# Australian Government crest

# Agricultural Competitiveness White Paper

Stronger Farmers Stronger Economy

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Foreword

Australian agriculture has almost limitless potential.

A strong agriculture sector contributes to a strong economy—and that means more jobs, more exports, higher incomes and better services to the community.

We’ve talked to farmers, business leaders, academics and consumers. We’ve heard the views, the insights and the criticisms.

And now the Government is responding, through this landmark Agricultural Competitiveness White Paper.

We’re determined to make the sector even more competitive and to deliver practical actions that will keep our farmers and farming families profitable and resilient.

Australia cannot be complacent. Consumer demand shifts and we are not the only country competing for lucrative overseas markets.

The agriculture sector, like all business, must keep up and commit to continuous improvement. But our farmers have the ingenuity and enterprise to do this, as they always have.

This White Paper is a $4 billion investment in our farmers and our competitive strengths in agriculture. This is a vital part of our plan to build a strong, prosperous economy and a safe, secure Australia.

We are lowering tax, cutting red and green tape, building infrastructure, encouraging trade, developing northern Australia, and supporting business to innovate and create jobs.

We are putting in place practical measures to build a more competitive supply chain, provide the infrastructure needed to support growth, prepare farmers for drought and support them through it, invest in research that drives productivity growth, and open new overseas markets.

And together we are building a stronger, more productive, more profitable and more sustainable Australian agriculture sector.

We thank all those who provided the information and ideas that underpin this White Paper.

The Hon Tony Abbott MP, Prime Minister of Australia

The Hon Barnaby Joyce MP, Minister for Agriculture

Contents

[Overview and Summary 1](#_Toc424131396)

[Agriculture’s importance to the Australian economy 4](#_Toc424131397)

[Opportunities and challenges 5](#_Toc424131398)

[The Government’s commitment to the agriculture sector 6](#_Toc424131399)

[Implementation and future actions 15](#_Toc424131400)

[Summary of new White Paper initiatives 17](#_Toc424131401)

[1 A fairer go for farm businesses 23](#_Toc424131402)

[Fairer competition for farm produce 25](#_Toc424131403)

[Better regulation 32](#_Toc424131404)

[A better tax system for farm businesses 39](#_Toc424131405)

[Investing for the future 45](#_Toc424131406)

[2 Building the infrastructure of the 21st century 51](#_Toc424131407)

[Securing Australia’s water supplies 52](#_Toc424131408)

[More efficient transport infrastructure for agriculture 62](#_Toc424131409)

[Better mobile phone and internet coverage 70](#_Toc424131410)

[3 Strengthening our approach to drought and risk management 75](#_Toc424131411)

[Managing risk 77](#_Toc424131412)

[Delivering certainty on drought policy and assistance 78](#_Toc424131413)

[Supporting farmers to prepare for drought and other risks 81](#_Toc424131414)

[Providing in-drought support 85](#_Toc424131415)

[4 Farming smarter 94](#_Toc424131416)

[Partnering with industry on research, development and extension 96](#_Toc424131417)

[Technology and global demand driving the sector’s workforce needs 101](#_Toc424131418)

[Sustainable resource management by farmers 106](#_Toc424131419)

[5 Accessing premium markets 117](#_Toc424131420)

[Capturing premium agricultural markets 118](#_Toc424131421)

[A stronger biosecurity system 123](#_Toc424131422)

[Glossary 129](#_Toc424131423)

[References 130](#_Toc424131424)

## Overview and Summary

Agriculture is at the heart of the Australian identity. Our history and economy was ‘built on the sheep’s back’. Today agriculture continues to play a pivotal role in building the wealth of Australia; this is why the sector is one of the five pillars of the Australian economy and why the Government has made agriculture a priority.

The opportunities for the sector are enormous. We sit on the edge of the strongest growing region in the world, we have a developed agriculture sector with sound prospects for expansion, we have food safety and environmental credentials that are world-class, we develop and have access to up-to-date technology, we have a strong economy with a sound financial system and we have a well-educated and skilled workforce.

The agriculture sector is well placed to prosper, and will do so through the endeavours of farmers and the maintenance of an open and competitive business environment.

The Government has laid the foundations for a stronger agriculture sector. We have reduced regulation, removed the Carbon Tax, increased export market access, invested in infrastructure and refined the settings for foreign investment.

And through this White Paper we are going further to set the environment needed to drive better returns for farmers. Better returns will see increased investment, job creation, stronger regional communities and economic growth.

Our vision is to build a more profitable, more resilient and more sustainable agriculture sector to help drive a stronger Australian economy.

The Government is focused on agricultural policies that will achieve nine principles (Figure 1), with better returns at the farm gate being the primary focus. To achieve this, the Government is committed to five key priorities:

1. **A fairer go for farm businesses**, to keep families on the farm as the cornerstone of agriculture, by creating a stronger business environment with better regulation, healthier market competition, more competitive supply chains and an improved tax system.
2. **Building 21st century water, transport and communications infrastructure** that supports efficient movement of our produce, access to suppliers and markets, and production growth.
3. **Strengthening our approach to drought and risk management**, including providing the tools to facilitate more effective risk management by farmers and a long-term approach to drought that incorporates provision of enhanced social and community support for farming families and rural communities, and business initiatives for preparedness and in-drought support.
4. **A smarter approach to farming** based on a strong research and development system that underpins future productivity growth; and effective natural resource policy that achieves a cleaner environment as part of a stronger Australia.
5. **Access to premium markets** through the availability of a large number of premium export markets open to our produce and a strong biosecurity system that maintains our favourable plant and animal health status.

Figure 1 Australian Government agriculture policy principles and priorities

The nine agriculture policy principles:
1. Increases returns at the farm gate—by reducing costs and unnecessary barriers to productivity and profitability 
2. Keeps families as the cornerstone of farming—by establishing career paths based on financial stability, training and succession options
3. Builds the infrastructure of the 21st century—to improve transport and communications linkages to domestic and international markets 
4. Creates well-paying jobs in agriculture, including in the downstream sectors of food manufacturing, food retailing and hotels and restaurants
5. Reduces unnecessary regulation at all levels of government—to give greater ownership and rights to farmers 
6. Promotes access to key export markets 
7. Focuses on Australia’s competitive advantages so we are prepared to realise the food demand of the growing middle class in our region 
8. Supports strong and vibrant regional communities
9. Maintains access for all Australians to high-quality and affordable fresh food

To deliver stronger farmers, a stronger economy, these 9 principles support the 5 priorities of the white paper: 
• A fairer go for farm businesses
• Building the infrastructure of the 21st century
• Strengthening our approach to drought and risk management
• Farming smarter
• Accessing premium markets


Government action in the five priority areas will help the sector to grow and take advantage of future opportunities. They will also serve to improve resilience to market downturns and adverse seasonal conditions.

Based around these priorities, the White Paper delivers a $4 billion package to grow agricultural competitiveness. It’s a comprehensive roadmap for delivering a more competitive and profitable agriculture sector. It outlines the actions that will take agriculture forward to realise its future potential. And it is based on what you told us was needed (Box 1).

The White Paper provides the framework for future governments to use to ensure that the sector takes advantage of opportunities and remains resilient to challenges.

Box 1 Development of the Agricultural Competitiveness White Paper

The development of a white paper on the competitiveness of the agriculture sector was an election commitment by the Government in The Coalition’s Policy for a Competitive Agriculture Sector. The White Paper terms of reference included improving farmgate returns, farm debt and access to finance, supply chain competitiveness, investment, job creation, infrastructure, skills and training, research and development, regulatory effectiveness, market access, and food security. The terms of reference also included reviewing drought support initiatives as part of the Government’s commitment to review the adequacy of current support.

The White Paper process stimulated considerable public interest in the future of the sector.

In the preparation of this White Paper, the views of the Australian public were considered through calls for public submissions on an issues paper and then a Green Paper. Throughout the issues and Green Paper consultation processes, more than 1,000 submissions were received and over 1,100 people were engaged in rural, regional and metropolitan areas in all States and Territories. Consultation involved farmers, industry associations, researchers, finance sector representatives, supply chain participants, and State and Territory governments through written submissions, roundtable meetings and one-on-one discussions.


Issues paper:
- Released 6 Febuary 2014
- Submissions closed 17 April 2014
- 675 submissions received
- Metting with around 950 stakeholders in 34 locations around Australia
Green paper:
- Released 20 October 2014
- Submissions closed 12 December 2014
- 357 submissions received
- Meetings with major stakeholders around Australia


### Agriculture’s importance to the Australian economy

Agriculture is a significant contributor to the Australian economy. The value of farm production was $51 billion in 2013–14 (ABARES 2015a). Agriculture contributed around two per cent of Australia’s gross domestic product (GDP) and 15 per cent of total Australian merchandise exports (ABARES 2014). Agriculture underpins Australia’s largest manufacturing industry—food, beverage and tobacco processing—which added $25 billion to the economy in 2013–14 (25 per cent of manufacturing GDP) (ABS 2015a). As the mining construction boom moderates it will be important to foster growth in other export sectors, including agriculture.

The success of agriculture over the past two centuries is a result of the sector’s ability to innovate, adapt and continuously respond to economic, social and technological advancements. Australian agriculture is characterised by its diversity; our climate ranges from tropical to temperate, with vast stretches of arid land. The Australian landscape is also characterised by extreme weather events, including droughts, floods, tropical cyclones, severe storms and bushfires.

Agriculture makes up 53 per cent of Australia’s land mass or 406 million hectares (ABS 2015b). There are 115,000 businesses that cite agriculture as their primary activity and a further 13,900 as their secondary activity (ABS 2014a). Of the total number of agricultural businesses in Australia 99 per cent are fully Australian owned (ABS 2013a). Around 97 per cent of farms are classified as small businesses—having annual turnover of less than $2 million (ABS 2013b).

International markets perform a significant role with around 65 per cent of Australian agricultural production exported (ABARES 2015b). In 2013–14 farm exports were worth $41.2 billion (ABARES 2015a). Australia exports agricultural products to more than 100 countries. By value, our top three agricultural export destinations in 2013–14 were China ($9 billion), Japan ($3.5 billion) and the United States ($3 billion) (ABARES 2015a). By region, Australia exported agricultural products worth around $17 billion to North Asia, around $8 billion to South-East Asia, and over $3 billion each to the Middle East, the Americas and Europe (ABARES 2014).

Agriculture is a significant employer, particularly in regional areas. Around 270,000 people are employed in the sector with a further 223,000 in food, beverage and tobacco manufacturing (ABARES 2015a). Advancements in technology have resulted in an overall decrease of people employed in the sector over time. Farm employment has declined from 8 per cent of total employment in 1966–67 to just over 2 per cent in 2013–14. This reflects increased automation and other productivity gains. This trend is expected to continue. At the same time changing technologies and markets mean there is a need for a more diverse and highly skilled workforce with skills across a wide range of disciplines.

### Opportunities and challenges

The agriculture sector has significant opportunities and challenges.

The Rural Industries Research and Development Corporation (RIRDC) and the CSIRO have identified five major ‘megatrends’ that will affect Australian producers. A megatrend is described as a major “trajectory of change that will have profound implications for industry” (Hajkowicz & Eady forthcoming). These are:

* a hungrier world—population growth driving global demand for food and fibre;
* a wealthier world—emergence of a new middle class increasing food consumption;
* choosy customers—information empowered consumers demanding particular ethics, provenance, sustainability or health attributes;
* transformative technologies—advances in food and fibre production and transport; and
* a bumpier ride—changes resulting from globalisation and a changing climate.

The response of the agriculture sector to these megatrends will determine its future.

Strong food and fibre demand from wealthier and choosier consumers, particularly in the Asian region, provides enormous prospects for export growth for Australian farmers. The global population will exceed nine billion by 2050 and food demand is expected to increase by around 77 per cent (Linehan et al*.* 2012).

Providing higher value products to the middle class and wealthy of the world will increase returns to Australian farmers. There is strong consumer interest in what Australia produces and how it gets to the plate, and this means that premium markets can be established based on sustainability, provenance, food safety and nutrition.

To capitalise on this interest, Australia must produce the premium agricultural products that increasingly affluent consumers in overseas markets will want. We need to add value—be it in terms of the quality characteristics of our products or in how they are packaged or processed—and produce quality, differentiated products. The Government has a role in opening new markets and assuring consumers, both in Australia and overseas, that our produce is safe and can be traced to its point of origin.

Transformative technologies mean that production can be faster, bigger and better integrated along the supply chain or connected directly to consumers. Productivity growth in farming in Australia and globally has been based on a history of transformation; be it in yield improvements, labour- saving technologies or improved connection to markets. Government and industry investment in improved communication infrastructure is pivotal to connecting farmers to markets and in providing information that drives productivity growth. Food security globally, and the role of Australia in this, requires strong productivity growth.

Investment, including foreign investment, can play an important role in meeting agriculture’s growth challenges through access to capital and alternative business models, exposure to new technologies, commercialisation of Australia’s agricultural expertise and links to global value chains. The Government will continue efforts to promote, attract and facilitate productive investment into Australian agriculture, including by prioritising agribusiness and food as one of five national investment priorities.

The world is undoubtedly a more connected place today than at any time in history; be it through economies, trade, technology or climate impacts. Australian businesses need to be resilient to changes that occur as a result of factors outside of their control. International exposure helps to develop globally integrated agribusinesses. Linking into global value chains improves the productivity and efficiency of the sector, and the skills of workers. It helps focus production on capitalising on future global demand. Being disconnected from these global realities is not a recipe for business success.

Australia already has a number of advantages. We have a stable economic and political system, open and competitive markets, good connections into global markets, world-class environmental practices, strong food safety systems and an abundance of land spanning tropical, subtropical and temperate farming zones. Our geographical location allows for counter-seasonal production for Northern Hemisphere markets and easier access to Asian markets.

The directions and initiatives of the Government in this White Paper reflect our response to these megatrends.

It is up to the Government to set the right environment for businesses to flourish, by promoting the effective operation of markets, removing unnecessary regulation, providing infrastructure, establishing a fair and efficient taxation system, facilitating research and development, opening export markets and maintaining an effective biosecurity system.

It is up to industry to seize the opportunities: to tackle new markets, take up new technologies, experiment with new breeds and varieties and try alternative approaches to business. Industry must also look to the challenges by understanding and actively managing the risks that they face.

Working together we can create a stronger agriculture sector and a stronger Australian economy.

### The Government’s commitment to the agriculture sector

This White Paper is focused on strengthening the competitiveness of the sector and delivering practical actions that will keep farming families profitable and resilient. It represents the Government’s commitment to the agriculture sector and seeks to create the right policy environment in which the sector can thrive. Presented below is a summary of the Government’s White Paper commitments based around the five priorities for action.

#### A fairer go for farm businesses

The Government is creating a better business environment for agriculture. The Government wants healthier market competition, better regulation, and an improved tax and investment environment to increase farm gate returns.

The Government will drive economy-wide competition reform through our response to the **Competition Policy Review** report (released 31 March 2015). The report canvasses a wide range of issues of interest to agriculture including the operation of the misuse of market power provision, access to justice and remedies and flexibility for businesses to collectively bargain. Competition policy needs to evolve to deal with the opportunities and challenges Australia will face in the coming decades. The Government recognises the particular challenges in the agriculture supply chain and will work to establish a fairer and more competitive environment. The Government supports the broad direction of the report in promoting more dynamic, competitive and well-functioning markets. We will deliver our response in the second half of 2015.

Agricultural supply chains are characterised by high business concentration beyond the farm gate. An imbalance of market power can lead to disputes and disagreements between businesses. The Government is boosting the **Australian Competition and Consumer Commission’s (ACCC) engagement with the agriculture sector** to strengthen competition through fair trading investigations and enforcement actions. This will include more resources to get out into the field and **the appointment of a commissioner with specific responsibility for agriculture**.

The Government is aiming to create an environment conducive for farmers and other supply chain businesses to play their role in ensuring good business practices and effective commercial relationships. The Government has strengthened Australia’s competitive framework for fair conduct through the introduction of the **Food and Grocery Code of Conduct** and the **Mandatory Port Access Code of Conduct for Grain Export Terminals**. The Government has also announced an independent **review of the mandatory Horticulture Code of Conduct**, to be completed in 2015. The review will recommend improvements in the clarity and transparency of arrangements between growers and traders.

Modern markets require modern business skills. To attract investment, farmers need to present business propositions that are attractive to investors, including domestic superannuation funds. To engage in the supply chain, farmers need to understand how other businesses work. The Government will assist by piloting, over two years from 2015–16, training courses on **cooperatives and other business structures** to help farmers to better engage through the supply chain and attract investment.

The Government recognises that domestic investment alone is unlikely to meet all the investment needs for growth in the agriculture sector. Foreign investors will also play a critical role.

The Government welcomes foreign investment in agriculture where it is not contrary to Australia’s national interest. The Government has already taken steps to improve the overall climate for foreign investment in Australia. It has reduced regulation, removed the Carbon Tax, increased export market access and invested in infrastructure.

We have also refined the settings for foreign investment in agriculture to provide greater transparency and confidence in Australia’s foreign investment review system. The Government has **reduced the screening threshold for foreign investment** in agricultural land to a cumulative total of $15 million, and is introducing a new $55 million screening threshold for agribusiness (excluding certain countries where limits in trade agreements apply). All direct investments by foreign government investors will continue to be screened. We are also **establishing a foreign ownership register of agriculture land** to provide a clear picture of foreign investment in Australia’s agriculture sector.

The Government is delivering on its commitment to reduce red tape across the economy by $1 billion a year. All sectors of the economy, including the agriculture sector, will be beneficiaries of these efforts. The Government will build on this by **streamlining the approval of agricultural and veterinary chemicals** to reduce industry and user costs. This will provide more timely access to productivity-enhancing chemicals, while still ensuring appropriate safeguards.

Further to this commitment, the Government will continue to identify and reduce unnecessary regulation. We will establish **Productivity Commission inquiries into ways to reduce unnecessary regulatory costs on Australian agriculture, with a separate inquiry into regulations affecting marine fisheries and aquaculture industries**. Importantly, the investigations will look beyond Commonwealth regulations, to the regulations imposed by other levels of government.

We are also exploring proposals for reforming Australia’s **country of origin labelling** regime so that it provides consumers with clearer information on the origin of their food in the most business-friendly way possible. Proposals, such as for a simple, diagrammatic representation of the proportion of Australian ingredients in a product, are being thoroughly tested through consultations and in-depth consumer research.

The Government wants to achieve a better tax system that delivers taxes that are lower, simpler and fairer. To achieve this, the Government has commenced a discussion and review process in its development of a **White Paper on the Reform of Australia’s Taxation System**.

But the Government recognises there are things that need to be done now for businesses to thrive. That is why we removed the Carbon Tax shortly after coming to office. This provided major saving to all businesses, including farming, where the Carbon Tax increased the cost of electricity, fertiliser, chemicals and fuel. The Government instead is taking direct action to reduce emissions through the $2.55 billion Emissions Reduction Fund.

The Government also announced a **Growing Jobs and Small Business package** in the 2015–16 Budget, benefiting 97 per cent of farms (those with turnover of less than $2 million). The package delivers an immediate deduction for assets costing less than $20,000 (available from 7.30pm AEST on 12 May 2015 until 30 June 2017), a tax discount of 5 per cent for unincorporated small businesses, and a 1.5 percentage point cut in the company tax rate for small businesses from 1 July 2015.

The Government recognises the need for Australia’s tax system to account for the agriculture sector’s operating environment and to promote productivity, profitability and competitiveness. Over the past four decades, the value of agricultural output has been almost two and a half times more volatile than the average for all the major sectors of the Australian economy (AFI 2012). Australian farmers also experience greater volatility in yield and price than most other farmers in the world (AFI 2012).

From 1 July 2016 the Government will **increase the deposit limit for Farm Management Deposits** (FMD) from $400,000 to $800,000. This will deliver more flexibility to farming enterprises to manage income fluctuations and set aside funds for low income years.

We will **remove the legislative restrictions, placed on financial institutions, preventing FMD accounts being used as a loan offset**. The Government encourages banks to offer this new product, which will allow primary producers to use their FMDs to reduce the interest they pay on business debt and improve their cash flow. ABARES (unpublished) has estimated that, if all FMD holdings are used to offset loans, the benefit to the farm sector in interest savings could amount to $150 million a year.

The Government will allow primary producers to **opt back into income tax averaging** 10 years after they have elected to exit the scheme in recognition that business circumstances change over time.

We are also providing a **simplified accelerated depreciation regime for fencing** to allow primary producers to deduct immediately the cost of new fencing in the year of purchase (commencing from 7.30pm AEST on 12 May 2015).

#### Building 21st century water, transport and communications infrastructure

The Government is investing in reliable, efficient and cost-effective water, transport and communications infrastructure to support the development and growth of the agriculture sector. This investment will improve Australia’s economic future and living standards. The Government is determined to ensure infrastructure underpins growth, not impedes it. We are committed to investing $50 billion in road and rail improvements, equity of $29.5 billion towards constructing the National Broadband Network (NBN) and billions of dollars in developing new and existing on- and off-farm water infrastructure.

Australia’s water supplies are being secured for the future growth and development of agriculture. We are providing **$500 million additional investment in water infrastructure** to give Australia greater certainty around future water security. This National Water Infrastructure Development Fund is comprised of $50 million to undertake the detailed planning necessary to inform future water infrastructure investment decisions and $450 million to construct national water infrastructure, in partnership with State and Territory governments and the private sector.

The Government is already delivering improvements to Australia’s transport infrastructure. We are delivering on a commitment to invest **$50 billion for current and future infrastructure.** This includes $42 billion through the Infrastructure Investment Programme to build and improve road and rail around Australia. The Government also recently announced a $5 billion Northern Australia Infrastructure Facility, $100 million through the Northern Australia Beef Roads Fund to improve northern cattle supply chains, and $600 million for projects on priority roads identified by Infrastructure Australia’s audit of northern Australia.

To ensure future infrastructure investment can continue to deliver tangible value for farmers, the Government is expanding the **CSIRO’s TRAnsport Network Strategic Investment Tool (TRANSIT) at a total cost of $1 million**. Analysis from TRANSIT will enable better targeting of future transport investments to assist the agriculture sector. It will analyse freight flows across 25 major agricultural commodities to identify transport bottlenecks and pinch points. This will help to reduce industry costs and improve profitability.

Government and private investment in communications technology is essential to farming smarter. Improvements in access to fast, reliable and affordable mobile and internet services in rural and remote areas have the potential to revolutionise agriculture in Australia. The use of information technology has evolved from basic GPS to precision farming—with the next frontier being data- enabled agriculture that provides real-time information to assist on-the-spot decision making.

To facilitate this, in addition to the existing **$100 million investment in addressing mobile coverage issues**, the Government is investing a further **$60 million in the Mobile Black Spot Programme**. This investment will target regional and remote communities that do not currently have reliable mobile coverage. It will improve the coverage of high quality mobile voice and wireless broadband services in rural areas, empowering agribusiness to take greatest advantage of digital technologies.

The Government is also making an **equity investment of $29.5 billion towards constructing the NBN**. The NBN will deliver access to fast, reliable and affordable broadband services to rural Australians.

#### Strengthening our approach to drought and risk management

Managing risk year-to-year and over longer cycles is one of the most difficult challenges for Australian farmers. Climate variability presents a particular challenge for agriculture, where productivity and profitability are closely linked to natural resources. These challenges require farmers to have adaptive farm and business management strategies that take account of the risks they face.

The Government is committed to ensuring farmers are well positioned to prepare for, manage through and recover from adverse conditions, including drought. We recognise that extreme droughts hit our farmers, their families, and rural communities hard. Commonwealth policy, both now and for the future, must encourage better farmer preparedness to manage known risks, including cyclical drought events, while providing necessary assistance in extreme events.

Australia needs an enduring drought policy. The Government’s new almost **$3 billion drought and risk management package** provides farm businesses, farming families and rural communities with certainty about how and when the Commonwealth will help farmers with drought. Good business and risk management needs to be encouraged and rewarded, but it is also true that drought can extend beyond the capacity of individuals and businesses to reasonably manage.

