**Michael Carmody**

**4 September 2008**

**SUBMISSION TO SENATE SELECT COMMITTEE ON AGRICULTURAL AND RELATED INDUSTRIES.**

**Inquiry into food production in Australia.**

**This submission is made by Michael Carmody.**

**I am a member of a grain and sheep farming family company that operates farming properties at Kulin and Munglinup, Western Australia. We produced approximately 51,500 tonnes of grain being Wheat, Barley, Canola and Lupins over the past 5 years. Our sheep enterprise has averaged wool production of approximately 78,000 kg and sheep and lamb sales of approximately 5,500 head annually for the 10 yrs to 2006.**

**Firstly, to have food production in Australia we must have farmers. They are becoming fewer in number as every year goes by. This is caused by farmers having to pay top dollar for their inputs (including excessive taxes on transport and unnecessary regulation) whilst having to accept prices dictated by world markets many of which operate either with subsidies or very low labour costs and levels of government intervention.**

**I must stress that once a farmer is lost to our country, that is it! He or she cannot pass on the knowledge they have gained over a lifetime to the next generation. Business management and many other farming skills can be learned at universities but actual on farm experience is invaluable and is usually handed on from father to son. Australia is currently losing that knowledge at such a rate that it is becoming a threat to national security.**

**Food security equals national security. Some people in government and the media seem to think it would be okay to let our farmers go and then rely on imported food. This would be strategically unwise should there be conflict to our North. We spend billions on defence but there is a culpable ignorance of the importance of our farming sector within our governments both State and Federal. Perhaps Australians have been fed too well for too long. It is interesting to note that countries such as the UAE that have to import food (and can afford to pay for it by the way) are currently so concerned about food security that they are buying farming land around the world to address the issue.**

**It is accepted that Australians will not work for third world wages and I am not advocating this but every time a consumer selects a food product from a third world country they are sending a message to our farmers that they must sell their produce for third world prices. (Buy local campaigns are not the answer because people usually buy on price.)**

**Most imported food products are not subject to the intense scrutiny that our locally produced food is. That is our local farmers are forced to pay for food inspection standards that our importers do not. I have heard that only about 4% of imported food is properly inspected. Imported food should be 100% inspected and the costs borne by consumers.**

**A. Affordable food.**

**What is affordable food? At the beginning of the 20th century approximately 30% of disposable household income was spent on food. Today it is in the area of 15%. A historically low figure for food whilst the percentage spent on luxuries and entertainment has risen. This is an indication of how efficient farmers have become and yet this is not enough. The ACCC expects farmers (particularly in the fresh food sector) to accept third world prices for their products whilst paying Australian rates for labour, fuel, fertilizer, chemicals etc. This can only end with the complete removal of our farmers with all our fresh food being imported.**

**To make food more "affordable" someone in the production chain must take less.**

**B. Farming viability.**

**The viability of farming is affected by a number of things but can best be described as the costs of inputs versus the prices received for outputs times productivity.**

**Australian farmers have been exceptionally good at increasing productivity. Indeed if the rest of the economy had kept pace with the farming sector on productivity there would not be such a problem. As it is the failure of the non farm economy to increase productivity has meant that it has passed on the costs of its inefficiency to the primary sector resulting in a loss of profits for farmers as they have not been able to pass on their increased costs to either consumers or world market customers.**

**One of the culprits in the area of increased costs is government failure to recognize that Australia is such a vast country with many of the food production areas quite remote from markets. This has resulted in the approach of the National Transport Commission being largely responsible for the imposition of an unfair and unwise licensing and taxing regime for heavy vehicles.**

**Freight is a major input cost for agriculture and the road transport industry is being asked to pay for both construction and maintenance spending on roads on a yearly basis along the so called "user pays" system.**
**No other section of the economy is expected to do this.**

***"The general economic basis for pricing the use of infrastructure is well established. Prices should reflect the costs of a decision to use that infrastructure. It is only when users are confronted with these costs that they will make choices that will be of the most benefit to society."*** *Page one, Third Heavy Vehicle Road Pricing Determination: Draft Technical Report*

**Public transport in cities is subsidised to the tune of approximately 75%. The users of these services and infrastructure seem to be immune from this approach as are the users of government funded sports facilities, museums, art galleries, theatres, etc etc.**

