they relate to the Terms of Reference for the inquiry.

Addressing the Terms of Reference

a) How to produce food that is affordable to consumers

It should be recognised that food being affordable to consumers realistically has nothing to do with those farmers that produce the actual raw product. The majority of costs associated with the purchase of food in Australia relate directly to the supply chain. Producer costs and returns have little impact on the final product cost. In fact farmers generally receive between 5 % to 10% of the amount paid by the consumer for the final product.

It should also be mentioned that providing food that is affordable should not mean that food is provided at a price where producers are being under paid and undervalued. In

general across Australia profits have decreased within the agricultural sector over the last decade. This is a trend that cannot continue if the Australian community wishes to continue to be able to purchase fresh produce that has been grown in their 'backyard'.

Further the consuming public increasingly demands that farmers raise their 'duty of care' and improve the quality of food. Yet at the same time they do not want the price of food to go up. This situation has led to farmers having to wear the costs of changing farming practices and product development whilst not receiving a better price for their product. This situation cannot continue if the agricultural sector is to remain viable. Further the services that farmers provide for the benefit of the broader community should be compensated or at least recognised in pricing structures.

b) How to produce food that is viable for production by farmers

Tasmanian agriculture continues to be an essential element of Tasmania's economy with the farm dependent economy contributing 16% to gross state product and 1 in 5 jobs. Agriculture is a more significant contributor to the Tasmanian economy than it is in any other state.

Tasmania has a large net food surplus, with almost 70% of food produced in Tasmania being sold interstate or overseas. Much of this food is high-value. Tasmania is an increasingly valuable and appreciated brand in the Australian food sector. Unlike some mainland states Agriculture is not seen as a declining industry in Tasmania. In fact the recently launched Innovation Strategy strongly makes the point that the agricultural sector in Tasmania has the potential to expand into Tasmania's greatest asset.

However, having said this there are a number of issues that need to be addressed for the Tasmanian agricultural sector to achieve this vision. The main issues are summarised in this section.

i) Water and irrigation development

The freshwater resources of Tasmania are potentially the State's most valuable natural resource. In fact Tasmania has the highest ratio of water to land mass in Australia. If utilised efficiently and sustainably Tasmania's water resources should provide it with a great advantage over mainland states.

In recent times the State and Federal Governments collectively committed \$220 million to Tasmanian irrigation development projects. This investment will potentially establish 11 irrigation schemes in the State. However given Tasmania's water availability (14% of Australia's total water) and abundance of arable land Tasmania has a huge opportunity to expand its productive capacity if greater commitment was provided by the Australian Government to sustainable irrigation projects in the State. The Australian Government has committed \$12 Billion to managing Australia's water resources. The majority of this investment is targeted at the Murray Darling Basin. The end result of this investment

will be increased environmental outcomes and reduced food production. Some reports quote figures of 40% of Australia's irrigated capacity being removed via the program. Surely committing greater levels of investment to Tasmania where water can be used productively without jeopardising the environment should be a high priority investment area for the Australian Government. Such investment will assist to ensure that Australia's food production capacity is not reduced to the point where we are importing large amounts of fruit and vegetables for our domestic population.

Developing on farm irrigation systems is a significant capital and intellectual investment for farmers. Consequently it is imperative that farmers are provided with appropriate tools and training to maximise irrigation investment. It is also essential that tools are developed and training is delivered to ensure that water is used efficiently without contributing to environmental degradation. Currently the Australian Government does not approve readily of investment being directed to these kinds of initiatives. This mentality must change in Canberra if the financial return of every drop of water is to be maximised whilst ensuring that environmental impacts are minimised.

ii) Red Tape and Regulation

The TFGA recognises that regulation pertaining to food safety, animal health and welfare, and the environment are vital for protecting the reputation of the agricultural sector in Australia. However, it would now appear that regulation relating to the agricultural sector (native vegetation, environment, water, planning, farm safety, industrial relations, transport, animal welfare, cultural heritage, chemicals) have got so out of hand that it is having a serious negative impact on the sector. The TFGA believes that the situation is exacerbated further by the fact that regulatory frameworks and their associated compliance processes are developed and 'policed' in isolation of industry. This is particularly the case with the Federal Government.