The Government’s new drought and risk management package establishes, for the first time, specific initiatives to help build preparedness. Initiatives include **facilitating the uptake of crop insurance and other risk management advice**, **accelerated depreciation incentives for building on-farm fodder storage assets and water facilities**, **improvements to climate forecasting**, and **making Farm Management Deposits more beneficial and attractive to support good business management**.

Severe and prolonged droughts can place pressure on even well-prepared farm businesses and impact on people’s wellbeing. In response, we are providing a mix of social and business support to help farmers and their families to manage through the tough times. This includes enhancements to the **Farm Household Allowance**, **additional rural financial counsellors in drought-affected areas, enhanced social and community support (specifically community mental health and family support)**, **up to $250 million per year over 11 years in drought concessional loans for farm businesses, assistance from the Australian Taxation Office for taxpayers experiencing difficulties in meeting their tax obligations** and **funding to help reduce the impact of pest animals and** **weeds**.

The Government also recognises the impact of drought on rural communities and is providing $35 million to fund **shovel-ready, local projects that will create job opportunities in drought- affected communities.** The Drought Communities Programme funding will be targeted at projects that stimulate local spending, use local businesses and provide lasting benefit to the community.

#### A smarter approach to farming

Australian farmers are rapidly adopting new technologies. The uptake of this technology is transforming Australian agriculture. To continue this, our farmers need access to the most advanced farming technologies and practices, and diverse skills and labour to drive its innovation and growth. This means maintaining and building on what is already recognised as a world-class system of research, development and extension (RD&E). The Government’s commitment to building the communications infrastructure of the 21st century will help farmers to access and profit from newly available knowledge and technology.

RD&E is a key driver for sector and farm gate profitability. The Government and industry already invest around $550 million annually through the world-class rural research and development corporations (RDCs). The Government has committed an additional $100 million over four years to 2017–18 in the Rural Research and Development for Profit programme to fund collaborative research projects to deliver cutting edge technologies, applied research and on-farm adoption. The Government is expanding this investment by **extending the Rural Research and Development for Profit programme** to a total of eight years (to 2021–22) with a further $100 million.

The Government is also **updating the rural RD&E priorities** to get the best outcomes for industry and the community from our substantial RD&E investment. Farmers will benefit from a greater focus on extending outcomes to the farm gate.

The Government will **improve the operation of the RDCs** to deliver more efficient, targeted and transparent RD&E outcomes for rural industries. It is also carefully considering, in consultation with the agencies and stakeholders, the relocation of three RDCs and the Australian Pesticides and Veterinary Medicines Authority to areas outside of Canberra. This will boost regional employment and investment, and provide a closer connection between these organisations and their stakeholders.

We are **matching new industry RD&E levies** for the export fodder and tea tree oil industries. We will also **boost funding by $1.2 million over four years for the Rural Industries Research and Development Corporation** to assist it in its provision of RD&E to small agricultural industries. These arrangements will help promote productivity in existing and emerging industries.

Skilled labour is vital to ensure agriculture has the workforce needed to remain internationally competitive. As the farming sector moves to greater utilisation of technology and the implementation of cutting edge research and development, there will be greater need for a more highly skilled workforce. The Government is committed to ensuring all Australian industries, including agriculture, have access to a diverse, skilled and flexible workforce.

The Government has set out a significant reform agenda that will allow our higher education institutions to respond more flexibly to the needs of industry. Farming in the 21st century will bring with it new environmental, social and financial challenges. Innovation, a hallmark of Australian agriculture, will be essential to meet these challenges. Higher education has a role to play in driving innovation and in equipping farm businesses with the skills and knowledge necessary to capitalise on an increasingly globalised and connected trading environment.

For vocational education and training (VET), the Government will ensure training leads to jobs. The Government has established the **$664.1 million Industry Skills Fund** to support up to 250,000 training places and support services to meet specific business needs, including those in the agriculture sector. Consortiums, led for example by agricultural peak industry bodies, may be eligible to apply to undertake Industry Skills Fund projects, to the benefit of individual farmers who might not otherwise be eligible to apply.

The Government is also making changes to visa programmes to improve their flexibility and ensure that farmers have access to the foreign workers that occupy an important part of the sector’s labour supply. The **Seasonal Worker Programme will be expanded** by removing the cap on the number of workers participating in the programme and increasing access to the programme for employers and Pacific Island countries.

**The Working Holiday (subclass 417) and Work and Holiday (subclass 462) visas will also be expanded for those operating in the northern Australia zone**, allowing agricultural employers to retain backpackers for an additional six months each visa year. The Government will also be giving Work and Holiday (subclass 462) visa holders access to a second 12 month visa if they work for three months in agriculture or tourism in northern Australia.

Following the review of the Temporary Work (Skilled) visa (subclass 457), the Government has tasked **a new Ministerial Advisory Council on Skilled Migration** to review the list of occupations available for sponsorship under the 457 visa. This is aimed at making the scheme more flexible and better able to meet market needs. It is important that the 457 visa programme be responsive to genuine skill shortages and recognises the primacy of Australians for local jobs and training. The Government also encourages the agriculture sector to work with it in developing template industry labour agreements to meet industry specific requirements that are not adequately covered.

Farming smarter also means achieving sustainable resource management, which is critical to long- term farming profitability. The Government’s focus on delivering practical changes for a cleaner environment is part of achieving a stronger Australia.

The Government continues Australia’s long standing and strong commitment to sustainable resources management recognising that this contributes to food security and a strong, competitive and resilient agriculture sector. This includes the Government’s **$1 billion commitment to the National Landcare Programme and $700 million commitment to the Green Army initiative**. Farmers manage the environment as part of their day to day business. Through these initiatives the Government supports farmers, other land managers, and community groups to protect the environment and implement sustainable agricultural practices.

Pests and diseases, if not managed, hit farmers’ pockets hard. Not only is the management of diseases, invasive weeds and pest animals (including feral animals) costly for farmers, it has broader environmental and social costs. That is why we are **investing an additional $100 million to help farmers manage pest animals and weeds and to provide emergency response to exotic pest and disease incursions**.

The Government recently announced $1.5 million for the CSIRO to partner with farming groups and others to provide a new system to give farmers near real time information about their farms. Farmers will be able to examine options for different crop varieties and soil inputs needed to make the most of soil moisture available for the coming season, and to obtain updates as the season progresses. This project will start to increase the digital connections between climate, soil and other information.

#### Access to premium markets

With around 65 per cent of our agricultural produce exported, access to overseas markets is vital for a profitable agriculture sector (ABARES 2015b). Being able to access a broad range of markets reduces reliance on any one market and increases the opportunity for higher profits for farmers.

The Government is opening up premium markets. Our free trade agreements (FTAs) with China, Japan and the Republic of Korea and ongoing negotiations with India are clear proof of our commitment.

The Government will build on its significant achievements to date and continue to open new export markets by pursuing reductions in tariffs, non-tariff barriers and technical barriers to trade.

Trade agreements need to be operationalised to be more than a diplomatic achievement. The Government has taken a range of actions to enable the agricultural industry to take full advantage of improved overseas trade and investment opportunities. These include: FTA information seminars around the country; shifting the focus of the Export Finance and Insurance Corporation so it better helps small and medium sized businesses who want to export; and improving access to the Export Market Development Grants scheme for small exporters.

Australian producers have a premium product to offer. With the right supply chains and product differentiation, a premium product gets a premium price. We may never be the food bowl for all of Asia but we do have an opportunity to be its favourite delicatessen.

The Government is committing an additional **$30.8 million over four years to removing technical trade barriers in our key agricultural markets** by increasing the number of agriculture counsellors overseas and increasing resources to provide the technical information needed to remove these barriers. Agricultural counsellors are on the front line of maintaining and increasing market access for our agricultural produce.

We will also protect Australia’s highly prized biosecurity status which underpins our access to many overseas markets. The entry of many exotic pests, weeds and diseases would also have a major impact on farmers, the community and the environment. The cost of incursion of certain diseases would be in the tens of billions and our main marketing and reputational advantage would be lost.

Australia has an enviable track record in eradicating pests, such as citrus canker and cocoa pod borer, and diseases, such as brucellosis and tuberculosis in cattle. We also have a good record in keeping out diseases such as foot and mouth disease, screw fly and rabies.

The Government will invest **an additional $200 million in biosecurity surveillance and analysis** to protect our animal and plant health status. This includes additional resources needed for biosecurity activities in northern Australia. Northern Australia has an environment that faces different risks to other parts of Australia due to its proximity to other countries and the tropical environment that is more receptive to certain pests and diseases.

We will also invest **$12.4 million to enhance existing traceability arrangements for Australian exports** to strengthen our ability to maintain market confidence in our exports and respond to incidents.

### Implementation and future actions

The Commonwealth recognises that achieving stronger farmers and a stronger economy will require effort by all those with an interest in the sector, including all levels of government, farmers, the broader agriculture sector and industry organisations.

For its part, the Government has outlined $4 billion in additional investment to achieve this stronger future. We will ensure the new initiatives outlined in this White Paper are implemented expeditiously so farmers get the benefits as soon as possible. The Minister for Agriculture and the Department of Agriculture will have lead responsibility within the Government for overall implementation of the package and will work closely with other Ministers and departments with responsibility for specific elements.

Some initiatives will require changes to legislation to enable their implementation and others require agreements to be established with State and Territory governments for their delivery. The Commonwealth seeks the cooperation of all parties to ensure farmers are not short-changed by process delays.

Many issues raised by stakeholders during consultations go beyond the responsibility of the Commonwealth Government. Many of these were outlined in the Green Paper and have been passed to relevant State and Territory governments for action. Where these matters overlap with Commonwealth responsibilities, we will work with other governments to progress them.

Farmers, the broader agriculture sector and industry organisations also have a role to play. The rules the agricultural industry has imposed on itself substantially exceed the costs imposed by Government regulation; it is up to industry to look closely at how it self-regulates to reduce costs. The advantages of the global marketplace are virtually limitless and it is up to industry to have a go.

The White Paper is both an end and a beginning. It is an end to the current process, but it is a beginning to the next stages of growth for the sector. Implementation of the White Paper package, along with broader government initiatives benefiting the sector, represent a formidable achievement and will be a major and ongoing implementation exercise. We will not rest; the Government will continue to pursue new opportunities to further advance the five priorities identified in this paper.

The White Paper, based on a better return at the farm gate, is a document that lives beyond this day and will assist future governments in the formulation of policy.

**Agriculture has a great future and the Government is committed to working with the sector to make it happen. Working together we can create a stronger sector and a stronger Australian economy**.

### Summary of new White Paper initiatives

#### A fairer go for farm businesses

| Initiative | What will it deliver for farmers |
| --- | --- |
| Fairer competition for farm produce |  |
| $11.4 million over four years to boost Australian Competition and Consumer Commission (ACCC) engagement with the agricultural sector including a new commissioner dedicated to agriculture | A more farm-savvy and proactive ACCC will help encourage fair‑trading and improved competition in agricultural supply chains and ensure issues are dealt with swiftly. |
| $13.8 million for a two-year pilot programme to provide farmers with knowledge and materials on cooperatives, collective bargaining and innovative business models | Farmers will have access to information to assist them to establish alternative business models (including cooperatives) and with their contract negotiations. |
| Better regulation |  |
| $20.4 million to further streamline the approval of agricultural and veterinary chemicals | Farmers will get access to new farm chemicals more quickly than in the past, thereby reducing the cost of doing business. |
| Productivity Commission inquiries into reducing regulation in Australian agriculture and in the marine fisheries and aquaculture industries | Reduced regulation at all levels of government will reduce costs and let farmers and fishers get on with their business. |
| Improved Country of Origin Labelling | Improved country of origin labelling information will give consumers clearer information on the origin of their food. |
| A better tax system for farm businesses |  |
| Allowing farmers to opt back into income tax averaging | Farmers who have opted out of income tax averaging will be able to re-enter the system after 10 years. |
| Increase the deposit limit for Farm Management Deposits (FMDs) to $800,000 | Farmers will be able to invest up to $800,000 in FMDs. |
| Allowing FMD accounts to be used as a farm business loan offset | Banks can allow farmers to use FMDs as a loan offset reducing their interest costs. |
| A more simplified accelerated depreciation regime for fencing (at a cost of $56 million) | From 7.30pm (AEST) 12 May 2015 farmers were able to immediately deduct the cost of new fencing in the year of purchase. |

#### Building the infrastructure of the 21st Century

| Initiative | What will it deliver for farmers |
| --- | --- |
| $500 million for developing the nation’s water infrastructure | Farmers will have greater certainty around future water security and new opportunities to develop agriculture, including in northern Australia. |
| $1 million for improvements to the CSIRO’s TRAnsport Network Strategic Investment Tool (TRANSIT) to support future Government infrastructure investment | Farmers will see reduced transport costs from fixing road and rail inefficiencies including bottlenecks and pinch points. |

#### Strengthening our approach to drought and risk management

| Initiative | What will it deliver for farmers |
| --- | --- |
| Preparing for drought |  |
| $3.3 million for improved seasonal forecasting | Farmers will have more accurate, more local and more frequent seasonal forecasts to assist with making decisions. |
| Immediate tax deduction for new water facilities and depreciation of capital expenditure on fodder storage assets over three years (at a cost of $86 million) | Water is key to farming. From 7.30pm (AEST) 12 May 2015 farmers were able to immediately deduct the cost of new water facilities.  Having feed on hand for livestock during a drought is vital. From 7.30pm (AEST) 12 May 2015 farmers were able to depreciate new fodder storage assets over three years. |
| $29.9 million over four years for farm insurance advice and risk assessment grants | Farmers will be able to access a grant to help evaluate insurance options and to obtain risk management advice. Insurance can give farmers the confidence to make profitable decisions. |
| In-drought support |  |
| Up to $250 million a year in drought concessional loans for 11 years | We will always stand by farmers in drought. Drought and drought recovery concessional loans will be available in 2015–16, with a new drought concessional loan product available for 10 years from 2016–17. |
| $22.8 million for increasing case management and the activity supplement for recipients in the third year of payment for the Farm Household Allowance | Farmers and their partners receiving the Farm Household Allowance will be assisted in decisions about their next steps. |
| $1.8 million for additional resources for Rural Financial Counselling Service providers in drought-affected areas (for  2015–16) | Increased financial counselling services will be provided to help farmers during droughts. |
| $20 million for additional mental health and community support services for rural communities in drought-affected areas | Improved access to community mental health and family support will be provided to assist farmers, their families and local communities during droughts. |
| Early access provisions for the Farm Management Deposits Scheme in times of drought | Farmers in drought will be able to access their FMD when they need it, without losing their taxation concessions. |
| Advice and assistance from the Australian Taxation Office to taxpayers in drought-affected communities | Farmers in drought-affected communities will receive advice and help in meeting their tax commitments. |
| $35 million for local projects to provide short-term help to communities that are suffering economic downturn due to drought | Shovel-ready local projects will create job opportunities in drought-affected communities. |
| $25.8 million over four years to help the State and Territory governments manage pest animals and weeds in drought-affected areas | Dealing with the impact of feral animals and weeds in drought-stressed regions will increase profitability. |

#### Farming smarter

| Initiative | What will it deliver for farmers |
| --- | --- |
| Development of clear, farmer-oriented priorities to target rural RD&E funding | Improved RD&E priorities will direct levy funds to areas that will improve farm gate returns. All research projects must consider how the information will be delivered to farmers and translated into real, on-farm practices. |
| $100 million to extend the Rural R&D for Profit programme to 2021–22 | Farmers will benefit from getting research out of the laboratory and onto the farm, which is key to productivity growth. Projects will have a strong delivery focus. |
| Improving the efficiency of RDCs by improving governance | Farmers will benefit from a greater focus on extending outcomes to the farm gate. Reduced administration costs will leave more money for RD&E. |
| $1.4 million over four years to match new agricultural production levies in the export fodder and tea tree oil industries.  $1.2 million over four years in additional funding will also be provided to the Rural Industries Research and Development Corporation for RD&E in small agricultural industries | A research boost will be provided to the export fodder and tea tree oil industries with new, matched RD&E levies; and small agricultural industries will benefit from additional RD&E funds to the Rural Industries Research and Development Corporation. |
| $50 million to boost our emergency pest and disease eradication and national response capability | The Government will be better placed to tackle pest and disease incidents, and to enable future containment and eradication programmes to be put in place, when needed. |
| $50 million to manage established pest animals and weeds | Farmers will have access to better tools and control methods for managing pest (including feral) animals and weeds, as well as support from Government for pest and weed management. This will include feral animals such as wild dogs and feral cats. |

#### Accessing premium markets

| Initiative | What will it deliver for farmers |
| --- | --- |
| $30.8 million to break down technical barriers to trade, including through the appointment of five new agriculture counsellors in key markets | Farmers and food processors will achieve increased returns from increased security of existing market access and access to new markets. |
| $200 million to improve biosecurity surveillance and analysis to better target critical biosecurity risks, including in northern Australia | Effective biosecurity protects agricultural industries and the community from the impact of exotic pests and diseases, and supports our access to overseas markets.. |
| $12.4 million to modernise Australia’s traceability systems, to verify produce integrity and secure access to overseas markets | Sound traceability systems help to ensure markets remain open, thereby increasing access and returns to farmers. |

A fairer go for farm businesses

*The Government is creating a better business environment for agriculture.*

The Government wants healthier market competition, less regulation, and an improved tax system to encourage investment and increase farm gate returns.

1. A fairer go for farm businesses

#### Action 1 An improved business environment—fairer competition, less regulation and a better tax and investment environment

##### 1A Fairer competition for farm produce

The Government wants an improved competitive environment for all businesses, including a fair return for Australia’s farmers at the farm gate. Farmers have expressed concerns about increasing consolidation beyond the farm gate and unfair trading practices through the agricultural supply chain. In some cases market power can be abused and result in anti-competitive trading practices. The Australian Competition and Consumer Commission (ACCC) has successfully conducted prosecutions in serious cases. But in a complex supply chain it is not always easy for market participants to determine if a practice is anti-competitive. Taking action may also be complicated by wanting to maintain trading relations or due to a lack of information.

The Government will seek to help farmers and small businesses in the agriculture supply chain to address these matters. We will boost **ACCC engagement with the agriculture sector** to enable them to directly observe behaviours in the market place, and strengthen competition and fair trading investigations and enforcement actions. This will include **the appointment of an ACCC Commissioner with specific responsibility for agriculture**.

Some farmers seek to engage in the supply chain, but don’t have the information to do so effectively. Domestic superannuation funds are not investing in agriculture due to a lack of investable propositions. The Government will assist by **building knowledge on cooperatives and other business structures** to help farmers to better engage in the supply chain and attract investment.

##### 1B Better regulation

The Government is reducing red tape across the economy by $1 billion a year, with the agriculture sector being a significant beneficiary of these efforts. In 2014 the Government reduced the regulatory burden by $24.5 million in the agriculture portfolio, $82 million in the infrastructure and regional development portfolio (including an $8.3 million reduction in red tape for heavy trucking), $83 million in the immigration portfolio (including an estimated $29.9 million reduction by streamlining the 457 visa programme) and $546 million in the environment portfolio (including a $426.3 million reduction in red tape by implementing the One-Stop Shop for environmental approvals) (Commonwealth of Australia 2015a,b,c,d).

The Government will build on this work by **further streamlining the approval of agricultural and veterinary chemicals** to reduce industry and user costs by around $68 million and to improve the timely access to productivity-enhancing chemicals, while still ensuring appropriate safeguards.

We will establish **Productivity Commission inquiries into regulations** unnecessarily increasing costs to Australian agriculture and to the marine fisheries and aquaculture industries, to report in2016.

The Government is developing reforms to Australia’s **country of origin labelling** regulations to provide clearer information to consumers about the origin of food, without imposing excessive costs on industry. Proposed reforms will be announced following consultation with industry and consumers.

##### 1C A better tax system for farm businesses

Our tax system is designed to allow farmers to smooth out some of the bumps in their income and outlays. The Government is developing the White Paper on the Reform of Australia’s Taxation System (Tax White Paper) with the objective of building a better tax system that delivers taxes that are lower, simpler and fairer. In advance of that process, we are delivering some specific arrangements for farmers now.

The existing **Farm Management Deposits (FMD) Scheme** allows farmers to set funds aside in good times to cover low income years. Farmers are already successfully using the scheme; as at 31 May 2015 national FMD holdings totalled over $3.55 billion (Department of Agriculture 2015a). This was down from the record level of $4.14 billion at the end of June 2014 (Department of Agriculture 2015a). From 1 July 2016 the Government is **doubling the maximum deposit limit to $800,000**. This will deliver more flexibility to farming enterprises to manage income fluctuations and to set aside funds for low income years.

The Government will also lift restrictions placed on the scheme to **allow financial institutions to offer FMD accounts that provide an offset on a farm business loan**. With the cooperation of banks, this will allow farmers to use their FMDs to reduce the interest they pay on business debt and improve their net cash position. ABARES (unpublished) has estimated that, if all FMD holdings are used to offset loans, the benefit to the farm sector in interest savings could amount to$150 million a year.

We will also allow primary producers to opt back into income tax averaging 10 years after they have elected to opt-out in recognition that business circumstances change over time.

The Government will change the rules around fencing depreciation to allow primary producers to **immediately deduct the cost of new fencing** (from 7.30pm AEST on 12 May 2015). This will simplify depreciation arrangements for farmers, provide a boost to farm returns and encourage farmers to upgrade to new fencing, rather than repair old fences. Accelerated depreciation for water facilities and fodder storage assets is separately detailed in Chapter 3—Strengthening our approach to drought and risk management.

##### 1D Investing for the future

For agriculture to grow in the future it must look to diversify its sources of capital beyond bank lending. A more diverse range of investment sources will provide greater opportunity to share risk with investors. But investment in farming has been less attractive than other investment options for many domestic investors. In part this is due to farmers not presenting an investable proposition to domestic superannuation funds and to other investors. The initiative outlined earlier on cooperatives and other innovative business structures may help farmers to review their business enterprises to open new opportunities for a broader range of investment.

Foreign investment also offers an alternative source of capital for growth. Australia is open to and welcoming of foreign investment, and is seeking to attract more foreign investment, including through specialist advisers within Austrade. At the same time the Government is taking steps to ensure the community maintains its confidence in Australia’s foreign investment review system.

The Government has announced strengthened transparency around foreign investment in agriculture by reducing the **screening threshold for foreign investment** in agricultural land from $252 million to $15 million for investments in agricultural land and $55 million for agribusiness. All direct investments by foreign government investors will continue to be screened. A **foreign ownership register of agricultural land** will be established to strengthen reporting requirements and provide a clear picture of foreign investment in Australia’s agriculture sector.

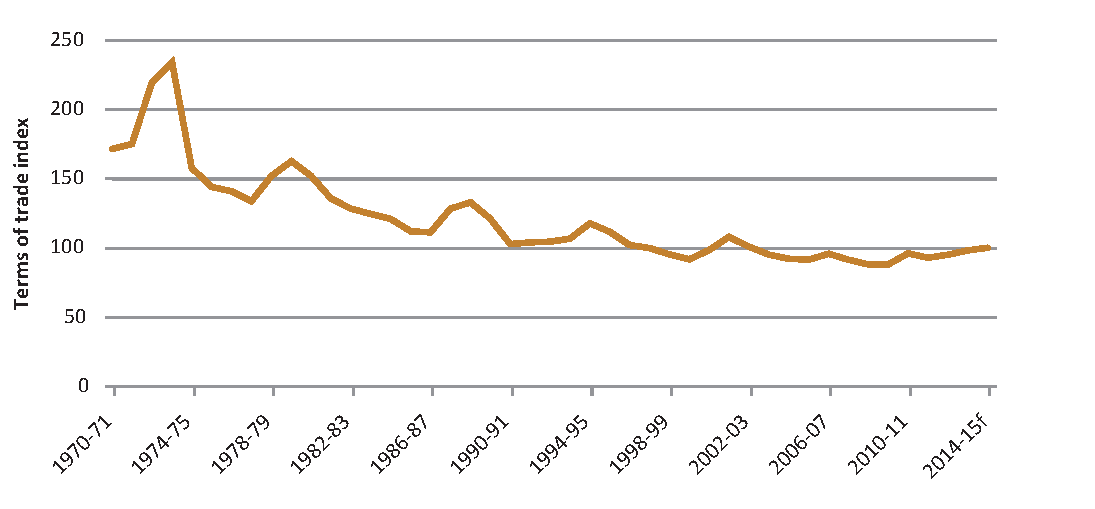
### Fairer competition for farm produce

The Government wants a fair return at the farm gate for farmers. A fair return means a return that reflects the value placed on the product by consumers as well as the input costs and effort of farmers and others in the supply chain in producing, processing, transporting and selling that product. This requires that markets operate efficiently and competitively, and that no single player in the market can command a greater share of the margin than they are entitled.