**I believe it is time for a recognition at political level of the importance of the transport network to the whole community and for it to be funded from general revenue rather from this destructive and selectively applied "user pays" system that is doing so much to stifle investment and development of our nation as a whole. We need an effectively functioning economy from the production process through to consumption and export, not just a collection of cities full of coffee shops.**

**The user pays system is also based on average distances travelled by different classes of vehicles and as such, farmers vehicles that do not travel many kilometres annually end up paying but not using. There are concessions for some farmer's vehicles but these do not go far enough. An example of this is WA where some vehicles receive a 50% concession but still only travel approximately 20,000km per year.**

**As can be seen from the attached table an average road train travels 133,750 km per year and pays 94.22% of allocated costs. A farmer's road train (with 50% concession on the prime mover) travelling only 20,000 km annually pays 210.69% of allocated costs. Hardly fair!**

**Similarly a farmer's six-axle semi travelling 10,000 km annually pays 254.72% of allocated costs.**

**Although I disagree with the user pays approach I have included in the table a "What if" scenario whereby registration could be reduced to a nominal level and the on road fuel rebate removed. This shows a more even collection of revenue over the various classes of vehicles than at present and actually rewards the fuel efficiency of B-doubles rather than the current and spurious approach of the NTC of penalising them through higher registration fees to make up for less fuel taxes collected from them. Hardly in the interests of lower greenhouse gas emissions!**

**These examples show how little understanding (or care) there is at bureaucratic level of the costs imposed on the agricultural sector.**

**It seems the National Transport Commission is attempting to make rail more competitive than road transport by increasing the costs of operating trucks. (regardless of the fact that much of the road freight task is non contestable) If I can use a sporting analogy the Australian Institute of Sport would not try to make it's second best athlete look better by hitting the best athlete's foot with a big hammer. That is exactly what the NTC is doing to the road transport industry. It is not in the national interest.**

**If regional Australia is to survive there must be a recognition that road and other transport infrastructure is a national asset that needs to be funded from general taxation measures as it is not just the trucking industry that derives a benefit from using that infrastructure, it is the whole community that benefits when we export our produce, or supply it to domestic markets.**

**Most of Australia's exports are produced in the country and our balance of payments situation should indicate that we need to promote rather than stifle our export sectors.**

**Should the government choose to impose more costs on agriculture with the emissions trading scheme then it will only hasten the demise of the farming sector and move food production offshore. A tax on any given activity acts as a disincentive to engage in that activity. It makes no sense at all to tax food production. A look at the reduction in grain production in Argentina should be a warning of that.**

**One very good development of late has been the Agricultural co-production contracts, which have seen the share farming of our land with investors willing to take on some of the risk associated with agricultural production. This has spread the risks and allowed farmers to invest capital either in off farm or more on farm investment. I understand these contracts may be at risk with the new approach to managed investment schemes but would advocate their retention.**

**C. <u>Environmental sustainability of farming</u>.**

**Australian farmers have been quick to take up new methods of production such as no-till or minimum – tillage methods of seeding. This has resulted in an increase in productivity and much more sustainable farming through better soil structures, more organic carbon and better resistance to erosion.**

Trees are being planted and other means of soil conservation is undertaken when money is available.

The biggest threat to food production in Australia is economic sustainability rather than environmental. This has been brought about by many years of taking agriculture and a steady supply of good food for granted.

## Recommendations.

I would suggest a dedicated division of food security within the agriculture portfolio to address the issues of our farming sector's viability. As well as the transport issue above (which will require a complete overhaul of the NTC), the cost of fertilizer should be addressed. It would seem that the imposition of the 135% tax on urea exports from China has given local producers an unexpected and unwarranted windfall. It seems ridiculous that local producers could sell nitrogen to us for a price that has been inflated by the actions of a foreign dictatorship. They are in effect pocketing the tax.

Other issues that could be examined are;

Taxation measures, ie Farm Management deposits-(widening applications to family companies), better taxation incentives for the uptake of new technologies and machinery purchases. Stamp duties on conveyancing-currently a big disincentive for consolidations of holdings, family business restructuring and succession planning.

FBT,-Regional area exemption.

Funding of local government in rural and regional areas.

Funding of health services.

Funding of law and order services.

Funding of education, eg tax deductibility for boarding school costs or increased isolated children's education funding. Many farmers hit the wall when they get to the point of paying for their children's education. They are investing in the next generation's future but then have to sell the farm to make ends meet.

Cost shifting.