In recent years the agricultural sector felt that its concerns had been heard when the State and Federal governments agreed to review the situation and reduce the red tape and regulation that was stifling the agricultural sector. However a few years down the track the red tape reduction task forces are yet to streamline regulatory processes whilst at the same time more regulation is being introduced. The TFGA strongly believes that regulation should be risk management based and only introduced after a cost benefit analysis has been undertaken.

iii) Transport

As stated previously, 70% of Tasmania's produce is sold interstate or overseas. Consequently, effective and efficient road, rail, and sea transport is essential for farm produce to reach its intended market destination. The road transport industry dominates freight transport within Tasmania. Whilst sea transport attributes for 99% of all freight transported into and out of Tasmania. Unlike many mainland states Tasmania does have integrated transport plans in place across the State. However, federal investment is required to support the State Government in upgrading rail and road

infrastructure to connect with Tasmania's ports. Investment in these areas would greatly improve the efficiency of the transport network in Tasmania.

The Productivity Commission commenced an inquiry into the Tasmanian Freight Equalisation Scheme in 2006. The TFGA supplied three (3) written submissions to this inquiry. The TFGA has been very disappointed with the outcome of this inquiry. Not only did the inquiry take three years to come up with recommendations, but those recommendations are for administrative and eligibility changes to be made to the scheme. The TFGA's submission focused heavily on improving pricing calculations for freight as this is clearly the major benefit of the scheme. None of these issues were addressed in the review and the TFGA was informed in a recent briefing that these changes will not be looked at for a further two years. The TFGA believes that this is unacceptable given the purpose of the schemes is to alleviate the sea freight cost disadvantage to Tasmania.

iv) Research and Development

Adapting Tasmanian production systems to be more efficient and productive is critical for the continued growth of Tasmanian agriculture. The irrigation development projects as outlined earlier in this submission do provide the agricultural sector with opportunities to be innovative and change current land use. However it needs to be stated very strongly that the provision of irrigation water alone will not deliver the State Governments "Food Bowl" vision for Tasmania.

Investment for research and development needs to be made into the areas of crop development, land and water use, product branding and specialisation, value chain analysis, production systems and climate change if the agricultural sector is to reach its potential.

Research and development investment from the Australian Government into the agricultural sector on the whole has declined. Whilst the TFGA acknowledges that the Federal Government has maintained its funding levels to the Rural Development Corporations it has also cut critical investment to the CSIRO. There is indisputable evidence that the productivity performance of the agricultural sector is directly associated with the level of research and development investment. Consequently the decline in investment from the Federal Government is exceptionally concerning to the TFGA.

v) Training and Labour

It is fair to say that the agricultural sector within Australia is currently not seen as an exciting career choice by young Australians. Add to this competition with high paying sectors such as mining and information technology and a decline in jobs due the recent drought and the outlook for the job market within the agricultural sector is not good. Evidence indicates that there has been a marked movement of labour away from agriculture as well as a decline in the number of students undertaking tertiary agriculture degrees. Recent surveys undertaken by Australia's universities indicates that only 40% of the agricultural graduates required by industry to ensure skill levels can

support innovation and technological advances are being supplied. This clearly does not bode well for agriculture in Australia if it is to remain productive and competitive in a global market.

The TFGA strongly supports the Labour Shortage Action Plan developed by the National Farmers Federation. The TFGA believes that the select committee should review this action plan and determine what initiatives the Federal Government should work in partnership with the NFF to address this critical issue.

c) How to produce food that is of sustainable impact on the environment

There are no members of the TFGA who would wish to produce food that has anything but a sustainable impact on the environment. Farmers in Tasmania are well aware that good natural resource management is essential for long-term production outcomes. Further it is fair to say that environmental management is considered a high priority for Tasmania due to the 'clean green' image of agriculture in Tasmania. Farmers provide services which sustain natural resources for future generations as well as providing landscape amenities that match community expectations. However as stated previously these community services are provided at their own cost.

However, in recent times due to lower economic returns, drought and cuts to Federal Government funding programs, the ability of Tasmanian farmers to implement environmental management activities has been reduced. Tasmanian farmers are managing some of Australia's most iconic natural resources. Yet the Federal Government saw fit to dramatically reduce funding to farmers for natural resource management via the Caring for our Country. There is no indication that future business plans for the Caring for our Country program will ameliorate this situation.

The TFGA believes that this situation should be reviewed if in fact the Federal Government does want to ensure that:

- a) Tasmanian farmers are treated equally to mainland farmers, and
- b) Food production in Australia is done in accordance with best practice environmental management.