With many farm products sold in global markets, prices determined internationally strongly influence prices of those products received by farmers. For products with a greater domestic orientation—such as many horticultural products, fresh pork and poultry—the Australian market has a stronger influence. The Australian market is also influenced by imports of agricultural products.

The prices received by farmers relative to the cost they pay for inputs—known as the farmers’ terms of trade—has been on a steady decline over the long-term (Figure 2). While this has been the result, in part, of the success of farmers in Australia and globally at improving their productivity, it also means farmers are constantly under pressure to do better.

Figure 2 Australian farmers’ terms of trade



Notes: **f** ABARES forecast. Note: terms of trade index 1997-98=100. Source: ABARES 2015b.

Australia’s agricultural supply chains are highly concentrated beyond the farm gate. There can be advantages to Australia in having global-scale processors and retailers, such as cost-efficiencies and the ability to continuously meet the quantity and quality demands of overseas markets. Efficient food processors can also assist agricultural producers to diversify their supply chain and offer alternative markets, providing higher returns to the market generally. Highly competitive domestic markets and access to competitive global markets will help ensure all participants in the agricultural supply chain receive a fair return for their investment.

The relatively small, independent nature of farming means that farmers can be at a commercial disadvantage relative to buyers who are able to exercise significant market power. This has resulted from increased consolidation and concentration of retailers and processors. In the case of supermarket power, the ACCC (2008) found evidence that:

* growers who generally have less of their business committed to supplying major supermarket chains (MSCs) receive better terms from the MSCs;
* growers who have failed to develop alternative options to the MSCs are extremely vulnerable to the price pressures from the MSCs; and
* growers with more developed outside options, no matter what their size, are more likely to negotiate more advantageous terms with MSCs.

In highlighting these points, the ACCC emphasises the importance of farmers supplying into competitive markets, including ensuring they have a range of options that reduce their vulnerability to the exercise of market power in supply chains.

The Government also has an important role to ensure we have robust laws to address inappropriate use of market power and to fill information gaps so that the bargaining position of market participants is not compromised. The Government is committed to helping farmers resolve business disputes and assisting supply chain participants with ongoing compliance with competition law.

Ensuring markets are operating competitively means prohibiting firms with a substantial degree of market power from abusing that power. This is an important principle of competition law that ensures markets remain contestable even where large incumbents exist. This issue has been closely examined as part of the Competition Policy Review (Box 2).

Box 2 Competition Policy Review

The effectiveness of Australia’s *Competition and Consumer Act 2010* (CCA) is a key feature of the first comprehensive review of Australia’s competition framework in more than 20 years.

In March 2014, the Government asked Professor Ian Harper and an expert panel to undertake an independent, ‘root and branch’ review of competition policy. On 31 March 2015, the Government released the final report of the Competition Policy Review.

The report made 56 recommendations for reforms across three key themes: competition policy, laws and institutions. Professor Harper and the expert panel have made recommendations designed to help small businesses compete. The panel considered that laws to prevent the misuse of market power were not working as well as they should and made recommendations that focused on protecting the competitive process. The focus on conduct with the purpose or effect of substantially lessening competition is in line with many other provisions in the CCA.

The Government supports the broad objectives of the Competition Policy Review’s report to promote more dynamic, competitive and well-functioning markets. The Government has consulted broadly with industry, consumers and governments on the Competition Policy Review’s recommendations. These consultations will inform the Government’s response. Following the Government’s response, appropriate legislative changes will be developed for further consultation.

Source: Commonwealth of Australia 2015e

The ACCC is responsible for enforcing the *Competition and Consumer Act 2010* and the Australian Consumer Law and promoting competitive, efficient, well-informed and safe markets that enhance the welfare of Australians. For example, following ACCC investigations, in 2014 the Federal Court found that Coles Supermarkets Australia Pty Ltd had engaged in unconscionable conduct in 2011 in its dealings with certain suppliers. Coles was ordered to pay penalties of $10 million and costs. Coles also provided a court-enforceable undertaking to the ACCC to establish a formal process to provide options to redress the more than 200 affected suppliers. This underlines the willingness of the ACCC to enforce the legal protections for small businesses.

While the Government can work to ensure that businesses are operating within the competition laws established in Australia, ultimately the operation of the markets is about negotiations between buyers and sellers. For many farmers this will be a negotiation with a large processor, trader or retailer. Farmers need to consider how they can establish their business arrangements to place themselves in the best bargaining position possible.

For some farmers, considering business arrangements such as collaborative farming or bargaining collectively with other farmers can improve their negotiating positions. Increased knowledge and skills will enable more farmers to understand and capitalise on the opportunities presented by alternative business structures, including increased scale and capital investment. Collaborative farming ventures, for example, offer a business model that enables economies of scale without losing the integrity and heritage of the family farm. This approach was successfully adopted by the joint farming partnership, Bulla Burra Operations Pty Ltd, in the northern Mallee region of South Australia.

Others may wish to consider moving up or down the supply chain by establishing buying or selling cooperatives. The benefit of a cooperative structure is it offers family farmers the ability to retain their property ownership but delivers them the scale to better influence what happens beyond the farm gate, and diversify their income. Farmer-owned cooperatives can also add competition in the market place if they add to the number of participants, and allow farmers to engage in additional parts of the value chain where profitable to do so. The recent success of some cooperatives has increased interest in them. But information on how to form a cooperative and the pros and cons of doing so is not readily available. The Government will provide information to help support better decision making on alternative business structures.

Some State and Territory governments could do more to hasten adoption of the Cooperatives National Law (CNL). The CNL is designed to replace an ageing and fragmented legislative system. Cooperatives registered in a jurisdiction that adopts the CNL or passes consistent legislation will have reduced compliance costs and automatically be able to carry on business in other States and Territories that adopt the CNL (or consistent legislation). The CNL also provides better access to external capital funding by allowing a type of hybrid security—cooperative capital units—to be issued. New South Wales, Victoria and South Australia have already commenced the CNL in their respective jurisdictions.

#### We have delivered

The Government wants strong and effective competition throughout the supply chain to encourage enterprise and innovation and to ensure business practices are fair. Competition policy needs to evolve to deal with the opportunities and challenges Australia will face in the coming decades. The Government’s efforts to strengthen Australia’s competitive framework include:

##### Competition Policy Review

The Competition Policy Review’s final report makes 56 recommendations for reforms across three key themes: competition policy, laws and institutions. The Government supports the broad direction of the Final Report to promote more dynamic, competitive and well-functioning markets. The Government consulted broadly with industry, consumers and State, Territory and local governments. The Government response will set out the most appropriate competition policy settings to underpin a fairer and more competitive environment for business. (Commonwealth of Australia 2015e)

##### Horticulture Code of Conduct

The Horticulture Code of Conduct is a mandatory industry code prescribed under the *Competition and Consumer Act 2010*. On 3 June 2015 the Government announced an independent review of the mandatory Horticulture Code of Conduct. The code came into effect almost eight years ago with the aim of improving the transparency of transactions between horticulture growers and traders. Since the introduction of the code, the horticultural supply chain has continued to transform with an increasing number of growers entering into direct supply relationships with retailers or consumers. Horticultural growers and traders now have the opportunity to provide feedback on how the code can be improved to better meet the needs of the industry. The review is set to be completed in 2015. (Department of Agriculture 2015c)

##### Food and Grocery Code of Conduct

The Food and Grocery Code of Conduct is a voluntary prescribed code enforceable under the *Competition and Consumer Act 2010*. It prohibits specific types of unfair conduct by retailers and wholesalers who opt into the Code in their dealings with suppliers and provides a framework for these dealings. Key aspects include having agreements in writing and that cover basic matters, ensuring relationships with suppliers are built on good faith, and having requirements for effective dispute resolution procedures. (ACCC 2015)

##### Unfair contract term protections

On 28 April 2015 the Government announced its intention to extend the consumer unfair contract term protections to small businesses engaging in low value contracts, including farm businesses. This will protect against small business vulnerability and disadvantage. Robust contract protections will empower small businesses with the confidence to fully participate in markets knowing that trading terms must not be unfair. (The Treasury 2014a)

##### Small Business and Family Enterprise Ombudsman

The Government is establishing the Small Business and Family Enterprise Ombudsman as a Commonwealth-wide advocate for smaller enterprises. The ombudsman will assist in making Commonwealth laws and regulations more small business friendly, be a concierge for dispute resolution and offer its own alternative dispute resolution service. (The Treasury 2014b)

##### Industry Innovation and Competitiveness Agenda

The Industry Innovation and Competitiveness Agenda was announced on 14 October 2014 to provide the right economic incentives to enable businesses, big and small, to grow. The Agenda focuses on four overarching ambitions: a lower cost, business friendly environment; a more skilled labour force; a better economic infrastructure; and industry policy that fosters innovation and entrepreneurship.

Key initiatives under the Agenda are: encouraging employee share ownership; reforming the vocational education and training sector; promoting science, technology, engineering and mathematics skills in schools; accepting international standards and risk assessments for certain product approvals; enhancing the 457 and investor visa programmes; creating an Industry Skills Fund to assist industry investment in training; and developing an Entrepreneurs’ Infrastructure Programme to build business competitiveness and productivity. (Department of Industry and Science 2014)

**Mandatory Port Access Code of Conduct for Grain Export Terminals**

The Port Access Code for Grain Export Terminals is a mandatory industry code prescribed under the *Competition and Consumer Act 2010.* The Code ensures exporters of bulk wheat can access port terminal services on a fair and transparent basis, regardless of who owns the terminal. (Department of Agriculture 2015b)

**Food and Agribusiness Growth Centre**

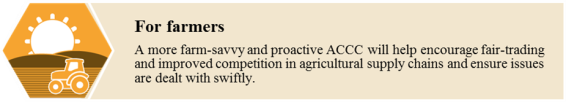
The Government is committing $188.5 million for five Industry Growth Centres in key growth sectors of the Australian economy, including the food and agribusiness sector. The industry-led Food and Agribusiness Growth Centre will set the strategic direction for the sector to drive productivity and competiveness post farm gate. It will focus on: reducing regulatory burden; increasing collaboration and commercialisation to get new ideas to market; improving access to international markets and increasing involvement in global supply chains; and enhancing management and workforce skills. (Australian Government 2015a)

#### White Paper actions

##### Better scrutiny of supply chain transactions

Farm businesses, especially those of a smaller scale, or with limited market opportunities, can be subject to anti-competitive behaviour or unfair market practices by other market participants. The Government will ensure **ACCC engagement and compliance activities** occur along the agricultural supply chain by establishing a programme of proactive liaison and engagement within the sector (at a cost of $11.4 million over four years). The Government will also **appoint an ACCC Commissioner with specific responsibility for agriculture.**

This funding will support greater ACCC engagement in the field to observe the operation of the marketplace first-hand in regional and rural areas. This new proactive approach will assist the ACCC to examine competition and unfair trading issues in a targeted and coordinated way and enable it to take appropriate action earlier.



##### Building knowledge on cooperatives and other business structures

Farmers are asking for more information about cooperatives and other innovative business models to assist them to strengthen their financial position, be more attractive to investors, improve their bargaining position and operate beyond the farm gate. The Government will provide farmers with **knowledge and materials on cooperatives, collective bargaining and innovative business models**. The information will help to counter-balance retailer and processor market power and achieve fairer farm gate prices. It will also help strengthen the business orientation of farmers, increase the ability of farmers to control a larger volume of product, and enable farmers to operate at a larger scale.

Operating as a two-year pilot from 2015–16, $13.8 million will be provided to Rural Industries Research and Development Corporation (RIRDC) to work with other Research and Development Corporation’s (RDCs) to develop and deliver training and materials. Where possible, this will complement training available in the Vocational Education and Training (VET) system. Topics could include establishing cooperatives, negotiating with suppliers, attracting external investment and competing more effectively in the supply chain. Farmers will also have access to specialist advisers who can further assist them in putting their plans into practice.

Farmers will have access to information to assist them to establish alternative business models (including cooperatives) and with their contract negotiations.


### Better regulation

Poor regulation damages productivity, deters investment and undermines jobs and growth. Cutting red tape is at the heart of the Government’s mission to build a strong and prosperous economy. While some regulation is necessary, rule-making across all levels of government costs Australia $94 billion each year (Deloitte 2015). Regulation can’t be the default option for policy makers.

Cutting red tape is a key component of improving the competitiveness of Australian agribusiness and agriculture, both in comparison to global peers and when measured against other local industries. In 2014–15 an executive opinion survey ranked Australia 124 out of 144 countries for the burden of government regulation (World Economic Forum 2014). That puts us in the worst 20 per cent of countries.

During 2014, the Government took action to repeal over 10,000 unnecessary and burdensome regulations and over 1,800 redundant Acts of Parliament (Commonwealth of Australia 2015f ). This has contributed to removing around $2.45 billion in red tape (Commonwealth of Australia 2015g). The Government will continue to cut red tape so business people, including farmers, can focus on running their businesses without being bogged down by unnecessary rules costing them time and money. The Government is committed to simple, streamlined regulation. Reducing regulatory burden will reduce business costs and help drive productivity growth (Gray, Oss-Emer & Sheng 2014).

This does not mean Australia should have no regulation. For markets to operate efficiently, some regulation is necessary. This is particularly the case where there is an imbalance of power in markets, including where there are a limited number of suppliers or buyers. As noted earlier, having the powers and resources to effectively enforce competition laws is important to competitive markets. A further example of better regulation in the electricity industry is provided in Box 3.

Action to reduce red tape requires efforts by all levels of government. Many of the issues raised in stakeholder consultations related to excessive regulation applied by the State, Territory or local governments. These included regulations around transport, environmental protection, native vegetation, land tenure and animal welfare. The Commonwealth calls on the State and Territory governments to intensify their deregulatory efforts including streamlining and better targeting regulations and ensuring regulations facilitate a stronger business environment. This includes reducing costs of compliance and allowing for business realities by being outcomes focused.

Box 3 A fairer go for Australian irrigators

In recent years, Australian irrigators have made great strides in improving on-farm irrigation technology. These systems are delivering significant benefits in water-use efficiency.

But much of this new technology is energy intensive, and significant rises in electricity prices have increased farm costs. The Government is determined to do what it can to reduce pressure on electricity prices. The repeal of the Carbon Tax was an important first step.

To limit future price rises, the Australian Energy Regulator (AER) is now better equipped to set the regulated revenues electricity network companies can recoup from customers. This includes setting efficient capital and operational expenditure by benchmarking network operators against each other, thereby ensuring irrigators don’t pay more than they have to. Electricity network operators will also need to consult with their customers in designing network tariffs and demonstrate to the AER how they have sought to address customer concerns. This gives irrigators more opportunities to have a say in how electricity networks are priced.

The Government has also delivered the Energy White Paper. The Energy White Paper maps out our energy policy framework to provide competitively priced and reliable energy to households and businesses. It also encourages investment in improved energy productivity. (Commonwealth of Australia 2015h)

While the Government is doing all it can to put downward pressure on electricity prices, there is also potential to improve farmgate returns through better energy efficiency and new types of energy services. Over the next year, we will work with State and Territory governments to develop a national energy productivity plan to improve how all energy consumers, including regional businesses, use energy and can better manage and reduce energy costs.

For example, the *NSW Native Vegetation Act 2003* prevents removal of native vegetation without the approval of the State government. The Australian Farm Institute observed that this effectively prevents any area of farm land having native vegetation growing on it being used for productive agricultural purposes, thereby imposing high regulatory, financial and productivity costs (Keogh 2014). The NSW Government is currently reforming native vegetation management to streamline legislation, allow low-risk clearing activities and simplify the assessment process for clearing proposals. The reforms are an opportunity to achieve shared environmental outcomes and a common sense approach to regulation.

Joint efforts are also being made to reduce the environmental regulatory burden through implementation of the One-Stop Shop environmental approval process. In April 2014 Commonwealth and State Environment Ministers agreed to conduct a National Review of Environmental Regulation. The interim report of the National Review of Environmental Regulation, developed in conjunction with States and Territories, was published in March 2015. It identifies substantial environmental regulatory reform efforts underway and future areas for reform. More specifically, the report identifies unworkable, contradictory or incompatible regulation and opportunities to harmonise and simplify regulations.

The Government is also providing the food and agribusiness sector with an opportunity to contribute to the Government’s red tape reduction programme through the Food and Agribusiness Growth Centre. The Food and Agribusiness Growth Centre will work with the sector, post-farm gate, to identify and make recommendations on possible reforms. They will help identify local, State, Territory and Commonwealth regulations that are unnecessary or overly burdensome and impede the sector’s ability to grow.

Red tape is not just imposed by governments. The rules businesses impose on themselves are estimated to cost $155 billion year, 65 per cent more than the cost imposed by government (Deloitte 2015). Industry imposes self-regulation for marketing, quality and customer education purposes. For example, the Livestock Production Assurance (LPA) On-Farm Quality Assurance scheme is the Australian meat industry’s quality assurance scheme. LPA is administered by AUS-MEAT on behalf of cattle, sheep, goat and dairy producers, processors and livestock agents. It aims to provide consumers with confidence that they are buying a quality product that meets specifications the same way every time.

Industry self-regulation is often of mutual benefit to the customer (by providing assurance and information) and the producer (by providing market share). However, there is an increasing number of private and industry standards, often requiring separate audits (Box 4). Individual organisations, the agriculture sector and industries across the supply chain need to unlock the profit potential they have tied up in their own red tape. The Australian Food & Grocery Council is conducting a food safety auditing project to review grocery certification with major retailers. The project aims to reduce the overall cost burden of food safety auditing on the food value chain, including by rationalising the number of audits required. This is an example of how industry-led initiatives can reduce the regulatory burden for Australian farmers.

Box 4 Private standards

Governments impose standards on Australian agricultural and food businesses to protect human health, the environment or consumers. But Government standards are not the only standards industry are required to meet. Growing consumer concern about where food comes from; how it is grown, harvested or produced and processed; and the opportunities that some producers see in being able to differentiate their product to gain a price premium, has led to a proliferation of private labelling and certification schemes. While some of these schemes have merit, they are often devised without industry consultation and yet impose high industry cost. The supermarket structure in Australia means that Coles and Woolworths have the market power to adopt new standards without needing industry buy-in.

A case that illustrates the confusion and cost of private certification schemes is the concept of free range for egg production. Consumer demand for free range is clear, but what constitutes free range is not. In 2013, the University of Tasmania assessed six major egg labelling schemes in a report for the Australian Egg Corporation Limited and found that only two of these used the same criteria for certification. All the groups were found to have invested a lot of time, money and energy into developing their schemes. They were also found to be unlikely to relinquish their own schemes in favour of a single, shared certification standard (Gale 2013).

The Free Range Egg & Poultry Australia programme is the most widespread system adopted for production and accreditation of free range meat chickens in Australia (Australian Chicken Meat Federation Inc 2014). However, Coles recently adopted the RSPCA Approved Farming Scheme requiring its producers to meet new certification requirements (Coles 2015).

Commonwealth, State and Territory Consumer Affairs Ministers recognised that the variety of certification and egg labelling schemes undermined consumer confidence, and producer and retailer certainty. A consumer information standard is to be developed to provide greater clarity for the labelling of commercially sold eggs. This will reflect recent court determinations reaffirming consumer expectations and better aligning with production systems and animal welfare standards. The standard will be developed in full consultation with stakeholders and Agriculture Ministers.

Private standards have an important role to play in meeting consumer expectations. However these operate best when developed in consultation with industry to ensure they are practical, grounded in the realities of agricultural production and phased in over time, and that competing standards in the same sector are aligned to remove duplication and expense.

#### We have delivered

The Government is delivering on its commitment to reduce the regulatory burden on businesses by $1 billion a year across the economy. In 2014 the Government reduced regulatory burden by $24.5 million in the agriculture portfolio, $82 million in the infrastructure and regional development portfolio (including an $8.3 million reduction in red tape for heavy vehicles), $83 million in the immigration portfolio (including an estimated $29.9 million reduction by streamlining the 457 visa programme) and $546 million in the environment portfolio. (Commonwealth of Australia 2015a, b, c, d)

Specific regulatory reforms include:

##### Environmental regulation

Environmental legislation is important for protecting our natural assets, but duplication between the Commonwealth, States and Territories places unnecessary burden on businesses, including the agriculture sector.

The One-Stop Shop regulatory reform will streamline environmental assessment and approval processes by removing duplication between the Australian Government and States and Territories. The One-Stop Shop is being delivered through bilateral agreements that will allow a State or Territory to conduct a single environmental assessment and approval process that satisfies both State, Territory and Australian Government requirements.

The One-Stop Shop will result in lower administrative costs and faster approval decisions while maintaining high environmental standards. The One-Stop Shop is anticipated to save business $426.3 million a year. This will make Australia more competitive, encourage investment and create jobs. (Department of the Environment 2015a)

The Commonwealth is also conducting a national review of environmental regulation with State and Territory governments. The review will identify areas to further streamline arrangements, reduce duplication and remove unnecessary regulation. (Department of the Environment 2015b)

##### Land tenure in northern Australia

The Commonwealth will work with Indigenous communities, business and northern jurisdictions to simplify and modernise land arrangements in northern Australia to support investment.

Through the White Paper on Developing Northern Australia the Government will:

* invest $10.6 million in land tenure projects to fund practical ‘next steps’ that demonstrate the benefits of land tenure reform for investors, Indigenous Australians and other stakeholders;
* invest $20.4 million to better support native title holders engage with potential investors;
* provide business friendly information on the different land tenure arrangements in the north to increase the appeal of investing; and
* pursue a set of principles and actions to improve the security, bankability and efficiency of pastoral land. (Commonwealth of Australia 2015i)

The Government also wants to have all current native title claims finalised in the next ten years. The Government is investing $110 million annually to support the native title system.

##### Reforming live export regulation

The Government is reforming the Exporter Supply Chain Assurance System (ESCAS), cutting almost $1.7 million worth of red tape on industry annually. A risk-based approach to ESCAS auditing will allow auditors to focus on areas of greater risk, and will also encourage exporters to use facilities with a good record of compliance.

Under the new system, supply chain facilities will be assessed as low, medium or high risk to determine audit frequency. This reform reduces the number of audits for animal export facilities with a good performance record, while increasing audits for facilities failing required standards. The Department of Agriculture has also revised the guidance document for use by exporters and auditors, which will reduce administrative burden and costs and result in more consistent assessments of facilities and supply chains. (Department of Agriculture 2015d)

##### Reform of the Federation

The White Paper on the Reform of the Federation is examining the responsibilities of different governments. The Commonwealth wants to ensure that, as far as possible, the States and Territories are sovereign in their own sphere so we avoid duplication. (Department of the Prime Minister and Cabinet 2015)

#### White Paper actions

##### A new approach for the Australian Pesticides and Veterinary Medicines Authority (APVMA)

Global food security in a resource-limited world depends on high agricultural productivity and future sustainability. Chemicals are used by farmers to control pests and weeds and to manage the health of their animals. Farm businesses spent more than $1.4 billion on chemicals in 2013–14 (ABARES 2014). It is important that the approval systems for chemicals are as efficient as possible, but maintain safeguards necessary to protect human health and to prevent damage to users, plants and animals, and the environment

Australian agricultural and veterinary (agvet) chemical regulation imposes a large regulatory burden. It is often disproportionate to the risks these products pose. This slows access to newer and better products and increases chemical cost. Australian producers often cannot access the chemicals they need to improve their competitiveness and manage resistance. Overseas producers can gain an advantage in accessing new chemicals well before their Australian counterparts.