Government policies and a city centric approach to infrastructure spending are threatening Australia's long-term food security more than any other factor.

Australia will remain a food exporter in the near future but if current policies continue we could well be a net importer within 30 years. With our balance of payments problem how will we pay for our food?

We need policies that are unashamedly pro farming and we need them now.

Thank you for giving me the opportunity to express my views.

Michael Carmody.

M J Carmody

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2007 DETERMINATION ON HEAVY VEHICLE ROAD USER CHARGES-NTC** | | | | | | | | | | |
| | | ANNUAL KM | FUEL CONS (LITRES/ 100 KM) | TOTAL FUEL (LITRES) | FUEL CHARGE @ 21 CENTS/LITRE | REGISTRATION | TOTAL ROAD USER CHARGES | "AVERAGE" ALLOCATED COSTS (2007 DETERMINATION) | AVERAGE ALLOCATED COSTS $ PER KM | TOTAL ROAD USER CHARGES ($ PER KM) | ROAD USER CHARGES AS PERCENTAGE OF ALLOCATED COSTS (PER KM) |
| A | "AVERAGE" ROAD TRAIN | 133,750 | 67.30 | 90,014 | 18,903 | 10,390 | 29,293 | 31,091 | 0.23 | 0.22 | 94.22% |
| B | FARMERS ROAD TRAIN 50% CONCESSION ON PM | 20,000 | 67.30 | 13,460 | 2,827 | 6,865 | 9,692 | 31,091 | 0.23 | 0.48 | 210.69% |
| C | FARMERS ROAD TRAIN 50% CONCESSION ON PM | 30,000 | 67.30 | 20,190 | 4,240 | 6,865 | 11,105 | 31,091 | 0.23 | 0.37 | 160.94% |
| D | "AVERAGE" 6 AXLE ARTICULATED TRUCK | 88,900 | 51.20 | 45,517 | 9,559 | 5,220 | 14,779 | 15,729 | 0.18 | 0.17 | 93.96% |
| E | FARMERS 6 AXLE ARTICULATED TRUCK (50% ON PM) | 20,000 | 51.20 | 10,240 | 2,150 | 3,255 | 5,405 | 15,729 | 0.17 | 0.27 | 158.98% |
| F | FARMERS 6 AXLE ARTICULATED TRUCK (50% ON PM) | 10,000 | 51.20 | 5,120 | 1,075 | 3,255 | 4,330 | 15,729 | 0.17 | 0.43 | 254.72% |
| F1 | "AVERAGE B-DOUBLE" | 178,918 | 60.80 | 108,782 | 22,844 | 14,340 | 37,184 | 44,932 | 0.25 | 0.21 | 82.76% |
| | TRIPLE ROAD TRAIN | 133,750 | 80.00 | 107,000 | 22,470 | 12,440 | 34,910 | 38,192 | 0.29 | 0.26 | 91.41% |
| | **WHAT IF? $100 Nominal Rego for no on road rebate** | | | | | | | | | | |
| | | | | | (38.5 C/LITRE) | | | | | | |
| M | FARMERS ROAD TRAIN | 20,000 | 67.30 | 13,460 | 4,576 | 200 | 4,776 | 31,091 | 0.23 | 0.24 | 103.83% |
| N | FARMERS ROAD TRAIN | 15,000 | 67.30 | 10,095 | 3,432 | 200 | 3,632 | 31,091 | 0.23 | 0.24 | 105.28% |
| O | 6 AXLE ARTICULATED TRUCK | 10,000 | 51.20 | 5,120 | 1,741 | 200 | 1,941 | 15,729 | 0.18 | 0.19 | 107.82% |
| P | 6 AXLE ARTICULATED TRUCK | 6,000 | 51.20 | 3,072 | 1,044 | 200 | 1,244 | 15,729 | 0.18 | 0.21 | 115.23% |
| P1 | "AVERAGE B-DOUBLE" | 178,988 | 59.40 | 106,319 | 36,148 | 200 | 36,348 | 44,932 | 0.25 | 0.20 | 80.90% |
| P2 | "AVERAGE ROAD TRAIN" | 133,750 | 67.30 | 90,014 | 30,605 | 200 | 30,805 | 31,091 | 0.23 | 0.23 | 99.08% |
| | TRIPLE ROAD TRAIN | 133,750 | 80.00 | 107,000 | 36,380 | 200 | 36,580 | 38,192 | 0.29 | 0.27 | 95.78% |