The Government has started reforming agvet chemical regulation. For example, initiatives introduced in 2014 will reduce the regulatory compliance cost to industry for some animal feed products by over $7 million annually. The Government is delivering on its commitment to improve access to chemicals for minor crops and pests. But more needs to be done. The Government is putting in place **a new approach for the APVMA to streamline access to products and better manage the risks** these products can pose, while ensuring human health protection.

Working with industry, the Government will limit pre-market assessments of low- and medium- risk products. The Government will focus its attention on products that pose the highest risk. The Government will recognise assessments from accredited third party suppliers and trusted chemical regulators to reduce the paper work. Where products are available in trusted overseas countries, the Government will examine risks that are different in the Australian market, such as where we have different human health requirements, agricultural practices or environmental assets. In collaboration with industry and the States and Territories, the Commonwealth will explore opportunities to improve post-market compliance and national control of chemical use.

Through these changes, the Government will cut unnecessary and excessive costs for industry. This will reduce delays for users and remove disincentives for registering chemicals for more uses in the Australian market. These reforms will result in a reduced regulatory cost to business of around $68 million annually.

Farmers will get access to new farm chemicals more quickly than in the past, thereby reducing the cost of doing business.


##### Productivity Commission to identify more ways to cut red tape

The Government wants to maintain the momentum for deregulation in agriculture. We will ask the **Productivity Commission to review regulation that is limiting growth in Australian agriculture and in the marine fisheries and aquaculture industries**.

Importantly, investigations will look beyond Commonwealth regulations to the regulations imposed by other levels of government. They will also consider overlap or inconsistency between levels of government or between different regions. Following the release of the Productivity Commission’s reports in 2016, the Government will consider the recommendations and work with other governments as necessary to reduce the regulatory burden on business.

Reduced regulation at all levels of government will reduce costs and let farmers and fishers get on with their business.


##### Improved Country of Origin Labelling

The Government recognises that effective operation of markets requires some level of regulation. As a result of consumer concerns about country of origin information provided on the food they are purchasing, the Government announced on 26 February 2015 it would seek to **improve Australia’s framework for country of origin labelling.**

The public is confused and frustrated with the current framework, especially with claims such as ‘Made in Australia’ and ‘Made in Australia from local and imported ingredients’. The *Australia New Zealand Food Standards Code* and the Australian Consumer Law are the two key elements of Australia’s country of origin labelling system for food. The Commonwealth and State and Territory governments share responsibility for development and enforcement.

The Government is committed to ensuring consumers are provided with clearer country of origin labels. In particular, we want to address the frustrations expressed by consumers about unhelpful statements, such as that food contains local and imported ingredients, but that give no indication about how much is local. To allow us to meet consumer needs without imposing excessive costs on industry or contravening our international trade obligations, we are consulting widely on possible changes. One could be a requirement for a simple, diagrammatic representation of the proportion of Australian ingredients in a product.

Following consultation with business and the community on the best path forward, we will engage with State and Territory governments. The implementation of the new labelling framework will take some time, and it will be appropriate to provide a phase-in period to give business time to adjust to any new requirements.

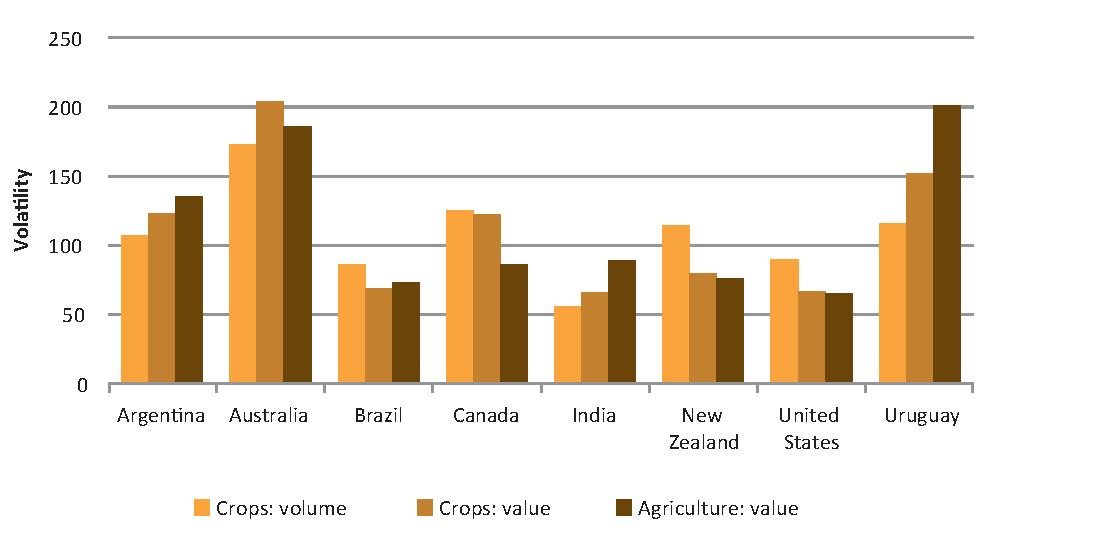
Improved country of origin labelling information will give consumers clearer information on the origin of their food. 


### A better tax system for farm businesses

The agriculture, forestry and fisheries sector’s net tax liabilities averaged $531 million per year between 2008–09 and 2012–13 (ATO 2011, 2012, 2013, 2014, 2015a) with an average benefit received from tax concessions of $387 million per year in the same period (PC 2014a).

A large share of the concessions received by farmers reflects a response to the extreme volatility of farm incomes due to the vagaries of weather and markets. Over the past four decades, the value of agricultural output has been almost two and a half times more volatile than the average for all the major sectors of the Australian economy (AFI 2012). Australian farmers also experience greater volatility in yield and price than most other farmers in the world (Figures 3 and 4) (AFI 2012).

Figure 3 Volatility of agricultural output by country, 1961–2009



Source: AFI 2012

Figure 4 Volatility of annual output value, index for 1975–2011

A bar graph shows the relative volatility of annual industry gross value added from 1975 to 2011 for five Australian industries.
From least volatile on the left: health care has an index value of 46, retail trade 75, mining 128, finance and insurance 157 and agriculture is the most volatile with an index value of 234.
Source: AFI 2012

The Government tries to ensure the tax system does not treat farmers with highly volatile income unfairly relative to other tax payers with more stable incomes. Tax averaging smooths the income tax liability of primary producers over a maximum of five years. This means income tax paid by primary producers better reflects that paid by someone who receives an equivalent, but more stable, income over that period. Farmers can choose to opt out of tax averaging and pay tax on their annual income in the same way as other taxpayers. However, once they opt out they can never re-enter the system.

This does not reflect the reality of a life-time of changing circumstances and the Government has decided to address this.

Tax averaging changes the tax liability of farmers across years, but it does not assist farmers to manage cash flow in low income years. Tax averaging means farmers pay less income tax in high income years but pay a higher amount of tax than otherwise in low income years. To help encourage savings across years, the Government provides farmers with the opportunity to invest in Farm Management Deposits (FMDs). FMDs enable farmers to set aside pre-tax income in a high income year and withdraw in a low income year. Tax is only paid on the deposit in the year it is withdrawn.

The amount of income invested in FMDs has steadily increased over time, and as at 31 May 2015 farmers had $3.55 billion invested (Department of Agriculture 2015a). The Government is making some changes to the operation of FMDs to ensure arrangements remain up to date and that they continue to provide benefits to farmers.

More broadly, the Government is having an open and constructive conversation with the community on how we can create a better tax system that delivers taxes that are lower, simpler and fairer. To do this, the Government has commissioned a Tax White Paper. The basic structure of our tax system was designed before the 1950s and needs a fresh approach to support Australia into the future. The Government wants a tax system that supports higher economic growth and living standards, improves international competitiveness and can adjust to a changing economy and new opportunities. The Tax White Paper, to be released before the next election, will be the Government’s plan on how to improve the tax system.

#### Non-commercial loss tax provisions

As part of the Tax White Paper the Government intends to review the non-commercial losses regime. Farmers are highly dependent on lending from financial institutions. Opening up the sector to a broader range of financial investment options would provide more options for farmers, including spreading risk with other investors.

However, current non-commercial loss taxation provisions limit the extent to which investors can write off losses from one activity against income from another activity (the current $250,000 off-farm income threshold was introduced in 2009–10). The non-commercial loss rules have discouraged investment in agriculture relative to other investments, such as property, where negative gearing provisions apply. It has also discouraged farmers from building up off-farm assets as a strategy for building farm resilience.

The Tax White Paper will examine the non-commercial loss rules, including possible options to reduce the negative impact of the rules on-farm investment.

#### Wine Equalisation Tax Rebate

The Tax White Paper will consider alcohol taxation arrangements, including the Wine Equalisation Tax (WET) rebate.

The Australian grape and wine industry has been under considerable financial pressure in recent years. Factors contributing to this have been the global financial crisis, the high Australian dollar and increased international competition in export markets. Adding to market pressures, between 2002–03 and 2013–14 Australian wine grape production increased by 28 per cent (ABARES 2015a, 2014). In combination, these trends contributed to the value of wine exports falling by 43 per cent (in real 2013–14 dollars) between 2002–03 and 2013–14 (ABARES 2015a, 2014). Wine grape prices also fell over this period. Cool variety grape prices fell by 41 per cent in real terms and warm variety grape prices fell by 60 per cent (ABARES 2014, AGWA 2014).

The Government is aware of concerns that the current taxation arrangements for wine producers— particularly the WET rebate—may be distorting production decisions and impeding industry adjustment. There is also a view that the WET rebate plays a role in supporting businesses— particularly small businesses—in regional communities.

The WET rebate was introduced on 1 October 2004 to replace the cellar door rebate scheme. It provides eligible wine producers with a rebate of up to $500,000 a year. Substantial investments have been made by wine producers on the basis of the WET rebate arrangements. Despite this, most in the wine industry support an open discussion about the current WET arrangements.

The Government welcomes a conversation with the Australian grape and wine industry about the WET rebate and the possible policy alternatives. The Government has asked the Treasury to prepare a discussion paper on the operation of the WET rebate, to be released in 2015. This discussion paper will help inform consideration of taxation of the wine industry in the Tax White Paper process.

In addition, the Senate Rural and Regional Affairs and Transport References Committee is conducting an inquiry into the Australian grape and wine industry and will report by 11 November 2015.

#### We have delivered

There is still more to do, but the Government is driving tax reform:

##### Developing the Tax White Paper

Through the Tax White Paper the Government will reform our tax system to deliver a better tax system that delivers taxes that are lower, simpler, and fairer. The release of ‘Re:think’, the tax discussion paper, commenced a national conversation on how the tax system can support higher economic growth and living standards, improve our international competitiveness and adjust to a changing economy and new opportunities, including by the agriculture sector. (The Treasury 2015a)

##### Changes to Farm Management Deposits (FMDs)

The Government has delivered improvements to the FMD scheme. We excluded FMDs from the operation of the unclaimed money provision in the Banking Act 1959. This prevents farmers’ FMDs from being inadvertently transferred to the Commonwealth.

The Government also legislated the following changes that took effect from 1 July 2014:

* the off-farm income threshold was increased from $65,000 to $100,000, allowing farmers to earn more income from non-primary production sources in an income year before being prevented from making new FMDs; and
* the consolidation of separate FMD accounts was facilitated by eliminating the tax consequences that arose when multiple FMDs were consolidated into a single deposit. (The Treasury 2014c)

##### Growing Jobs and Small Business package

The Growing Jobs and Small Business package, introduced in the 2015–16 Budget, provides initiatives to support small business growth and prosperity. These include:

* An immediate tax deduction for any individual asset costing less than $20,000. This $20,000 limit applies to each individual item with no limit on the number of items that can be claimed. These arrangements will continue until the end of June 2017.
* A tax discount of 5 per cent of the tax payable on small business income from unincorporated businesses with annual turnover less than $2 million from 1 July 2015.
* A company tax rate of 28.5 per cent for small businesses with an aggregated turnover of less than $2 million, from the income year commencing on or after 1 July 2015. (Australian Government 2015b)

##### Abolished the Carbon Tax

The Government delivered on our promise to abolish the Carbon Tax. We removed the burden of this tax when farmers purchase essential inputs, such as electricity, fertiliser, chemicals and fuel. Farmers’ ability to compete globally is no longer constrained by the world’s biggest Carbon Tax. (Department of the Environment 2015c)

#### White Paper actions

In advance of the Tax White Paper, we will deliver some specific arrangements for farmers. These include:

##### Delivering a fairer system for income tax averaging

Income tax averaging should be as accessible as possible for primary producers. The Government recognises the changing circumstances of primary producers and will now **allow farmers to opt back into income tax averaging** 10 years after they have elected to opt-out. Income tax averaging relieves the burden of high marginal tax rates in high-income years and ensures farmers pay tax at rates representative of their average level of income. In a rapidly changing world with increasing climate and price volatility, income averaging is more important than ever for smoothing farm income tax liabilities over time. Increasing the flexibility of tax averaging allows farmers to pay a fairer amount of tax when business circumstances change. Setting a 10 year period for opting back in will help ensure this new flexibility is being used for the intended purpose.

Farmers who have opted out of income tax averaging will be able to re-enter the system after 10 years.


##### Increasing flexibility in accessing Farm Management Deposits

Farm Management Deposits (FMDs) are a popular and valuable tool used by farmers to manage their variable income over time. Arrangements around the use of FMDs need to be kept up to date and meet the needs of a modern farming business. The Government will make a number of changes to the operation of FMDs to improve their value to farmers. These changes will apply from 1 July 2016 and include:

* A **doubling of the deposit limit for FMDs** from $400,000 to $800,000. This will deliver more flexibility to farming enterprises to manage income fluctuations and further encourage them to set aside funds for low income years.
* The removal of legislative restrictions placed on financial institutions preventing **Farm Management Deposit (FMD) accounts being used as a farm business loan offset.** The Government encourages banks to offer FMDs as loan offset accounts to allow primary producers to use their FMDs to reduce their interest paid on business debt and improve their cash flow. Based on farm survey data, ABARES (unpublished) has estimated that the benefit to the farm sector in interest savings could amount to $150 million a year. This assumes banks offer this opportunity and all FMD holdings are used to offset loans.

Farmers will be able to invest up to $800,000 in FMDs and banks can allow farmers to use FMDs as a loan offset reducing their interest costs.

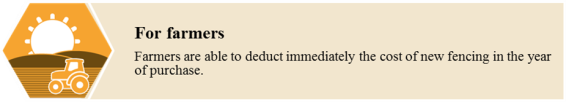

##### A simplified accelerated depreciation regime for fencing

It is important that our tax system encourages investment in productive assets. Farm fencing is a non-negotiable expense that has important productivity enhancing benefits. The Government changed the rules around **fencing depreciation to allow primary producers, from 7.30pm AEST 12 May 2015, to deduct immediately the cost of new fencing in the year of purchase.**

Previously, the rules around depreciation of fencing were complex. For example, an electric fence had a different effective life (20 years) from a general fence (30 years). If it could be shown that the same fence was being used for a landcare operation it could be depreciated in the first year. And, if a farmer repaired a fence it was an immediate deduction, but if the farmer built a new and improved fence it needed to be depreciated over its effective life.

The immediate deductibility of fencing will simplify depreciation arrangements for farmers, provide a boost to farm returns and encourage farmers to upgrade to new fencing, rather than ‘make-do’ by repairing old fences because they can deduct the costs sooner.

Accelerated depreciation has also been introduced for water facilities and fodder storage assets. The new arrangements are outlined in Chapter 3—Strengthening our approach to drought and risk management.



### Investing for the future

Access to capital for investment is critical for the Australian agriculture sector to remain internationally competitive and to take advantage of future growth opportunities.

Higher performing farms tend to invest more (Figure 5). For the three years ending 2011–12, the top 25 per cent of broadacre and dairy farms accounted for 64 per cent of the net capital additions on farms, compared to 2 per cent for the bottom 25 per cent (ABARES 2013). Top performing farmers also dominated land purchases in broadacre farming over the same period. More efficient and profitable farmers tend to be expanding farm area, while less profitable operators tend to be selling land (Hooper et al. 2002). Investing on-farm is essential to improve sustainability and drive growth.

Investment requires capital and bank debt financing has been the predominant funding source for capital. Rural debt levels rose over the decade to 2013–14, reaching a total of $64 billion (RBA 2014). Banks held around 94 per cent of rural debt in 2014, government held 3.6 per cent and the remaining 2.3 per cent was held by pastoral and other finance companies (RBA 2014).

Figure 5 Net capital addition, average per farm

A line graph shows the average annual net capital addition per farm in real (2014-15 dollar) terms.
From 2000-01 to 2013-14 the top 25 per cent of broadacre farms invested around $80,000 more on average each year than all broadacre farms combined.


Notes: **p** ABARES preliminary estimate; in real 2014–15 dollars. Source: ABARES unpublished.

While better use of existing debt financing within the agriculture sector may support some new investment it is unlikely to provide the investment needed by the sector. The ANZ has estimated that $1 trillion in on-farm and supply chain investment is needed by the sector over the period to 2050 to increase its productivity, competitiveness and profitability. This includes investment in matters such as succession, land-use optimisation, production mix conversions, technology, marketing and infrastructure (Port Jackson Partners 2012).

#### Alternative domestic investment sources

Until recently, wide-scale non-bank capital flows into family farms have been limited and highly selective (KPMG 2015a). Such investment has tended to focus on the agricultural supply chain more generally, wholly purchasing farmland or profitable farm businesses, and key assets such as water rights (KPMG 2015a). Attracting other investment into family farms will require agriculture to make itself visible as an alternative asset.

Domestic superannuation funds have few investments in agriculture. For example, currently only 0.3 per cent of MySuper products are invested in agriculture (BDO 2015). A key issue limiting domestic superannuation funds is the way they are assessed and benchmarked, which disadvantages investments that require longer term horizons, like agriculture.

Beyond domestic superannuation funds, to successfully attract external non-bank capital it is up to Australian farm businesses to demonstrate value and provide investable products that allow external investment.

A report to the Western Australian Government (KPMG, 2015b) noted that, to attract external equity sources, such as domestic superannuation funds, farm businesses should:

* adopt best practice business management procedures already employed in the corporate sector to encourage external funders to engage with agriculture; and
* embrace joint venture or equity partnership business structures to expand the pool of investors.

With the average broadacre farm worth around $4 million (ABARES 2015c), opportunities for young people (outside family succession) and new industry entrants to independently own and operate properties are increasingly scarce. This means the sector will be deprived of future skills and capability should young people aspiring to manage a farm be required to effectively buy themselves a job through property acquisition. There may be increased opportunities for new entrants to be involved in the management and operation of farms owned by passive investors as the sector continues its trend towards consolidation in pursuit of scale efficiencies (AgriFood Skills Australia 2015). These could be:

* under corporate structures, potentially with the backing of local retail investors, domestic managed and superannuation funds, or foreign direct investment;
* where there is private ownership by absentee land-holders; or
* where retiring farmers seek to maintain their family interest in a property but do not have succession options.

Leasing, share-farming and profit-sharing arrangements provide other means of facilitating the entry of young people into agriculture without prohibitive up-front capital outlays. Other agri-financing models include special purpose vehicles holding passive equity across a portfolio of farms, securitisation of bank rural debt and crowd-sourcing.

While new structures for owning and operating farms can help attract investment, to adopt them farmers must understand these structures and develop the skills and expertise necessary to work with external investors. The Government can help farmers to consider the options. As detailed earlier in this chapter, the Government will provide farmers with information to help support better decision making on alternative business structures.

#### Foreign investment

Foreign investors will also play a critical role. Foreign investment can benefit farmers in several ways. Inwards and outwards investment can help our farmers to specialise and become better integrated with a global agricultural market that is increasingly characterised by global and regional supply chains. Foreign investment can also help farmers harness the capital needed to adopt new technologies, which is vital to improving incomes. But as with all foreign investment, foreign investment in agriculture must be delivered in ways that are in Australia’s interests.

The Government welcomes foreign investment but it screens investment to ensure it is not contrary to Australia’s national interest. The Government is reforming foreign investment rules on agricultural assets to strengthen scrutiny and transparency. It has also engaged a team of Senior Investment Specialists within Austrade, including for agriculture, to focus on attracting beneficial foreign investment. Securing foreign investment can be achieved through various means, including export-linked joint ventures that keep families at the cornerstone of farming.

The Government has identified agribusiness and food as one of the five national priority areas for investment. By helping to develop integrated agribusinesses, foreign investment can improve the productivity and efficiency of the sector, and improve the skills of workers to meet future global demand for Australian products and services (Box 5).

Box 5 Foreign investment in the national interest

Foreign investment can help to build Australian agriculture and the broader economy.

Importantly, foreign investment does not have to mean the end of farming families. In fact in some cases it is helping farming families to survive.

Gemtree Wines is a family-owned and run farm making organic wine in McLaren Vale, South Australia. Winegrowers for more than 30 years, the Buttery and Brown families are rightly proud of their sustainable, generational farming approach. In 2011 they caught the interest of a Chinese investor. The main attraction was that Gemtree was a family business committed to a high-quality product. Together they formed a joint partnership to distribute Gemtree wine in China.

Chinese investment has been a major growth opportunity for Gemtree and the McLaren region. In their own words, the Buttery and Brown family say “There will be no change to our wine—just more of it”. The investment enabled Gemtree to expand its winemaking operations while opening up access to the significant Chinese distribution networks that their investor already had in place.

In 2013 Gemtree became the first winery in Australia to achieve organic certification status in China through the China Organic Food Certification Center.

Source: Gemtree Wines 2015

#### We have delivered

Australia is open to and welcoming of foreign investment, with the Government taking steps to ensure the community maintains its confidence in Australia’s foreign investment review system. The Government has announced the following initiatives:

##### A more effective screening threshold for foreign investment

To provide greater transparency and confidence in Australia’s foreign investment review system, the Government has reduced the screening threshold for foreign investment in agricultural land and introduced a new screening threshold for agribusiness.

The screening threshold for foreign investment in agricultural land was reduced from $252 million to $15 million with effect from 1 March 2015. This operates on a cumulative basis, so a buyer of multiple smaller areas of land would be captured by the new provisions.

Due to trade agreements, the lower threshold does not apply to the following countries: the United States, New Zealand, Chile, Singapore and Thailand.

From 1 December 2015, a $55 million threshold (based on value) for investments in agribusiness will be introduced. Importantly, the proposed definition of agribusiness for the $55 million screening threshold will include primary production businesses and certain first- stage downstream manufacturing businesses (including meat, poultry, seafood, dairy, fruit and vegetable processing and sugar, grain and oil and fat manufacturing).

Similarly, the lower threshold will not apply to some private investment covered by obligations under some of our early trade agreements.

All direct investments by foreign government investors will continue to be screened. (Australian Government 2015c)

##### A register for foreign ownership of agricultural land

The Government is establishing a register of foreign ownership of agricultural land to strengthen reporting requirements and provide a clear picture of foreign investment in Australia’s agriculture sector.

From 1 July 2015 the Australian Tax Office (ATO) will start collecting information on all new foreign investment in agricultural land regardless of value. The changes will initially occur through changes to Australia’s Foreign Investment Policy, with supporting legislation to be introduced by 1 December 2015.

The ATO will also commence a stocktake of existing agricultural land ownership by foreign interests. The stocktake will occur between 1 July 2015 and 31 December 2015, with aggregate data to be published in 2016.

The Government will continue to work with State and Territory governments so that the ATO register can use land title transfer information.

The foreign ownership register of agricultural land is a significant step in giving the community greater confidence in our foreign investment regime. (Australian Government 2015c)

Building the infrastructure of the 21st century

The Government will invest in reliable, efficient and cost-effective infrastructure to support the development and growth of the agriculture sector.

1. Building the infrastructure of the 21st century

#### Action 2 Identifying priority infrastructure projects to underpin the productivity and efficiency of agriculture

##### 2A Securing Australia’s water supplies

The Government will secure water supplies for the growth and development of agriculture by supporting the development of new and improved water infrastructure. We will continue to work with States and Territories to support the development of efficient water markets, and viable water infrastructure, to allow for the productive use of Australia’s water supplies.

The Government will build on existing water infrastructure commitments in the Murray–Darling Basin and in Tasmania by **investing a further $500 million in developing the nation’s water infrastructure**. We are establishing the National Water Infrastructure Development Fund. The fund includes $50 million to support the detailed planning necessary to inform future water infrastructure investment decisions; and $450 million to construct water infrastructure in partnership with State and Territory governments and industry. This includes a northern component of up to $200 million for water infrastructure and better water resource information as announced in the White Paper on Developing Northern Australia.

##### 2B More eﬃcient transport infrastructure for agriculture

The Government will improve Australia’s economic future and living standards by investing in our transport infrastructure. Infrastructure investment will improve the reliability, efficiency and accessibility of transport that underpins our competitive, regionally-based and export-orientated agriculture industries.

The Government has committed to invest $50 billion for current and future infrastructure requirements, $42 billion of which will be for the Infrastructure Investment Programme to build the road and rail infrastructure of the 21st century. Investments commenced include upgrades to national highways linking agricultural regions to their markets, as well as safety upgrades and widening of Australia’s north–south freight corridor from Cairns to Melbourne.

The Government recently announced a **$5 billion Northern Australia Infrastructure Facility** to support investment in northern Australia infrastructure projects. We also announced a new **$100 million Northern Australia Beef Roads Fund**, to improve cattle supply chains in northern Australia and **$600 million for projects on key roads in northern Australia**, which will leverage funding from the Northern Territory, Western Australia and Queensland.

It is important that the Government’s substantial infrastructure investment is appropriately targeted to get the best value for our farmers. $1 million will be invested to **improve the CSIRO’s TRAnsport Network Strategic Investment Tool (TRANSIT)** to identify opportunities for supply chain optimisation and future infrastructure investments. The results will assist State, Territory and local governments to plan their road transport systems to meet the existing and future needs of the agriculture sector. TRANSIT will analyse freight flows and costs across 25 major agricultural commodities to identify transport bottlenecks and pinch points, which will reduce industry costs and improve profitability.

##### 2C Better mobile phone and internet coverage

Many rural areas do not have access to the mobile phone and internet services that are taken for granted in urban Australia. Reliable mobile phone and internet coverage is critical for the future growth of Australia’s agriculture sector. Today’s trading environment requires real-time access to, and sharing of, information. Enhancing mobile coverage in regional and remote areas also has clear social and economic benefits.

In addition to the $100 million investment in addressing mobile coverage issues, the Government is **investing a further $60 million in the Mobile Black Spot Programme**. This investment will be targeted at regional and remote communities that do not currently have reliable mobile coverage. Funding will improve coverage of high-quality mobile voice and wireless broadband services in rural areas, empowering agribusiness to take greatest advantage of the digital age.

The Government is also making an **equity investment of $29.5 billion towards constructing the National Broadband Network** (NBN). The NBN will deliver access to very fast, reliable and affordable broadband services to rural Australians.

### Securing Australia’s water supplies

Australia is the driest inhabited continent on earth (ABS 2013c). Australian farmers work in diverse conditions: ranging from northern Australia where groundwater is a particularly valuable resource given the high evaporation rates, to southern Australia which has a long history of irrigated agriculture. Efficient use of rainfall and available water supplies is critical to the continued profitability and productivity of Australian agriculture, while also ensuring the needs of the community and the environment are met.

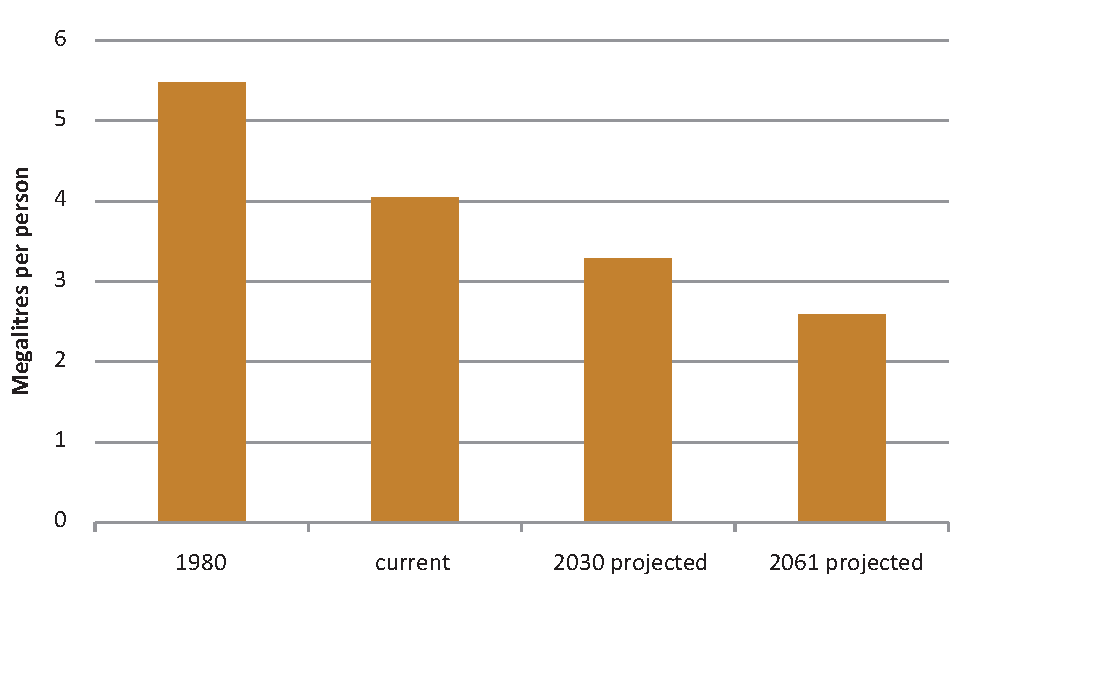
Water is the most basic input to food and natural fibre production. While much of Australian extensive cropping and livestock production is based on rainfall, in 2012–13 irrigated agriculture accounted for 28 per cent of gross value of agricultural production but used less than 1 per cent of agricultural land (ABS 2014b, 2014c). In that year, the agriculture sector accounted for 65 per cent of Australia’s water consumption (ABS 2014c). Irrigation is particularly important in the dairy, cotton, rice, sugar and horticultural industries. Further development of agriculture in northern Australia will also require more reliable access to water throughout the year.

The amount of water storage capacity per person in Australia is currently 4 megalitres (Commonwealth of Australia 2014a) (Figure 6). The large number and size of water storages is a function of both Australia’s aridity and its highly variable rainfall (ABS 2010). Due to increases in the population this is expected to fall to 3.3 megalitres by 2030 (Commonwealth of Australia 2014a). Without action it is expected that water capacity will fall further to 2.6 megalitres per person by 2061 (Commonwealth of Australia 2014a). For the agriculture sector this situation is even more critical.

The Millennium Drought highlighted the difficulties that we face in securing our future water supplies. Water storages in the Murray–Darling Basin fell below 25 per cent of capacity for extended periods between 2007 and 2009 and have been below 40 per cent of capacity this year (ABARES 2015d)(Figure 7).

More can be done over the longer-term to secure Australia’s water supplies for our economic benefit and to benefit the environment. The Commonwealth is committed to working with State, Territory and local governments so that the right water infrastructure can be built where it is needed, when it is needed.

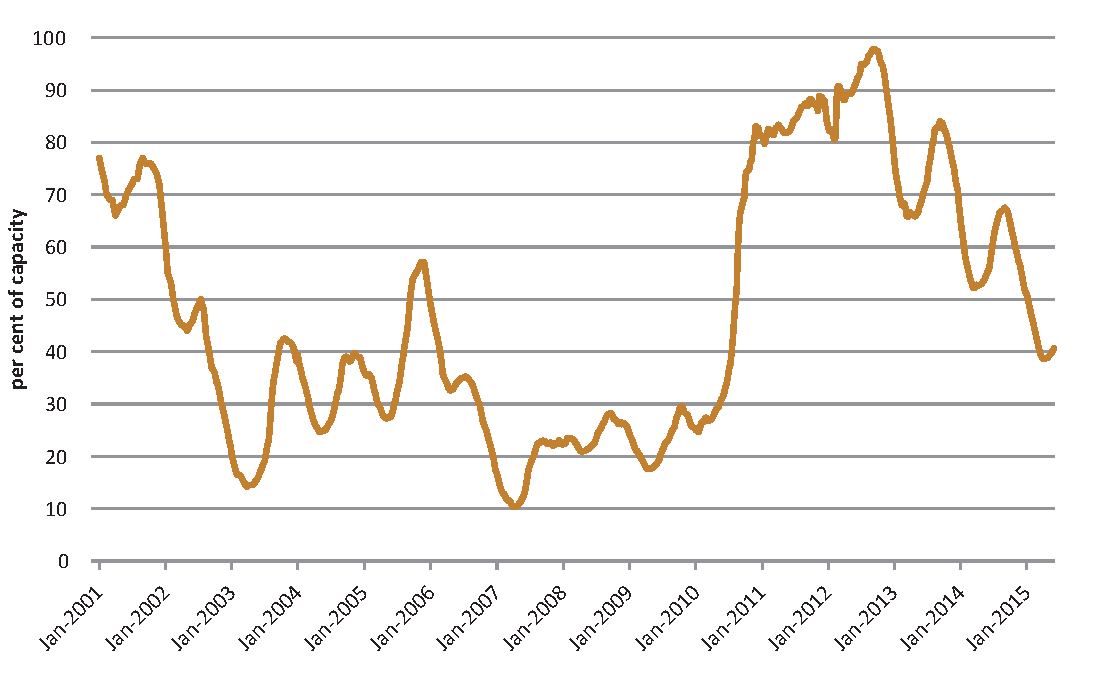
Figure 6 Australia’s water infrastructure capacity



Notes: Data based on the capacity of large dams. 2030 and 2061 projections based on ABS Series C projection of a population of approximately 29,000,000 and 36,800,000 respectively. Projected megalitres per person assumes no addition to the current dam capacity.

Source: Commonwealth of Australia 2014a.

Figure 7 Water storages in the Murray–Darling Basin (New South Wales, Victoria and Queensland)



Notes: Information on irrigation water available in the Murray–Darling Basin from 1 January 2001 to 18 June 2015. Unusable or ‘dead’ storage represents 2.66 per cent of water storage capacity.

Source: ABARES 2015d.

Water needs to be carefully managed by all levels of government. Managing water resources sensibly, equitably and sustainably to ensure our agricultural competitiveness into the future is an important aspect of the Commonwealth’s leadership role in the nation’s water reform agenda.

The Commonwealth has committed more than $15 billion in water reform since the Howard Government released the National Plan for Water Security in 2007. Investments have included the delivery of a large number of diverse water infrastructure projects, including major upgrades to off-farm water delivery networks and large-scale irrigation works in the Murray–Darling Basin. Greenfield irrigation schemes have also been developed in Tasmania.

Australian governments have worked together to ensure water is well managed since 1994. The approach is set out in the National Water Initiative (NWI), a commitment made by State, Territory and Commonwealth governments in 2004 to increase the productivity and efficiency of Australia’s water use. Full implementation of the NWI will result in a nationally-compatible market-based system for managing water resources through secure water access entitlements, statutory based water planning and the development of water markets where demand exists.

Water markets have been shown to benefit the national economy. In 2012–13, the value of trade in Australian water markets was $1.4 billion (NWC 2013). Trading in the southern Murray–Darling Basin is estimated to have increased Australia’s gross domestic product by more than $220 million in 2008–09, at the height of the Millennium Drought (NWC 2010).

#### Murray–Darling Basin Plan

The 2012 Murray–Darling Basin Plan represents a major investment in securing agricultural competitiveness into the future. The Basin Plan aims to provide communities with sufficient and reliable water supplies, to support productive and resilient water-dependent industries, and to give communities confidence in their long-term future. This rests on ensuring the Murray–Darling Basin supports healthy and resilient ecosystems.

The Government is implementing the Murray–Darling Basin Plan in a balanced way that ensures the continued viability of Australia’s food-producing communities. The Government has prioritised infrastructure and capped the buyback of water entitlements at 1,500 gigalitres on average over the long-term. The Commonwealth is committed to working with Basin communities and industries on the implementation of the Basin Plan.

The Government is funding the largest investment in upgrading and refurbishing irrigation infrastructure in Australia’s history, investing in the future of competitive irrigated agriculture, as well as community sustainability. To implement the Murray–Darling Basin Plan, the Commonwealth has committed almost $13 billion through a range of programmes in the Basin through to 2024.

This investment in better infrastructure, irrigation efficiency and improved irrigation water delivery systems is helping industries and farmers increase their productivity and adjust to less water availability. The benefits from infrastructure investment include maintaining and increasing output, increasing ability for crop rotation, increasing crop water use efficiency, increasing crop diversification, improving soil management, reducing maintenance and reducing weed control requirements.

Funding to the Australian Processing Tomato Research Council, for example, has resulted in investment into conversion of surface furrow irrigation to subsurface drip technology, reaping immediate benefits. On average, water use has improved from application rates of 8 megalitres per hectare (ML/ha) to 5 ML/ha. Benefits extend to yields from tomato crops increasing almost two-fold to 100 tonnes per hectare. These yields are due in part to the efficient placement of the required water and nutrients to the roots of the plants through the subsurface drip irrigation system (APTRC forthcoming).

These reforms will mean a future for the Basin that includes strong communities with greater certainty and robust economies that are more resilient to change, underpinned by a healthy river system.

#### Review of the *Water Act 2007*

The Government wants to ensure that it continues to have sound water use policy for water management. In line with this aim, the Government established an independent statutory review of the *Water Act 2007* (Water Act) in 2014. The Review had a key focus on considering the extent to which the Act was effectively achieving its objectives and on identifying opportunities to reduce the regulatory burden for businesses and individuals. The Expert Panel’s report was tabled in Parliament on 19 December 2014.

The Government immediately accepted two recommendations for specific regulatory reviews aimed at further opportunities to reduce the regulatory burden for the water sector. These reviews are now well underway. The Bureau of Meteorology is due to report in mid-2015 on options to reduce the water information-related regulatory burden on data providers.

The ACCC is reviewing the Water Charge Rules. An issues paper was released for consultation in May 2015 and a final report is expected in December 2015. The Government will look to deliver savings to businesses through these reviews and is also currently working with irrigation businesses to deliver a red tape reduction for the industry.

The Government is now considering the remaining recommendations made by the Expert Panel. The Panel’s recommendations included improvements to the framework of the Water Act to provide certainty and stability for the irrigation industry and communities in the Murray–Darling Basin. A key aspect is the recommendation to extend the period for the Basin Plan and Water Act reviews to 2026 and 2024 respectively, which better aligns with the timeframes for full implementation of the Basin Plan. This will ensure increased certainty for business investment in the Basin and for more appropriate periods to monitor and report on the outcomes of the Basin Plan.

The Panel also recommended amending the Water Act to provide the Commonwealth Environmental Water Holder with greater flexibility in using the revenue from water trades. In addition to water acquisitions, the revenue from selling Commonwealth environmental water could be used to fund activities that maximise environmental outcomes. This would be subject to a number of safeguards, including limiting such a change to the use of revenue from the sale of allocations only (not entitlements) and ensuring trading activity does not impact on sustainable diversion limits in the long-term.

Under the Water Act, the Commonwealth Environmental Water Holder (CEWH) is currently able to trade water when environmental water needs have been met (and the water cannot be carried over) or if the proceeds from the water sale can be used to buy water in another year (or catchment) when (or where) environmental needs are greater.

In January 2014 the CEWH traded 10 gigalitres of temporary water allocations in the Gwydir Valley and in March 2014 undertook a small trade in the Peel Valley. This demonstrates the potential for local win–win outcomes for farmers and the environment. For example, the trade in the Gwydir provided cotton farmers with an opportunity to purchase water to finish their crops or to improve their yield at a time when local floodplains required a drying phase following consecutive wet years.

The Government will respond to the report in full in coming months. As part of this, the Government will consider whether the Panel’s recommended changes afford the CEWH sufficient flexibility to achieve better outcomes while maintaining the integrity of the Basin Plan.

#### We have delivered

##### Great Artesian Basin Sustainability Initiative

On 16 October 2014 the Government announced funding of up to $15.9 million to continue the Great Artesian Basin Sustainability Initiative (GABSI) over three years, adding to the investment by the Commonwealth of more than $112 million over 15 years (1999–2014).

GABSI funds the capping and piping repair of uncontrolled artesian bores to reduce system water loss and to recover groundwater pressure. It supports the maintenance of critical infrastructure and the sustainable management of the Great Artesian Basin.

Extending GABSI provides governments with an opportunity to work with stakeholders to develop a new delivery model that is less dependent upon government funding, to ensure a sustainable future for the Great Artesian Basin. (Department of the Environment 2015d)

##### Chaffey Dam

The Commonwealth has provided $18.1 million towards a $31.8 million upgrade and dam augmentation for the Chaffey Dam. Chaffey Dam’s current capacity is 62,000 megalitres and it provides water for Peel Valley irrigators and the majority of Tamworth’s population. The upgrade will increase the dam’s capacity to 100,000 megalitres. (NSW Government 2015)

##### Tasmania Tranche II irrigation scheme

The Commonwealth has committed $60 million in the Tasmanian Irrigation’s Tranche II irrigation schemes to deliver 40,000 megalitres of new water to agriculture throughout Tasmania. This follows an investment of $140 million in the tranche 1 schemes (Box 6).

Tasmania has 12 per cent of the nation’s fresh water resources in an area of less than 1 per cent of the total Australian land mass. This abundant water resource appears plentiful but is not evenly distributed across the State (Government of Tasmania 2012). Investing in irrigation infrastructure helps deliver water where and when it is needed. With increased water for expanding irrigation over a wider area, the funding is helping to grow agriculture in a measured and sustainable way.

These projects will help secure Tasmania’s water supply and deliver strong economic benefits and by providing for high value irrigated agriculture such as cropping, grazing and dairy, by encouraging investment in agriculture and in regional communities.

The additional investment will generate a further 175 full-time jobs and unlock opportunities in the dairy, wine and fruit and vegetable industries. (Tasmania Irrigation 2015)

##### Modernising irrigation water delivery systems

Large investments are occurring in all of the Murray–Darling Basin States to improve irrigation water delivery systems. At almost $1 billion, the Goulburn-Murray Water Connections Project Stage 2 is the largest Commonwealth investment in irrigation infrastructure under the Sustainable Rural Water Use and Infrastructure Programme. It is estimated that this upgrade will increase system efficiency by 13 per cent to 85 per cent. The water savings yielded by the project are making an important contribution to Victoria’s commitments to bridging the gap to the sustainable diversion limits under the Murray–Darling Basin Plan.

Irrigators will benefit from off-farm irrigation efficiency works involving the refurbishment and upgrading of ageing irrigation delivery infrastructure. These works include:

* converting open channels to piped systems;
* lining open channels to reduce water losses;
* upgrading pump stations; and
* improving delivery arrangements through modernising regulators, gates, supply valves and monitoring systems. (MDBA 2015)

##### On-Farm Irrigation Efficiency Programme

On-farm irrigation infrastructure is being modernised and water use efficiency improved by investing $575 million in over 1,600 projects in the southern connected system of the Murray–Darling Basin.

The investment will yield about 285 gigalitres of water savings, which have been shared between farmers and the environment. (Department of the Environment 2015e)

##### Menindee Lakes

The Government has committed $180 million to improve the operation and efficiency of the Menindee Lakes. Planning is underway to reduce current large water losses due to evaporation. Planned work includes new regulators between lakes and at the Darling–Anabranch junction, an enlarged outlet regulator at Lake Menindee, and drainage channels in Lake Menindee to allow access to water not currently accessible due to inadequate infrastructure. (Department of the Environment 2013)

Box 6 Collaborative investment in Tasmanian irrigation

Water infrastructure investment in Tasmania is a good example of the public–private partnership investment model. Under this model the Commonwealth, the Tasmanian government and the private sector jointly fund the capital works of new irrigation schemes. The private investment is raised through irrigators purchasing newly-created water access entitlements, the value of which is created by the water security produced by the new dams and associated works.

Under the Supporting More Efficient Irrigation in Tasmania programme the Commonwealth provided $140 million in funding, the Tasmanian government $80 million and private investors $80.47 million. Under the Tasmanian Tranche II project the Commonwealth has committed $60 million and the Tasmanian Government $30 million. Private investment is estimated at approximately $27.12 million.

Water infrastructure investment in Tasmania is market-driven, which results in developments that are focused on growing Tasmania’s productive capacity. It’s about getting water where it is most needed and most valued. It’s a co-investment model between governments and the private sector run by Tasmanian Irrigation.

Tasmanian Irrigation was established in 2011 to develop, own and operate irrigation schemes in Tasmania through various financial models such as public–private partnerships. Since its establishment, 10 irrigation schemes have commenced, seven of these are operational with the other three under construction. Current schemes have the capacity to deliver around 80,000 megalitres of water. The co-planning approach has provided private investors with confidence to make substantial on farm investments based on this government investment.

Source: Department of the Environment 2015f and Tasmanian Irrigation 2015

#### White Paper actions

##### Kickstarting investment to secure Australia’s water supplies for the future

The Government is committed to improved management and efficient use of water. We are establishing the National Water Infrastructure Development Fund. We are spending $500 million to kickstart investment in securing our future water supplies. Strengthening our water storage capability by investing in water infrastructure (such as dams) in the right places, with State and Territory and private sector support, is essential for regional development. If even a small additional percentage of untapped water supplies could be harnessed, it could have significant positive implications for water storage, flood mitigation and power generation, as well as for innovative irrigation schemes, mining projects and recreation.

The Government is meeting its commitment to start the detailed planning necessary to build new dams to secure the nation’s water supplies, deliver strong economic benefits for Australia, while also protecting our environment. Reliable water supply, based on sound infrastructure, is essential for a prosperous and strong Australian economy. Investing in water infrastructure projects supports industries in regions to be as productive as they can and builds resilient communities.

Australia’s long term annual rainfall is the lowest of all continents except Antarctica. Enhancing water infrastructure can raise productivity and economic activity. For example, it can help meet critical needs for all Australians, including safe drinking water and sanitation; provide for flood mitigation; and support expanding industries such as mining, irrigated agriculture and manufacturing, particularly in rural and regional areas.

The Water Infrastructure Ministerial Working Group, chaired by the Minister for Agriculture, identified ways to accelerate investment in water infrastructure, including dams, pipelines, weirs, and groundwater storage. The working group consulted with State and Territory governments to identify potential investment opportunities, including investment in water infrastructure to meet Australia’s water supply needs in the future. The working group determined that the Commonwealth can play a valuable role in supporting water infrastructure projects that have strong State support, are in the national interest, and deliver net economic and social benefits and broader public benefits. This is reaffirmed by the Government’s principles for investment in future water infrastructure projects (Figure 8).

A number of potential water infrastructure projects were identified by the working group as having strong potential for Commonwealth involvement including the development of the Ord Stage 3 irrigation scheme in Western Australia and the Northern Territory, Pilbara groundwater development options in Western Australia, Rookwood and Eden Bann weir projects in Queensland, Nathan Dam in Queensland, modification to the Wellington Dam in Western Australia, and development of the Emu Swamp Dam in Queensland. There are many other projects identified by the working group as showing potential including the Macalister Irrigation District augmentation in Victoria, waste water re-use expansion in the Northern Adelaide Plains in South Australia and the augmentation of the Burdekin Falls Dam in Queensland.

The Government is also open to exploring other water infrastructure projects as priorities change over time. New suggestions and priorities are constantly being provided, such as the Dungowan Dam that was recently recommended by the NSW Government.

Farmers will have greater certainty around future water security and new opportunities to develop agriculture, including in northern Australia.


Figure 8 Principles for Commonwealth involvement in future water infrastructure projects

The nine seven principles for Commonwealth involvement in future water infrastructure projects:
1. Projects need to be nationally significant and in the national interest. 
2. There must be strong State or Territory government support with capital contribution and involvement of the private sector and, where appropriate, local government.
3. The investment will provide the highest net benefit of all options available to increase access to water, taking into account economic, social and environmental impacts. 
4. Projects should address a market failure which cannot be addressed by proponents, State and Territory governments or other stakeholders and limits a project of national significance from being delivered.
5. Projects should align with the Government’s broader infrastructure agenda to promote economic growth and productivity or provides a demonstrable public benefit and addresses a community need. 
6. Projects should align with the National Water Initiative principles including appropriate cost recovery and where full cost recovery is not deemed feasible, any subsidies are fully transparent to the community. 
7. If providing capital, a consistent, robust analysis of costs and benefits and assessment is undertaken.


Source: Commonwealth of Australia 2014b

Under the National Water Infrastructure Development Fund, the Government is delivering $50 million to undertake water resource assessments, feasibility assessments and business cases to support informed water infrastructure investment decisions.

Of this funding, approximately $30 million will be used to examine water infrastructure investment in northern Australia. This includes $15 million to determine available water and the best locations for water infrastructure in the Mitchell River catchment in Queensland, West Kimberley in Western Australia and the Darwin region in the Northern Territory; and up to $5 million each for detailed economic feasibility assessments of Nullinga Dam in Queensland and Ord Stage 3 development in Western Australia and the Northern Territory (Commonwealth of Australia 2015i).

This initial funding will help governments and industry to make informed judgements about the best sites for new water infrastructure and accelerate the finalisation of thorough business cases. Feasibility assessments will ensure there is sufficient demand from stakeholders with capacity to meet the ongoing costs of water supply, so farmers are not burdened with ongoing operational and maintenance costs they cannot afford over the longer term.

The funding component for northern Australia recognises its unique circumstances, especially the lack of water resource assessments at catchment level, which are a barrier to water infrastructure development. In contrast, southern Australia has an extensive range of scientific and technical research available, and generally has the necessary supporting infrastructure and functioning water markets in place.

The Government is supporting this investment in water infrastructure planning with a further $450 million of the National Water Infrastructure Development Fund for the construction of investment ready projects, including up to $170 million for projects in northern Australia.

The Government’s new Water Infrastructure Development Fund will generally co-invest with the States and Territories and the private sector to support the detailed planning and development of water infrastructure projects. This model is supporting Commonwealth investment in Tasmanian Irrigation Tranche II. Funding allocation will be merit-based, with consideration given to how proposed projects relate to the States’ long-term strategic plans.

### More efficient transport infrastructure for agriculture

The Government is committed to investing $50 billion in current and future infrastructure requirements. Of this, $42 billion is in the Infrastructure Investment Programme to build the road and rail infrastructure for the 21st century. This investment will improve the productive capacity of Australia’s transport networks, delivering lower costs for business and broader benefits to the Australian community.

Australia has an extensive road network, in 2013 it stretched 872,849 kilometres (BITRE 2014). Agricultural supply chains in Australia can involve transport distances of over 1,000 kilometres between production, processing and markets (CSIRO 2015a). Transport is a large component of overall costs to farmers. From farm to destination (including domestic and international destinations) transport costs account for an average of 21 per cent of farm gate value. For some farmers transport can cost up to 48.5 per cent of farm gate value (Goucher 2011). Much of the agriculture freight task is time critical. Fruit and vegetables, for example, have a short shelf life and need to get to their end destination quickly and with minimal damage. For some products a continuous cold chain is critical to delivering high quality produce to consumers—with this being more challenging for supply chains extending to overseas markets.

The pressure on our road and rail infrastructure continues to increase. By 2030, total domestic freight (in tonne-kilometres) is expected to increase by around 70 per cent from 2010 levels, with road and rail freight likely to increase by over 80 per cent. At a practical level this will mean approximately 300,000 more trucks on the road and greatly increased rail movements (BITRE unpublished).

Taking action now will make sure our farmers can get our food where it’s needed when it’s needed.

#### Roads

The Commonwealth does not build roads or plan transport networks; that’s the job of State, Territory and local governments. The Commonwealth nonetheless provides considerable funding for improving and maintaining roads across Australia. The Commonwealth ensures the funds it provides for roads deliver strong national benefits, are targeted appropriately and spent on value-for-money projects. It also has a role in ensuring that planning reflects national objectives and doesn’t stop at the State border.

The Government is investing in major upgrades and construction assisting agriculture. These include the Perth Freight Link, the Great Northern Highway between Muchea and Wubin, the Bruce Highway, the Toowoomba Second Range Crossing, the Warrego Highway between Toowoomba and Miles (Box 7) and several cattle roads in the Northern Territory (Box 8).

Box 7 Priority road upgrades that benefit the agriculture sector

The Commonwealth’s $50 billion commitment for current and future infrastructure requirements, of which $42 billion is in the Infrastructure Investment Programme, includes funding for major investment projects, Black Spot projects, the National Highway Upgrade Programme and the Roads to Recovery Programme. These initiatives fund safety improvements to dangerous roads, key national highway networks, and significant local roads. Farmers often need to navigate thin, unsealed or poor-quality roads to reach regional centres. Bulk freight is then restricted to major highways. The Government is investing at all levels—and working with State, Territory and local governments—to improve the safety and quality of local, regional and arterial roads.

The Commonwealth’s priority road investments will reduce freight costs by improving delivery times and reducing vehicle operating costs. These include:

* The **Perth Freight Link** will create a new connection between the Roe Highway and the Fremantle Port.
* The upgrade of the **Great Northern Highway** between Muchea and Wubin will improve freight efficiency and safety by enabling road trains to travel further south.
* The 10-year programme of works to deliver upgrades on the **Bruce Highway** will improve access, safety and productivity along Queensland’s main north–south corridor. This is integral to servicing agricultural, resource and tourism sectors in Australia’s north-east.
* Construction of the **Toowoomba Second Range Crossing,** including a bypass to the north of Toowoomba, will improve the connection between international gateways and the productive farm land of the Darling Downs.
* The package of 15 upgrade works on the **Warrego Highway** between Toowoomba and Miles will better connect the agricultural and resource regions west of Toowoomba to the Port of Brisbane. These upgrades will ease congestion for freight operators and commuters. This will make the journey in and out of Toowoomba easier, faster and safer.
* The Australian Government is also working with the Northern Territory Government to **upgrade roads in the Northern Territory**, including the Buntine, Plenty, Victoria and Stuart highways. These roads are critical to the movement of stock.
* The duplication of the **Princes Highway East** between Traralgon to Sale will increase capacity, reduce transit times and improve traffic flow and safety for the thousands of vehicles, including freight vehicles, using this road every day.
* The upgrade to the **Princes Highway West** will improve safety and productivity along the highway that connects Melbourne, Geelong, Warrnambool and Portland to South Australia. It is used by heavy vehicles to transport dairy, timber, grain, livestock and other agricultural commodities from the Green Triangle Agricultural District.
* The realignment of the **New England Highway** at Bolivia Hill, including the construction of a bridge, will improve safety and reduce travel times and operating costs. The New England Highway is crucial to linking Sydney, northern NSW and south east Queensland and servicing the agricultural, tourism and resource industries in these regions.
* The upgrade to the **Midland Highway**, which is a key link between northern and southern Tasmania, will benefit agricultural producers, who contribute up to 2.2 million tonnes of agricultural, dairy and mining goods freighted along the highway each year.

While substantial improvements have been made in road standards, there is more to be done. The Government is investing in our road infrastructure to improve Australia’s economic future and living standards.

Source: Department of Infrastructure and Regional Development 2015a

The Government recognises first- and last-mile issues also have a significant impact on the agriculture sector. We are working towards opening previously closed routes and improving access to larger more productive freight vehicles. State, Territory and local governments regulate the vehicles that are allowed to operate on local roads at the start and end of a journey. State, Territory and local governments need to lead by working with their agricultural industries and taking practical actions to improve road transport systems.

For example, in 2014 the South Australian Government partnered with the State’s agriculture industries to identify and quantify the impact of road transport issues (South Australian Government 2014). They are proposing to address road transport limitations by improving regulations and undertaking minor capital infrastructure works.

More funding is being provided through the National Stronger Regions Fund to local governments as well as not-for-profit organisations to deliver essential economic infrastructure. This could benefit agricultural businesses through infrastructure such as intermodal facilities and last-mile access roads. The Deputy Prime Minister, the Hon. Warren Truss MP, announced the successful round 1 projects in May 2015. Round 2 of the National Stronger Regions Fund opened on 15 May 2015 and will close on 31 July 2015.

The Commonwealth will continue to work with State, Territory and local governments, consult with farmers and agribusiness to support projects with strong productivity benefits, and plan for Australia’s future transport needs.

Box 8 Developing infrastructure in northern Australia

On 18 June 2015 the Commonwealth announced a range of initiatives that will help support regional industries, including agriculture in the north of Australia. These are:

* Providing $600 million over five years for northern Australia priority road projects, with works to include safety and productivity improvements, such as widening overtaking lanes and renewing pavement on key roads such as the Great Northern Highway, Arnhem Highway, Flinders Highway, Barkly Highway, Hann Highway, the Outback Way and Tanami Road.
* Establishing the $100 million Northern Australia Beef Roads Fund to improve the productivity and resilience of cattle supply chains in northern Australia.
* Assessing future investment options for rail projects in northern Australia, with a key focus on undertaking a pre-feasibility study of the proposed Mount Isa to Tennant Creek railway.
* Releasing Infrastructure Australia’s *Northern Australia Audit—Infrastructure for a Developing North*, which identifies the infrastructure assets and needs of northern Australia.
* Developing a northern Australia infrastructure project pipeline in consultation with the jurisdictions to provide a single portal of information on potential specific infrastructure investment opportunities.
* Establishing the $5 billion Northern Australia Infrastructure Facility to support investment in these key northern Australia infrastructure projects.
* Extending the Regional Aviation Access Programme to provide additional works on remote airstrips in Australia.

Source: Commonwealth of Australia 2015i

#### Rail

Rail has and will continue to play an important role in the movement of agricultural products to market. Grains, sugar, fertiliser and other bulk products account for about 8 per cent of all rail freight, behind coal and iron ore (which comprise 80 per cent) (Australian Railway Association 2014).

The Commonwealth’s priority is the future development of a new inland rail corridor between Brisbane and Melbourne. The Government currently has $300 million committed to project development activities to bring this project to fruition.

Inland rail would extend the national rail network with new and upgraded track, primarily in the agricultural belt from Parkes in New South Wales to Toowoomba in Queensland and provide new or improved access to the ports of Melbourne, Port Kembla, Botany, Newcastle and Brisbane.

Construction of the inland railway is expected to reduce current transit times by about a quarter (for Melbourne to Acacia Ridge) and result in the switching of about 2 million tonnes of agricultural products currently using road transport to the railway by 2050. The extension of the network would also significantly reduce rail transit times between Brisbane, Adelaide and Perth, potentially opening up new domestic markets for agricultural producers.

The Government will also investigate a dedicated freight rail link to the Port of Brisbane that would complement the construction of inland rail.

Regional rail lines are typically the responsibility of State governments. In some instances they have been leased to the private sector, most notably in Western Australia and South Australia.

Jurisdictions and the private sector assess constraints in their networks and prioritise projects for investment in accordance with their strategic plans. These assessments have led to recent announcements for investment in some of these networks, including:

* In November 2014, the NSW Government announced a $400 million commitment to its Fixing Country Rail programme to meet forecast growth in freight demand and improve efficiency of freight connections between regional New South Wales and key markets.
* In May 2015 GrainCorp announced a $60 million investment in 13 sites across its eastern States network. This will include new sites, new loading equipment and upgrades to existing infrastructure (GrainCorp 2015).
* Quattro Ports has begun construction of a new open access bulk agri-terminal at Port Kembla that will receive grain by rail and provide more competition along the supply chain (Quattro Ports 2015).
* The Victorian Government, in its 2015-16 Budget, committed up to $220 million to standardise the gauge and increase the axle load of the Mildura line. These efficiency improvements will deliver freight to Victoria’s ports as cost competitively as possible.

The Government also recognises the significant investment made into rail by the mining sector. There would be advantages in all rail infrastructure being available over time to service the needs of other sectors, including agriculture. The Commonwealth urges the rail infrastructure owners and operators, industry and State and Territory governments, to consider the current and future needs of other industries during planning, approval, construction and operation of private rail lines.

#### We have delivered

Efficient land and rail infrastructure underpins a viable and sustainable agriculture sector. The Government has made a commitment to an investment of $50 billion for current and future infrastructure requirements, of which $42 billion is in the Infrastructure Investment Programme to build the road and rail infrastructure for the 21st century.

##### Fixing freight transport

The Government has established a single, nationally consistent framework for heavy vehicles. The framework will enable the heavy vehicle sector, including transporters of agricultural goods, to more successfully move goods across Australia and to ports for export.

Key improvements include:

* reducing transport costs by reducing the number of trips required for the same freight task through the Performance Based Standards Scheme; and
* harmonising heavy vehicle access arrangements between States and Territories.

Other areas of improvement benefiting agriculture include more flexible arrangements for fatigue management and work diaries. These changes will be especially beneficial for transport operators moving livestock or working in regional and remote areas. (Department of Infrastructure and Regional Development 2014)

##### Freeing access for B-doubles

B-double trucks no longer require permits to access key freight routes. As-of-right access reforms means that the same amount of freight can be carried by fewer trucks, improving productivity and safety outcomes and reducing operating costs for industry. (Department of Infrastructure and Regional Development 2014)

##### Investing in road infrastructure

The Government’s Infrastructure Investment Programme includes programmes that will significantly benefit the agriculture sector. These include, improving key highways linking our capital cities and major centres; improving regional roads and bridges under the Roads to Recovery and Bridges Renewal Programmes; and addressing safety issues under the Black Spots Programmes. (Department of Infrastructure and Regional Development 2015a)

##### Expanding the Tasmanian Freight Equalisation Scheme

The Government is investing $202.9 million over the next four years to expand the Tasmanian Freight Equalisation Scheme (TFES).

From 1 January 2016, TFES assistance will be extended to all currently eligible goods shipped from Tasmania regardless of destination. This means that expanded TFES assistance will cover goods from Tasmania transhipped through the mainland to all overseas markets. This is in addition to the support being provided under the scheme for shipping produce to mainland Australia and for shipping inputs for agricultural production from the mainland to Tasmania. (Department of Infrastructure and Regional Development 2015b)

##### Coastal shipping

The Australian Government has announced changes to build a more competitive and efficient coastal shipping industry. Legislation is currently being prepared to implement the reforms. Under the new Act the Australian Government will introduce a single permit system for coastal shipping, replacing the existing tiered licence system.

A Coastal Shipping Permit will provide unrestricted access to coastal shipping for all vessels (Australian and Foreign) for up to 12 months. Any foreign vessel that undertakes more than 183 days of coastal trading in a permit period will be required to have two senior Australian crew on board the vessel for the entire permit period and all crew must receive Australian wages and conditions. Foreign vessels engaged in less than 183 days of coastal trading in a permit period will be able to operate under their existing international on-board arrangements.

The potential benefits of these reforms to farmers and regional Australia are clear. Cheaper, more accessible shipping would provide additional, more efficient options for the interstate transport of goods. For example, the proposed changes would reduce restrictions on manufacturers seeking to move fertiliser and its input products. The changes would also increase choice for primary producers seeking to move goods to market. Simplifying the coastal shipping rules for moving cargo has the potential to open Australian waters to more efficient shipping services at competitive prices. (Department of Infrastructure and Regional Development 2015d)

##### Regional Development Australia

The Government supports the 55 Regional Development Australia Committees across Australia. Committee members are local people who develop local solutions to local infrastructure issues. Committees are focused on enhancing the development of Australia’s regions. (RDA 2015)

##### $1 billion National Stronger Regions Fund

The Government is funding priority infrastructure in regional areas through the $1 billion National Stronger Regions Fund. The Fund will support investments in priority infrastructure areas (including freight and transport projects). Projects will focus on strengthening regional economies by improving the productivity, employment and workforce skills of Australians. (Department of Infrastructure and Regional Development 2015c)

##### Role of Infrastructure Australia

The Australian Government undertakes a rigorous assessment of all projects seeking Commonwealth funding, including an evaluation by Infrastructure Australia for projects seeking $100 million or more in Commonwealth funding. (Infrastructure Australia 2015)

#### White Paper actions

##### Unlocking a more efficient agricultural transport system

The Government is **expanding the CSIRO’s TRAnsport Network Strategic Investment Tool (TRANSIT) to cover 25 agricultural industries at a total cost of $1 million**. These include wheat, cotton, canola, barley, grain sorghum, oats, lupins, dairy, sheep, sugarcane, grapes, potatoes, tomatoes, rice, bananas, onions, lettuce, carrots, strawberries, mango, melons, chicken meat, pigs and peanuts. For these agricultural industries, TRANSIT will assist in identifying opportunities for supply chain optimisation and future infrastructure investments. Its results will equip the State, Territory and local governments to improve agriculture supply chains so that they can meet the existing and future needs of the agriculture sector. These investments will minimise costs and maximise long-term profitability for the sector.

The Commonwealth invests in projects that provide the greatest return for the Australian economy. TRANSIT will help us identify opportunities to do this for agriculture.

Commonwealth investment in infrastructure is based around a number of cost–benefit principles, including savings in operating costs and improvements in service reliability. By providing an estimate of benefit, TRANSIT is a powerful tool in assessing future supply chain and transport logistics improvements and related infrastructure investment options.

TRANSIT was developed by the CSIRO. It maps every possible combination of road and rail transport route to identify the best way to optimise vehicle movements in the agricultural supply chain. This information is then used to identify best-value infrastructure investments aimed at reducing costs to producers and others in the supply chain.

TRANSIT is currently being used to evaluate transport options for the livestock industry in northern Australia. By using TRANSIT to inform investment decisions, significant savings can be gained for agriculture and other road users. For example, TRANSIT estimated that, for the 1.6 million cattle transported between Clermont and Roma in 2007–2011, road upgrades and the removal of tick clearing requirements would have reduced transport cost by 19 per cent. This would provide a $75.6 million saving in livestock transport costs (CSIRO 2015a).

The Commonwealth’s recently announced $100 million Northern Australia Beef Roads Fund will draw on TRANSIT modelling to identify road infrastructure investments or regulatory reforms that have the potential to improve productivity in the northern cattle supply chain. This is a practical example of how the model can support better planning and investment decisions and delivers improved outcomes to the industry.

Farmers will see reduced transport costs from fixing road and rail inefficiencies including bottlenecks and pinch points.


### Better mobile phone and internet coverage

Access to reliable and affordable mobile phone and internet coverage in remote and regional areas is essential to Australia’s future growth, and the growth of the agriculture sector. Improved services have the potential to revolutionise agriculture in Australia. For good reason communication coverage was the issue most often raised by the agriculture sector during the development of this White Paper. This is an area of critical importance to the Government.

The use of information technology has evolved from basic GPS to precision farming. The next frontier is ‘big data’—or data-enabled agriculture, which will provide information to assist better decision making through real time delivery of relevant and specific knowledge. The potential for productivity gains through increasing yields, reducing costs and reducing agricultural risks is progressing through initiatives currently underway. These include Sense-T in Tasmania and the GrainGrowers Production Wise programme. Farm machinery companies have developed applications that not only warn farmers of the need for maintenance, but also use data collected to facilitate real time benchmarking, further driving productivity gains. Today’s farmers need access to mobile phone coverage and broadband internet to run their businesses efficiently. Those farmers that have access to these services are able to run their businesses from the stockyard, from their tractor or while they are harvesting. But communication services are often not available, or are unreliable or expensive.

The Government is committed to improving access to communications technology for all Australians—particularly those in regional areas who often face the greatest difficulties with service.

While mobile carriers claim to provide coverage to 99 per cent of Australia’s population, around 70 per cent of Australia’s landmass does not have terrestrial mobile coverage (Commonwealth of Australia 2015j).

Traditionally, analogue phone services to regional Australia were funded via the Universal Service Obligation levy, however, these traditional policy responses need to be updated so that internet connectivity can be funded as an essential service.

The Department of Communications has released a discussion paper to consider how best to fund ‘non-commercial’ telecommunications services into regional areas (Department of Communications 2015a).

Expanding mobile coverage to areas where it is currently inadequate or non-existent has clear economic, social and safety benefits. A study commissioned by the Australian Communications and Media Authority found that in the seven years to 2013, mobile broadband contributed 2.1 per cent of productivity gains in the agriculture sector (CIE 2014). Due to comparatively higher costs and lower levels of revenue, mobile network operators are reluctant to invest in extending coverage into regional areas on a commercial basis. To help address this, the Australian Government established the $100 million Mobile Black Spot Programme.

The policy was designed to attract co-funding from other levels of Government and the private sector. The total investment as a result of the program is around $385 million. A second round of investment in mobile blackspots was announced in June, with the Federal Government contributing an additional $60 million.

The Government is also committed to delivering Australia’s National Broadband Network (NBN) to all Australians, including those on the land. The Government is making an equity investment of $29.5 billion towards constructing the NBN.

Access to the NBN and improved mobile coverage could transform farm businesses. Improved connectivity will help increase farm gate returns (Salim, Mamun & Hassan 2015). Communication technologies are already making it possible for farmers to access new market opportunities. Farmers are in a stronger negotiating position when they have a greater choice of markets to supply their produce.

Mudgee Lamb, a family sheep farm in Mudgee New South Wales, is direct marketing to over 12,000 customers solely through Facebook (NBN 2015a).

The NBN has also transformed the way Kirby SMART Farm in Armidale, New South Wales operates. The NBN has allowed the introduction of modern farming techniques and technologies including:

* remote monitoring of soil moisture levels and environmental conditions;
* low cost wireless tracking systems to understand livestock activity;
* improved farm efficiency through video monitoring of key equipment; and
* instant high-quality communication with experts around the world (NBN 2015b).

With a view to further improvements, on 5 May 2015 the Government appointed an independent Committee to undertake a review of regional telecommunications. The Committee will consider the infrastructure and services provided by the rollout of the NBN and the Government’s Mobile Black Spot Programme. The Committee will report to Government on their findings by 23 August 2015. This review will enable regional and agricultural communities to say how the Government can improve these key services faster.

#### We have delivered

##### Providing a regional satellite service

Satellite is one of the most economic ways of delivering high speed broadband in areas where fixed wireless and fixed line services can be prohibitively expensive to deliver. However, satellite broadband has some limitations, such as limited monthly data allowances and fixed capacity during busy hours. The Government spent more than $34 million to improve the Interim Satellite Service after the initial program was poorly managed, delivering speeds little better than dial-up in busy hours (Department of Communications 2014).

The NBN will launch its two next generation KA-band satellites in 2015-16, which will revolutionise broadband services for the bush, offering speeds and data allowances vastly in excess of what is available on previous satellite services. The Government has created a roundtable with regional organisations, such as School of the Air, that will fund and deliver public interest services that will not count to regional users’ data allowance. (NBN 2015c)

##### National Broadband Network (NBN)

The Government is making an equity investment of $29.5 billion towards constructing the NBN. The coming year will see major improvements in NBN coverage across the country. As at April 2015, 288,000 premises of the 1.07 million premises (28 per cent) passed by the NBN’s fixed wireless network were in regional areas. An additional 308,200 premises in the fixed line footprint were in regional areas. In the National Rollout Plan, through to September 2016, 1.18 million premises of the 2.25 million premises (52 per cent) where the NBN will be available or under construction are in regional areas. (NBN 2015d)

##### Mobile Black Spots Programme

The Government has established the$100 million Mobile Black Spot Programme. We expect the first base stations under the Programme to begin rolling out in the second half of 2015. Round 1 of the Programme will deliver 499 new or upgraded base stations across the country. The Programme will deliver handheld or external antenna coverage (or both) to the broader geographic area of approximately 3,000 of the 6,221 nominated black spot locations. These 499 base stations will provide new and upgraded handheld coverage to 68,600 square kilometres and new external antenna coverage to over 150,000 square kilometres. Over 5,700 kilometres of major transport routes will receive new handheld or external antenna coverage.

The positive response to the Programme has prompted the Government to invest an additional $60 million to improve mobile phone coverage and competition in regional Australia through a second round. Commencing in 2016–17, round 2 will build on the work done under round 1. As with round 1, the Government’s investment is expected to generate at least matching funding from State, Territory and local governments, communities and industry. (Department of Communications 2015b)

Strengthening our approach to drought and risk management

The Government is committed to supporting farmers and farm businesses—as well as the rural communities they help to sustain—to prepare for, manage through and recover from adverse conditions, including drought.

1. Strengthening our approach to drought and risk management

#### Action 3 Providing policy certainty to allow farmers to better manage drought and other risks of farming

Being well-informed and well-prepared are the keys to managing any risk. It is important that farmers understand the risks they face and the tools that are available to them. However, even the best prepared farmers can require assistance in extreme droughts. The Government recognises the importance of policy certainty, particularly in the context of drought. That is why we are investing almost $3 billion in a new drought and risk management package that will provide this certainty for farming families and their businesses. The better that farmers can prepare for, manage through and recover from any adverse situation, including drought, the stronger our agriculture sector’s contribution will be to the economy.

#### Supporting farmers to prepare for drought and other risks

##### 3A Improved information for on-farm decision making

Having clear, timely and accurate weather and climate information is vital for farmers. The Bureau of Meteorology (the Bureau) will provide **better seasonal forecasts**, based on a new, significantly enhanced seasonal forecasting model. The Bureau will deliver more accurate and localised seasonal forecasts, which it will update weekly. For the first time, forecasts will be available to bridge the gap between the existing seven-day weather forecast and the one- to three-month climate outlooks. These improvements will be delivered from early 2017. They will provide better information for Australia’s farmers, resulting in improved on-farm decision making.

##### 3B Preparing the farm for drought

On-farm drought preparedness activities are critical to managing through droughts and recovering quickly to return to productive operations.

Investments that allow farmers to more effectively store and use water will help to prepare properties for drought, while increasing productivity. Farmers can now **claim tax deductions for new on-farm water facilities in the first year** (from 7:30pm AEST on 12 May 2015).

Having sufficient supplementary feed on hand is essential for livestock producers to retain core breeding stock during drought. Farmers can now **depreciate new on-farm fodder storage assets over three years** (from 7:30pm AEST on 12 May 2015).

This assistance will be permanent and ongoing, and will apply to all such assets, regardless of their cost or whether the claiming primary producer is a small business. The objective is to encourage new investment to improve drought preparedness and to improve the cash flow of farmers so they can invest and pay off debts.

##### 3C Preparing financially

Insurance can significantly reduce the financial risk that a farmer faces from production loss. As the insurance market in Australia continues to mature, a greater range of commercial products is becoming available. These include multi-peril and parametric insurance products, which are already helping some farmers to manage drought and climate risks more broadly.

To help farmers select the best insurance product for their needs in this developing market, the Government is providing **$29.9 million for farm insurance advice and assessment grants**.

#### Providing in-drought support

##### 3D Providing an appropriate safety net

It is important that our farmers, like other members of the community, are able to access a national social safety net when times get tough. The **Farm Household Allowance**, **Rural Financial Counselling Service** and **social and community (mental health) support measure** are great examples of national programmes that will continue into the future, and are being improved by the Government.

The three years of income support provided by the Farm Household Allowance gives farmers and their partners in hardship time to plan for, and take action to improve, their long-term financial situation. The Government recognises not everyone can improve their situation quickly. An additional $22.8 million will boost support for recipients in their final year of payment by **increasing case management and the activity supplement**. Whatever path a recipient of the Farm Household Allowance ultimately chooses, the Government is committed to making long- term, positive differences in the lives of farmers and their partners in hardship.

The Rural Financial Counselling Service (RFCS) is a trusted network for farmers in hardship, and it continues to provide a critical service to our farming communities. The Government is improving the service in its response to the review by the National Rural Advisory Council. The Government will also **provide additional resources to RFCS providers in drought-affected areas** in 2015–16 to meet increased demand.

Social and community (mental health) support services play an important role in helping farmers, their families and rural communities to cope with the stress associated with drought. The Government recognises the pressure placed on baseline services during times of drought and is committing $20 million in 2015–16 to extend and expand **social and community support services**—**specifically community mental health and family support**—to rural communities in drought-affected area

##### 3E Providing certainty about farm business assistance during a drought

The Government recognises the need to provide in-drought business support that is also fiscally responsible. That is why we will implement a **new drought concessional loans scheme with a loan fund of up to $250 million per year** over the next 10 years starting in 2016–17. In the meantime, we are providing **$250 million to continue the Drought Concessional Loans and Drought Recovery Concessional Loans schemes for a further 12 months**. These drought concessional loans are designed to cover farmers’ short-term needs when income is tight and complement, not replace, commercial finance.

For the Farm Management Deposit (FMD) Scheme we are also **re-establishing early access provisions in times of drought**. From 1 July 2016 farmers in drought will be able to withdraw their FMDs when they need them without losing their taxation benefit. Other changes to the FMD scheme are discussed in Chapter 1—A fairer go for farm businesses.

Taxpayers in drought-affected communities will receive **additional advice and help from the Australian Taxation Office** (ATO) in meeting their tax obligations. Taxpayers will be able to discuss extended payment or lodgement arrangements and interest-free payment plans. The ATO will establish a hotline for drought-affected taxpayers and will proactively contact taxpayers in drought-affected areas with offers of support.

##### 3F Providing assistance for local communities suffering from the effects of prolonged and severe drought

The Government recognises that the impact of drought can be felt well beyond the farm gate, particularly in smaller rural communities.

On 9 May 2015 the Government announced **$35 million for shovel-ready local infrastructure and employment projects** to provide help to communities that are suffering economic downturn due to drought. The Drought Communities Programme funding will be targeted at projects that stimulate local spending; use local resources, businesses and suppliers; and provide lasting benefit to the community.

The impact of pest animals and weeds can undermine management and recovery efforts. The Government is providing **$25.8 million to help manage pest animals and weeds in drought-affected areas**. This will provide work for rural contractors while assisting landowners to deal with the impact of feral animals and weed incursions.

### Managing risk

Managing agricultural risk from year to year and over longer cycles is one of the most difficult challenges for Australian farmers. Farming risks arise from many sources, including market variations, climatic conditions, environmental conditions, pests and diseases, changes in rules and regulations, community expectations and technology changes. As a consequence, Australian agricultural output, prices and incomes are extremely volatile—in fact more so than other sectors in Australia and relative to farmers in many other countries (AFI 2012).

These challenges require farmers to have adaptive farm and business management strategies that take account of the risks they face.

The Government is committed to ensuring farmers are well positioned to prepare for, manage through and recover from adverse conditions, including drought. We recognise that extreme droughts hit our farmers, their families and rural communities hard. Commonwealth policy, both now and for the future, can encourage better farmer preparedness to manage known risks, including cyclical drought events, while providing necessary assistance in extreme events.

Many of the initiatives included in this chapter, while framed as drought assistance, will also help farmers in managing other risks they face. This is reinforced by initiatives in other parts of the White Paper which improve income management (such as improvements to Farm Management Deposits) or facilitate building the water infrastructure that supports greater water security.

### Delivering certainty on drought policy and assistance

Australia is a dry continent with a highly variable climate and drought is a key and recurrent management risk for farmers. Severe droughts can bring sharp reductions in agricultural output, productivity and farm incomes (PC 2009). Further, climate change is likely to exacerbate drought conditions as average temperatures are expected to increase, with more heat extremes and fewer cold extremes, and lower than average rainfalls in southern Australia (BoM & CSIRO 2014).

The Government recognises the uncertainty in the farming community about the support that will be provided during drought events. We have evaluated the adequacy of current drought support and identified what is needed in the future.

The Government has a responsibility to find a balance between supporting farmers, their families and businesses during hard times and promoting the growth of a productive, competitive and profitable agriculture sector.

We recognise the need for certainty of in-drought support for farm businesses so farmers can manage risks across the operational, financial and people aspects of their businesses with confidence.

The Government will establish new drought and risk management programmes for farming families and their businesses. Over the next four years, we have budgeted over $200 million for these programmes, as well as $2.75 billion in drought concessional loans over 11 years.

The Government is aiming to create an environment conducive for farm businesses to prepare for, manage through and recover from drought. Of course, drought is not the only risk for which a farm must be prepared, but it is a key one. Most farmers already do a good job of preparing for drought and managing in a variable climate; the Government will not tell farmers how to farm.

However, we are keen to unlock solutions to the impediments farmers face in their preparation for drought. We will do this by supporting farmers to more easily access commercial insurance products and through improvements to the accuracy of the Bureau’s seasonal forecasts.

The Government recognises drought preparedness can take time, and what constitutes good preparedness may also change over time. A farm business can only prepare for and withstand a certain number of bad years in a row. Droughts, by their very nature, deplete farmers’ financial resources and the social impact on people is devastating. For example, farming families can find it difficult to put food on the table, meet their basic household expenses and fixed business costs, keep-up with education costs for their children as well as keeping workers employed on the farm during prolonged and severe droughts. We are committed to providing an appropriate social safety net for farmers and their families. This assistance is more than a cash payment; it provides ancillary support to farmers and their families so that they can consider their next steps with dignity.

The Commonwealth affirms its commitment to the Intergovernmental Agreement (IGA) on National Drought Program Reform and to the respective roles and responsibilities it outlines; indeed, the Commonwealth is strengthening this commitment through the provision of extensive assistance at the national level under its new programmes. A national approach to drought assistance is critically important and all jurisdictions need to continue to be committed to achieving the best outcomes for the Australian agriculture sector.

Under the IGA, State and Territory governments have committed to helping farmers to better prepare for drought through farm business training; the development of tools and technologies to inform farmer decision making; and assisting in the provision of coordinated, collaborative social support services. In response to the recent drought, some jurisdictions have also implemented in-drought assistance to meet specific farmer needs. It is appropriate that State and Territory governments continue to be responsible for providing tailored support to meet the needs of drought-affected farmers.

Farm businesses and farming families across Australia are suffering financially and emotionally as a result of the prolonged drought. The Government has shown that it is determined to stand by the people of Australia in good times and bad, with responsible in-drought support.

Since February 2014 the Government has made available substantial drought assistance, including: $370 million in concessional loans for drought-affected farmers; $23.1 million for emergency water infrastructure rebates; more than $15.5 million for enhanced social and community support services in drought-affected areas; and $8.8 million for pest management in drought-affected areas.

In May 2015 the Government announced a further $333 million in new initiatives to provide certainty for farmers, farm businesses and rural communities currently experiencing drought. This focused on an extension of programmes expiring on 30 June 2015 and on providing grants for community infrastructure. The White Paper presents these and longer-term initiatives to assist farmers in managing drought and other risks.

#### Delivering certainty to farmers

The Government’s new drought and risk management package delivers certainty for farmers. The Government is determined to deliver a positive legacy through the establishment of a range of drought and risk management programmes. Farmers will be provided a suite of government programmes that:

* support them to prepare for drought and other risks; and
* provide in-drought support.

The Government will provide an appropriate level of support nationally. We will maintain records of recipient funding to allow future analysis of the effectiveness of drought-related programmes both nationally and regionally. The Commonwealth will not duplicate services best provided by the State and Territory governments and the private sector. Farm businesses should also manage known risks themselves, including cyclical drought events.

#### Managing other weather risks

Droughts are not the only extreme weather risk that farmers face. While a drought creeps up on a farmer, natural disasters—such as a flood, fire or cyclone—have a rapid onset and an immediate and devastating impact. Because of this, natural disasters call for a different policy response to drought (see Box 9).

Box 9 Improvements to the Natural Disaster Relief and Recovery Arrangements

The Natural Disaster Relief and Recovery Arrangements are important because they define the roles and responsibilities of the Commonwealth and the States and Territories. Within this, the States and Territories have responsibility for determining and delivering assistance for primary producers. The Commonwealth then reimburses States and Territories for a portion of their expenditure on eligible disaster recovery activities. This arrangement acknowledges that State and Territory governments are best placed to determine which areas should receive assistance and the best forms of assistance.

The Government is always looking at ways to do things better. In April 2014, the Government asked the Productivity Commission to undertake a review of Natural Disaster Funding Arrangements. On 1 May 2015, the Government released the final report. The Commission’s findings included that governments focus too much on recovery at the expense of directing resources towards better preparing for future disasters. (PC 2014b)

The Commonwealth is currently consulting with the States and Territories on the Commission’s recommendations to inform the Commonwealth’s response. This includes considering moving to an upfront disaster funding system, with a greater focus on mitigation. Such a system is not designed to reduce Commonwealth funding but rather remove red tape for governments, encourage activities to better prepare for natural disasters and increase the flexibility of State and Territory governments to provide assistance that best meet the needs of affected primary producers and communities.

The Australian Government will always have a role in supporting States and Territories affected by natural disasters and we will always stand ready to assist communities in need. Following our consultation with the State and Territory governments on the best path forward, our aim is to improve Australia’s Natural Disaster Relief and Recovery Arrangements. As always, the Government will consider the needs of our primary producers in making any improvements.

### Supporting farmers to prepare for drought and other risks

#### Improved information for on-farm decision making

Clear, timely and accurate weather and climate information is vital for farmers to inform their planning and decision making, including to reduce the impacts of extremes such as drought. This is also important beyond the farm gate.

El Niño is often associated with below average rainfall across eastern Australia during the second half of the year and warmer than normal daytime temperatures over the southern half of the country. The estimated impact of an El Niño event on the broader Australian economy is a 0.37 percentage point reduction in gross domestic product growth over the following nine months (Cashin, Mohaddes & Raissi 2015), costing the economy hundreds of millions of dollars. Improved seasonal forecasts have the potential to mitigate some climate impacts and reduce losses.

The Bureau currently provides seasonal climate outlooks for one- to three-months ahead, updated monthly, and a monthly seasonal climate and water outlook video. These outlooks are based on a seasonal forecasting model delivered though the Bureau’s website.

However, the Bureau recognises that it has more to do to further unlock the potential value of seasonal forecasts to farmers. In 2014 the Government announced a significant additional investment in the capabilities of the Bureau through the purchase of a new supercomputer. Set to be operational in 2016, the supercomputer will ensure the continued and improved delivery of high-quality forecasts and warning services for communities across Australia. The new supercomputer will enable the Bureau to provide more accurate and localised weather information—including for thunderstorms and tropical cyclones—as well as improved timing of cold fronts and improved timing and direction of wind changes.

#### White Paper actions

##### Seasonal forecasting

Being able to make production decisions for the weeks and seasons ahead is critical but can be challenging for farmers. The Government will provide $3.3 million to enable the Bureau to implement **better seasonal forecasts** for farmers by providing forecasts that are:

* more localised—with an improvement in modelling resolution to 60 kilometres, from the current 250 kilometres (Figure 9);
* more frequent—with updated guidance provided weekly rather than monthly; and
* most importantly, more accurate.

New forecasts will also be provided to bridge the gap between the existing seven-day weather forecast and the one- to three-month climate outlooks. This will, for the first time, provide information to farmers in this critical planning and decision-making window.

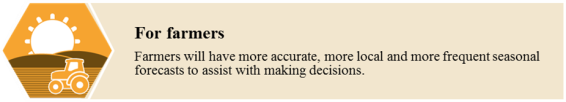
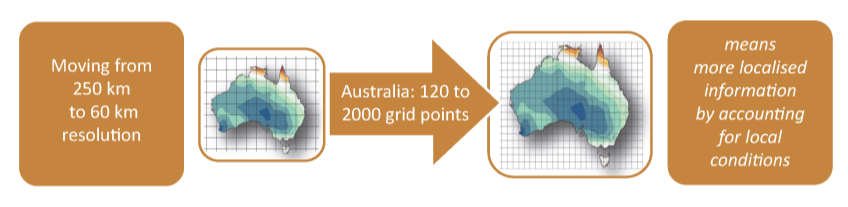


Figure 9 Improved forecasting model resolution



In addition, through the Rural R&D for Profit programme (discussed in Chapter 4—Farming smarter), the Government is investing in the underpinning science to make further improvements to the Bureau’s seasonal forecasting model. Together with the agriculture sector, through the Managing Climate Variability Programme, the Government is funding a joint project between the Bureau and Monash University focused on seasonal forecasting model improvements. These improvements are aimed at enhancing forecast accuracy further in advance, particularly in southern and western parts of Australia. Improvements complement the advances soon to be made through increased model resolution.

The advanced seasonal forecast service will provide farmers and the agriculture sector more widely with improved information on weather and climate conditions in their region for the weeks and seasons ahead. This will assist farmers to manage some of the risks to primary production associated with Australia’s highly variable climate. The improvements in the Bureau’s seasonal outlook service will be a significant step forward in helping farmers to unlock greater economic value from seasonal forecasts.

#### Preparing the farm for drought

Farmers undertake activities every day to prepare for drought. Many of these activities occur as part of the general operation of the farm business and the business’ approach to risk management. The Government wants to make it easier for farmers to invest wisely in their farm business to meet the challenges of the future.

#### White Paper actions

##### Accelerated depreciation for investment in preparedness assets

We need to secure our future water supplies. Investments allowing farmers to more effectively store and use water will help them to prepare for and manage their properties through drought, while increasing productivity. Individual farm businesses are best placed to make decisions about the on-farm infrastructure investments they implement. From 7:30pm AEST on 12 May 2015, farm businesses were able to **claim an immediate tax deduction for new water facilities**. This helps farmers invest in assets such as bores, dams, pumps, water tanks, troughs and irrigation systems on-farm, while also managing their balance sheets.

This complements the commitment that the Government is making to large-scale water infrastructure projects through the **National Water Infrastructure Development Fund** (see Chapter 2—Building the infrastructure of the 21st century).

Water is key to farming. Farmers are now able to immediately deduct the cost of new water facilities.


Having fodder, along with water, on hand to assist with stock feeding during drought is important. From 7:30pm AEST on12 May 2015 farm businesses were able to **depreciate capital expenditure on fodder storage assets over three years**. This will help farmers to prepare for drought by making investments in assets such as steel silos for storing animal feed, bins for storing dried grain, silage bunkers, and liquid feed supplement storage tanks.

Having feed on hand for livestock during a drought is vital. Farmers are now able to depreciate new fodder storage assets over three years.


#### Preparing financially

Having a strong balance sheet can considerably improve a farm business’ ability to manage risk. Having options to manage variable income flows associated with farming is valuable for farmers, especially when drought hits.

#### White Paper actions

##### Insurance and risk advice

Insurance can significantly reduce the financial risk that a farmer faces from production loss. Single-peril insurance (such as for fire or hail) is widely available to farm businesses. As the insurance market in Australia continues to mature, a greater range of commercial products is becoming available. These include multi-peril and parametric insurance products, which can be used to manage drought and climate risk. An insurance policy delivers increased financial certainty for a farmer and can provide the confidence to make better on-farm decisions to maximise profitability.

As the range and complexity of commercial products increases, the task for a farmer of selecting the insurance products that best meet their needs is not getting easier. To assist farmers with their decision making**,** we are **providing $29.9 million over four years for farm insurance advice and assessment grants.** The Government will partner with State and Territory governments to allow eligible farm businesses to access up to $2,500 as a one-off grant based on a dollar-for-dollar matching of funds provided by the farmer.

Farmers will be able to access a grant to help evaluate insurance options and to obtain risk management advice. Insurance can give farmers the confidence to make profitable decisions.


### Providing in-drought support

#### Providing an appropriate safety net

As for all members of our community, farmers are entitled to have access to a national social safety net when times get tough. The Farm Household Allowance, the RFCS and social and community support are great examples of national programmes that will continue into the future. They are being improved through the White Paper.

#### We have delivered

##### Farm Household Allowance

The Government has delivered more generous settings under the Farm Household Allowance. The Allowance is a fortnightly income support payment available Australia-wide for farm families in financial hardship. The cause of the hardship is irrelevant to accessing support. It is designed to suit the circumstances of farmers and their partners. The three years of income support provided by the Allowance gives farming families time to plan and take action to improve their long-term financial situation, but avoids entrenching welfare reliance. (Department of Human Services 2015a)

##### Rural Financial Counselling Service improvements

The RFCS provides free rural financial counselling to primary producers, fishers and small rural businesses suffering financial hardship. It is a trusted network for helping farmers get out of trouble and back to viability.

The Government has reaffirmed its commitment to not only continue funding for the RFCS, but also improve the service through its agreement to 26 recommendations in full and four recommendations in part from the recent review by the National Rural Advisory Council. (Department of Agriculture 2015e)

#### White Paper actions

##### Farm Household Allowance

It is important that the Farm Household Allowance meets farmers’ needs, including providing face-to-face support where possible. The Government recognises that it is also important that the programme is readily accessible and is not overly burdensome in paperwork.

As not everyone can improve their situation quickly, we are delivering $22.8 million to support recipients in their final year of payment by **increasing case management and the activity supplement by an additional $1,000 for each recipient**. This will help recipients to make decisions about their next steps. Whatever path a recipient of the Farm Household Allowance ultimately chooses, the Government is committed to making long-term, positive differences in the lives of farmers and their partners in hardship.

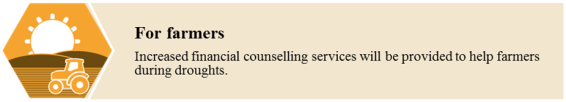
Farmers and their partners receiving the Farm Household Allowance will be assisted in decisions about their next steps.


##### Rural Financial Counselling Service

The RFCS continues to provide a critical service to our farming communities.

The Government is committing $1.8 million in 2015–16 to **provide additional resources to service providers in drought-affected areas**.

This will be targeted at regions and providers that experience an increase in demand for rural financial counselling services that cannot be met within existing resources, due to the impacts of drought.



##### Enhanced social and community support (community mental health and family support)

The Government acknowledges the stress and mental toll that drought and other severe events can have on a farmer and their family relationships. In times of stress, such as drought, farmers still need to make business decisions every day. Social support and mental health services play a role in helping farmers, their families and others in rural communities to cope with the stress associated with drought.

The Government recognises the pressure placed on baseline services during times of drought. We are committing $20 million in 2015–16 to continue delivering **enhanced social and community support—specifically community mental health and family support—**to rural communities in drought-affected areas. Department of Human Services drought coordinators will continue their work to ensure coordinated delivery of and clear communication about the assistance available to farmers and their communities.

Improved access to community mental health and family support will be provided to assist farmers, their families and local communities during droughts.


#### Providing certainty about farm business assistance during a drought

Farmers require greater certainty about the types of support they will have available for their businesses when extreme drought hits. Lack of certainty limits the ability of farmers to plan and undermines the establishment of risk markets, such as insurance. The Government is determined to give this certainty to farmers.

#### White Paper actions

##### Drought concessional loans

The Government recognises the cash-flow challenges farmers face during droughts. Foremost, the banking and finance sector has a role to play in helping farm businesses during droughts. This includes a responsibility to ensure that farm lending practices are flexible enough to account for the income fluctuations that a farm business faces over the long-term.

The Government can complement the services provided by the financial sector with the provision of concessional loans during times of drought. These loans are designed to cover a farmer’s short-term needs when income is tight and to supplement, not replace, commercial finance.

Drought concessional loans provide in-drought business support that is also fiscally responsible. A **new drought concessional loans scheme providing up to $250 million in loans a year** will be available over 10 years from 2016–17. The Commonwealth will work with State and Territory governments to establish loan conditions.

In 2015–16, while the new loans scheme is established, we will be offering **$250 million in drought concessional loans and drought recovery concessional loans.** These are an extension of the existing schemes.

It’s important to get the new scheme right to ensure it provides positive support. The Commonwealth will discuss the best way to deliver the scheme with the State and Territory governments. The Commonwealth wants to see loans streamlined and efficiently delivered, minimising red tape for farmers.

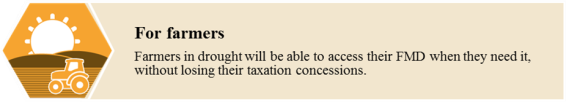
We will always stand by farmers in drought. Drought and drought recovery concessional loans will be available in 2015–16, with a new drought concessional loan product available for 10 years from 2016–17.


##### Farm Management Deposits

The FMD Scheme is an important tool to help farmers manage income risks, including the risk from drought. Farmers have invested strongly in FMDs, but have also drawn down on them in periods of need (Figure 10).

When the Exceptional Circumstances arrangements ceased, there was no longer a trigger to allow for early access to FMDs without farmers losing their concessional tax treatment. **We are re-establishing early access provisions in times of drought**.

From 1 July 2016 farmers suffering financial hardship as the result of severe drought will be able to withdraw their FMDs when they need them, without losing the concessional tax treatment.



As discussed in Chapter 1—A fairer go for farm businesses, from 1 July 2016 the Government is also improving the FMD scheme by doubling the deposit limit to $800,000, and lifting restrictions to allow financial institutions to offer FMD accounts as an offset facility on a farm business loan. This will deliver additional cash flow for farmers.

Figure 10 Change in FMD holdings from previous year

A bar chart shows the change in FMD holdings at June each year between 2000 and 2014. During this time, farmers have generally been adding to their FMD holdings. However in 2007, 2009 and 2010, the amount held in FMDs was drawn down. Compared to the previous year total holdings were reduced by $14 million in 2007, $36 million in 2009 and $59 million in 2009. 
The most money ($1 billion) was added to FMD accounts in 2002, with additions falling to $4 million by 2006. Between 2011 and 2014 additions to FMD accounts were $433 million, $316 million, $189 million and $418 million respectively


Note: Change in holdings as at June each year. Source: Department of Agriculture 2015a.

##### Assistance from the Australian Taxation Office

The Government recognises it is important to support businesses and communities in drought-affected areas experiencing difficulties in meeting tax and super compliance obligations. The Commissioner of Taxation has committed to develop a strategy for **the Australian Taxation Office (ATO) to engage proactively with businesses and taxpayers having difficulty with some of their lodgement and payment obligations.**

Taxpayers in drought-affected communities will be able to discuss extended payment or lodgement arrangements and interest-free payment plans. The ATO will establish a hotline for drought-affected taxpayers and will proactively contact taxpayers in drought-affected areas with offers of support. The ATO will work with the Department of Agriculture to identify drought-affected taxpayers.

More broadly, the ATO has undertaken to engage with taxpayers in their local communities to increase awareness of support the ATO can offer and ensure that the support being offered is what is needed. This will include holding ‘town hall’ style meetings in regional areas, and meetings with local governments and business associations.

**Farmers in drought-affected communities will receive advice and help in meeting their tax commitments. 
**

#### Providing assistance for local communities suffering from the effects of prolonged and severe drought

The effects of drought extend well beyond the farm gate. As drought continues over several years, local employment and spending in local shops significantly decreases. If locals are able to stay in their community and shops are able to stay in business, they will be there when the drought breaks to help hasten community recovery. The Government wants to build a stronger economy and deliver lasting economic infrastructure.

#### White Paper actions

##### Local projects to assist drought-affected communities

The Commonwealth recognises that State and Territory governments, local governments and community organisations are best placed to identify and be responsive to the local economic impacts from the onset of drought in their communities. Notwithstanding, the Commonwealth is concerned that not enough is being done at present to address the local economic impacts on communities that have experienced prolonged drought.

The Government is providing **$35 million for the Drought Communities Programme** to deliver local projects to help communities that are suffering economic downturn due to drought.

The funding will target projects to stimulate local community spending, use local resources businesses and suppliers, and provide a long-lasting benefit to communities and the agricultural industries on which they depend.

These community-based activities will also strengthen the social fabric of communities, increasing their capacity to work cooperatively on other issues and potentially reduce stress on individuals.

Shovel-ready local projects will create job opportunities in drought-affected communities. 


##### Managing pest animals and weeds in drought-affected areas

Pest animals and weeds require ongoing management by farmers, but farmers’ capacity to do this during drought is often reduced just at the time when pests and weeds can cause problems for already-stressed pasture and livestock. The impact can undermine drought management and recovery efforts.

The Commonwealth will provide $25.8 million to help the State and Territory governments manage pest animals and weeds in drought-affected areas.

This additional funding will target:

* reducing grazing pressures by pest animals in drought-affected areas;
* addressing the impacts that predators such as foxes and wild dogs have on weakened livestock; and
* addressing weed management issues caused by the decline of pasture and groundcover.

Dealing with the impact of pest animals and weeds in drought-stressed regions will increase profitability.


In collaboration with the State and Territory governments, we are also implementing the **pest animal and weeds management and emergency response to exotic pest incursions programme** to provide a long-term response to this issue. This programme is discussed further in Chapter 4—Farming smarter.

Farming smarter

The Government wants Australian agriculture to continue to have access to the most advanced farming technologies and practices, as well as the skills and labour to drive innovation and growth.

Farming smarter also means achieving the right balance between the environment and growth, with sustainable resource management at the heart of this.

1. Farming smarter

#### Action 4 Strengthen the research, development and extension system, improve skills and sustainably manage our natural resources

##### 4A Partnering with industry on research, development and extension

Australia’s unique partnership between industry and Government for agricultural research and development has provided us with one of the world’s strongest rural research, development and extension (RD&E) systems. Together, the Government and industry are expected to provide around $5.5 billion over the next 10 years through the rural Research and Development Corporation (RDC) system. This will deliver real and tangible benefits for farmers, for industries and for the community. The system provides an average return of over $10 for every dollar invested (CRRDCC 2010).

But we need to ensure we are getting the best outcome for our investment—the biggest bang for our buck. The issues facing agriculture often go beyond single commodities and require collaboration, cross-sectoral and transformational research, and more extension and adoption. The Government’s $100 million Rural R&D for Profit Programme enables such solutions, but it expires in 2017–18.

The Government will invest a further **$100 million to continue the Rural R&D for Profit programme** between 2018–19 and 2021–22. The programme will emphasise collaboration and adoption. This will represent, in total, $200 million additional investment (beyond the normal levy matching) by the Government in rural research and development (R&D) over the eight years to 2021–22. Long-term investment will generate long-term rewards for agriculture.

The Government is also updating the rural **RD&E priorities** to better reflect industry and community needs. The new priorities will include a stronger focus on advanced technology; biosecurity; soil, water and management of natural resources; and the adoption of R&D. We will c**ontinue to improve the operation of the RDCs** to deliver more efficient, targeted and transparent RD&E outcomes for rural industries.

The Government will provide **$1.4 million to match new industry levies** in the export fodder and tea tree oil industries**,** which will promote productivity in existing and emerging agricultural industries. We will also **boost funding by $1.2 million for the Rural Industries Research and Development Corporation** to provide services to small agricultural industries.

##### 4B Technology and global orientation driving the sector’s workforce needs

Skilled labour is vital to ensure agriculture has the workforce needed to remain internationally competitive. The Government is committed to ensuring all Australian industries, including agriculture, have access to a skilled and flexible workforce. In higher education, the Government has set out a significant reform agenda that will allow our higher education institutions to respond more flexibly to the needs of industry.

In vocational education and training (VET), the Government is delivering an ambitious reform agenda that will lift quality, ensure training leads to jobs and improve the status of the VET system. This includes working with the States and Territories to further the objectives of the VET reform process through the publicly subsidised training system.

The Government is investing $664.1 million in the **Industry Skills Fund** to support up to 250,000 training places and support services to meet specific business needs. As one of the identified growth areas of the economy, the food and agribusiness sector has priority access to this programme. The Government supports and encourages the development of agricultural-specific consortiums—led, for example, by eligible peak industry bodies—to undertake Industry Skills Fund projects to the benefit of consortium members (including individual farmers) who might not otherwise be eligible under the Fund.

As included in Chapter 1—A fairer go for farm businesses, the Government is also investing $13.8 million to strengthen farmer awareness and knowledge about innovative business models, such as cooperatives, under a two-year pilot programme to commence in 2015–16.

Where local labour is not available, especially during seasonal peaks, the Commonwealth supports access to foreign workers through visa programmes. The Government is expanding the **Seasonal Worker Programme** to all agricultural industries and opening it to more partner countries.

The Government is continuing to assist the agriculture sector by allowing those visiting Australia on **Working Holiday (subclass 417) visas** to extend their visa if they work in selected industries including agriculture. The Government is also working to increase the number of partner countries participating in the **Work and Holiday (subclass 462) visa programme** and giving 462 visa holders access to a second 12 month visa if they work for three months in agriculture or tourism in northern Australia.

Foreign workers have the same wages, rights and conditions as any other Australian worker. The Government is conscious of ensuring workers are not exploited. The Fair Work Ombudsman is being proactive in assisting overseas workers in the agriculture sector. The ‘Cadena Taskforce’ is investigating allegations of fraud and worker exploitation of temporary foreign workers.

##### 4C Sustainable resource management by farmers

Australia’s competitiveness in agricultural production depends on a sustainable natural resource base. Farmers are stewards of 53 per cent of Australia’s landmass (ABS 2015b), use 65 per cent of consumed water (ABS 2014c) and are the front line natural resource managers in Australia. From 2015–16 the Government is providing around $1 billion over four years for the **National Landcare Programme** and around $700 million over four years for the **Green Army** to deliver practical projects for environmental benefit and provide training in conservation management.

Pest (including feral) animals and weeds cost farmers more than $4.7 billion a year in management and lost production (Australian Biosecurity Group 2005). The Government will provide **$50 million to manage established pest animals and weeds**.

An outbreak of a serious exotic disease could result in significant costs to industry and the community, including lost overseas markets. A rapid and effective response is needed. The Government will respond to such events by providing **$50 million for increased emergency eradication and national response capability.**

### Partnering with industry on research, development and extension

Farming is a highly technical, innovative and internationally-connected business. Australian farmers are rapidly adopting new technologies. The uptake of this technology is transforming Australian agriculture. The future success of Australian agriculture depends on smarter farming practices. Technological innovations and adoption of research and development (R&D) on-farm are central to productivity growth. Almost two-thirds of the value of broadacre agricultural production in recent years can be attributed to productivity improvements. ABARES estimates that almost two-thirds of that productivity growth has been contributed by public investment in research, development and extension (RD&E) (Sheng et al*.* 2011). Australians are known for their innovative R&D, but we need to ensure this is getting out of the laboratories and onto the farms.

While maintaining its strong commitment to the current Government–industry partnership system, the Government is adopting a three-pronged approach to building stronger RD&E. This involves: 4

1. **Investing in the right RD&E** by setting the right priorities.
2. **Addressing the gaps in the system** through more funding for collaborative research and adoption.
3. **Improving the efficiency of the system** by reducing administrative costs and improving governance.

The existing agricultural RD&E system has a strong advantage in focussing on the needs of levy payers in each agricultural industry. Innovations are therefore appropriately targeted at particular industries. Examples include making genetic improvements to help beef and sheep producers lift their productivity, pasture research for better milk production in dairy herds, minimum tillage and genetic modification in the grains industry to increase productivity, and selective breeding in the sheep industry to phase out the need for mulesing.

RD&E is also helping producers innovate throughout the supply chain. Examples include electronic livestock identification, researching consumer preferences in the domestic market, market and product testing overseas, improving the shelf-life for exported products, or developing innovative new packaging materials to improve food safety and reduce costs or waste. The ability of Australian agriculture to innovate and form successful research collaborations will continue to support a stronger Australian economy with sustainable food security.

But the Government recognises the need for investment in cross-cutting applications such as digital technology, sensor technology, robotics, communications and management of natural resources. The Government’s investment in the National Broadband Network (NBN) will mean advances in digital technology are available to all farmers (see Chapter 2—Building the infrastructure of the 21st century for more detail).

The Sense-T project is a good example of the benefits of advanced communications technology. Sense-T is helping to build an economy-wide sensor network and data resource in Tasmania, creating a digital view of the state and giving industry, governments and communities the tools to solve practical problems and make better decisions. In agriculture, commercial sensor systems use a wireless network within each farm, and the NBN or 3G, to draw real-time data into a ‘cloud’ to be aggregated with historical and spatial data. This creates a real-time digital view that is helping Tasmanian farmers manage their farms, minimise their environmental impact and maximise their access to markets. (University of Tasmania 2015)

We also need to get other technologies out to farmers. Productivity growth in agriculture has slowed over the past 15 to 20 years (Gray, Oss-Emer & Sheng 2014). Productivity improvements in agriculture depend on effective uptake of R&D (PC 2011; Sheng et al. 2011). State and Territory governments, who traditionally invested strongly in RD&E, have reduced their efforts. The private sector is stepping into extension services but not consistently across all sectors and regions. The Government considers that the RDCs need to work with other extension providers to facilitate farmers’ adoption of R&D. Roles and responsibilities will vary depending on the circumstances in different industries, but RDCs must demonstrate that farmers will have a pathway to adoption for the R&D they fund.

Future productivity gains are most likely to come from better extension efforts, increased efficiency in the RD&E system, building human capital through labour and skills, and reducing regulatory burden (Gray, Oss-Emer & Sheng 2014). The Government is focused on addressing these gaps by improving cross-sector and transformational research, collaboration (both among RDCs and between RDCs and other rural research providers) and extension services to facilitate the adoption of innovation by farmers.

#### We have delivered

We have a strong rural RD&E system based around joint Government and industry investment.

##### Public investment in research, development and extension

The Government is investing over $240 million a year in the RDCs by matching industry levies. (Department of Agriculture 2015f )

This is being supplemented by investing in priority agriculture research areas through the $100 million Rural Research and Development for Profit programme. (Department of Agriculture 2015g)

The Government supports six ongoing agricultural Cooperative Research Centres with total funding of $139.5 million. (Australian Government 2015d)

In addition, the Government has announced $75 million to establish a new CRC to bring businesses, governments and researchers together to find northern solutions for northern problems. Building on the growNORTH proposal, the CRC will have an initial focus on agriculture, food and tropical health. (Commonwealth of Australia 2015i)

The Government has invested $37.5 million through the Natural Resource Management Planning for Climate Change Fund. (Department of the Environment 2014a)

The Government is also now investing $23.8 million through the Northern Australian Environmental Resources Hub, as part of the $142.5 million National Environmental Science Programme. (Department of the Environment 2014b)

##### Encouraging private investment

The Government provides the R&D Tax Incentive to stimulate Australian industry investment in RD&E. (Australian Government 2015e)

On 26 May 2015, the Government launched the Boosting Commercial Returns from Research Strategy which aims to improve business and research sector collaboration, support economic growth and enhance Australia’s competitiveness into the future. (Department of Industry and Science 2015)

Post-farmgate the Government is bringing together industry and research providers through the new Food and Agribusiness Industry Growth Centre. This is one of five Industry Growth Centres in which the Government is investing $188.5 million. The Food and Agribusiness Industry Growth Centre will assist in identifying priorities that will inform the science and research community of industry’s needs and commercialisation opportunities. (Australian Government 2015a)

#### White Paper actions

##### Setting the right RD&E priorities

Australian agriculture faces huge challenges, but also opportunities. A stronger RD&E system will give our farmers access to the latest innovations, new technologies and best management knowledge available to seize those opportunities.

The Government has developed **clear, farmer-oriented priorities to target rural RD&E funding**. They will deliver tangible and sizeable on-farm benefits that improve farm gate returns. The new priorities are:

* **advanced technology**, to enhance innovation of products, processes and practices across the food and fibre supply chains through technologies such as robotics, digitisation, big data, genetics and precision agriculture;
* **biosecurity**, to improve understanding and evidence of pest and disease pathways to help direct biosecurity resources to their best uses, minimising biosecurity threats and improving market access for primary producers;
* **soil, water and managing natural resources**, to manage soil health, improve water use efficiency and certainty of supply, sustainably develop new production areas and improve resilience to climate events and impacts; and
* **adoption of R&D**, focusing on flexible delivery of extension services that meet primary producers’ needs and recognising the growing role of private service delivery.

These new Australian Government RD&E priorities for agriculture are consistent with the national Science and Research Priorities announced on 26 May 2015. The national priorities align areas of research excellence with Australia’s comparative advantages, including food, soil and water, and environmental change.

While the agriculture priorities do not cover all of the important issues facing primary industries, they are the highest priority research areas based on stakeholder feedback. The Commonwealth will engage further with State and Territory governments to determine whether the rural RD&E priorities can be adopted nationally.

Improved RD&E priorities will direct levy funds to areas that will improve farm gate returns.
All research projects must consider how the information will be delivered to farmers and translated into real, on-farm practices.


##### Extending the Rural R&D for Profit programme

The Government established the $100 million Rural R&D for Profit programme funding collaborative research projects to deliver cutting-edge technologies, applied research and on-farm adoption. The first application round approved up to $26.7 million, which will leverage a total RD&E investment of almost $60 million to benefit farmers.

The Government recognises that long-term productive growth requires a long-term commitment to RD&E.

The Government will commit a **further $100 million over four years from 2018–19** to enable this programme to run continuously until 2021–22. Extending the programme will also provide more certainty of support for longer-term projects. The programme will continue to focus on cross-cutting issues, collaborative research and extension.

Adoption of research outputs is key to the success of the programme. The Government is requiring the RDCs and research partners to consider how farmers will use the research outcomes and to build an extension component into projects.

Farmers will benefit from getting research out of the laboratory and onto the farm, which is key to productivity growth. Projects will have a strong delivery focus.


##### Improving RDC governance

To ensure rural RD&E investments deliver maximum returns, the Government will work closely with **RDCs to improve their efficiency, transparency and accountability**. This includes requiring the RDCs to:

* have a greater focus on the extension and adoption of R&D outcomes by primary producers; and
* increase co-ordination in their administrative functions, particularly back office functions such as HR, payroll, accounting and travel.

Improvements in these areas will mean farmers and the community will get maximum value from their investment in RD&E. Reduced administration costs will leave more money for RD&E.

The Commonwealth will continue to explore and consult on options for decentralisation of Government agencies, including RDCs, to regional areas to invigorate jobs and growth.

Farmers will benefit from a greater focus on extending outcomes to the farm gate. Reduced administration costs will leave more money for RD&E.


##### Managing new RD&E levies

The establishment of new levies is driven by industry. There are currently more than 90 levies across 69 commodities and there continues to be industry requests to establish new levies.

The Government will continue to deliver on its long-standing policy of supporting rural RD&E by matching industry expenditure for RD&E. This policy has long-term benefits for agricultural industry growth, sustainability and resilience.

Demonstrating this continued commitment, the Government is providing **$1.4 million to match new industry levies** in the export fodder and tea tree oil industries.

The Government will also boost funding by **$1.2 million for the Rural Industries Research and Development Corporation** (RIRDC) to assist it in its provision of RD&E to small agricultural industries.

A research boost will be provided to the export fodder and tea tree oil industries with new, matched RD&E levies; and small agricultural industries will benefit from additional RD&E funds to RIRDC. 


### Technology and global demand driving the sector’s workforce needs

A competitive agriculture sector requires access to skilled labour and modern education and training systems. To be successful, people who manage farm enterprises may need skills across a wide range of disciplines, including finance and business management, marketing, information technology, crop management, animal husbandry and management of natural resources. As the agriculture sector uses more specialised technology and implements cutting edge research and development, there will be greater need for a more highly skilled workforce. Manual labour is increasingly being replaced by GPS-guided tractors, computerised irrigation systems, laser levellers and sophisticated harvesting technology. The new workforce requires specific technical skills (NRAC 2013). Post-school education for farmers and their workers can significantly enhance their productivity.

Acquiring new skills can help employees to better perform their jobs, but also to feel trusted and valued by their employers as they take on greater responsibilities. A joint study by Meat & Livestock Australia and Australian Wool Innovation found that managers are one of the greatest influences on workforce engagement and retention, rather than rates of pay (MLA 2008). The National Rural Advisory Council suggests that by understanding and responding to workforce skills needs, employers can better identify the drivers of job satisfaction to retain employees (NRAC 2013).

To meet projected demand and exploit market opportunities, the agriculture sector needs both skilled farmers and a skilled and available workforce. However, agriculture has struggled to attract and retain the skilled labour it needs to prosper. This was particularly so when the mining industry was booming. Other factors contributing to this have been declining rural populations as people have moved to larger towns and cities, outdated perceptions of agricultural career paths, and relatively low rates of participation in agriculture-related education.

#### Improvements to training and skills

The Government has set out a significant reform agenda that will allow our higher education institutions to respond more flexibly to the needs of industry. Farming in the 21st century will bring with it new environmental, social and financial challenges. Innovation, a hallmark of Australian agriculture, will be essential to meet these challenges. Higher education has a role to play in driving innovation and in equipping farm businesses with the skills and knowledge necessary to capitalise on an increasingly globalised and connected trading environment.

The Government is implementing a number of economy-wide initiatives targeted at ensuring all industries, including agriculture, have access to a skilled and flexible labour force.

The Commonwealth has embarked on a Vocational Education and Training (VET) Reform Agenda to improve the quality and status of VET training and to ensure real links between training and jobs. Lifting the quality of training providers and their courses will improve the contribution of VET to the employment prospects of students. The reforms are multi-faceted and will drive industry engagement, remove red tape for training providers, and, by working with the States and Territories, improve outcomes for the publicly subsidised training system.

The Government plans to reform higher education. The reforms would make more subsidised places available at a wider range of institutions, including TAFEs and private agricultural institutions like Marcus Oldham College in Victoria. The reforms would also capture a wider range of undergraduate courses, including agriculture-related higher education diplomas, advanced diplomas, associate degrees and bachelor degrees. Subsidies would be available for full- and part-time online courses as well as those offered face-to-face. The Government’s reforms would see higher education institutions offering more scholarships to assist disadvantaged students with the costs associated with their study, including accommodation, travel and learning support. Changes to means testing for Youth Allowance and ABSTUDY Living Allowance will better support farming families and encourage rural youth into further study (Box 10).

The Government is also providing additional business training for farmers through the Cooperatives and Innovative Business Model Knowledge Programme (Chapter 1—A fairer go for farm businesses provides details).

The Government supports industry-led solutions, such as the National Farmers’ Federation’s National Agricultural Workforce Development Plan which maps the industry’s future labour, skills and education needs.

Box 10 Helping young people from farming families to continue further study

Higher education supports growth in economic productivity and social well-being. Living in a rural or remote area should not prevent young Australians from having further education and training.

As part of the 2015–16 Budget, the Government introduced a simplified and more generous means testing arrangement for Youth Allowance and ABSTUDY Living Allowance payments. The Government removed the Family Asset Test and the Family Actual Means Test from the Youth Allowance Parental Income Test. These changes will assist all Australian families, particularly children, from regional and remote areas, who often face higher costs of further study due to the need to move away from home.

Farm assets will no longer be counted in parental means testing for youth income payments. The change will help more farming families to support their children undertaking further study.

#### A workforce that supports agriculture to grow, prosper and employ

The agriculture sector’s commercial realities often involve split shifts and constant production during peak periods. It is therefore fundamentally important to ensure the Fair Work laws work for everyone. In December 2014 the Government tasked the Productivity Commission with assessing the performance of the workplace relations framework, including the *Fair Work Act 2009*. A key consideration will be the capacity of the workplace relations framework to ensure workers are protected and businesses can grow, prosper and employ. The final report is due to Government in November 2015.

The Government will carefully consider the findings. If a good case exists for sensible and balanced changes, these will be taken to the next election before being implemented. In the meantime, the Government is monitoring the Fair Work Commission’s first four-yearly review of modern awards. The review is an opportunity for industry participants to raise concerns about flexibility restraints inhibiting the competitiveness of agricultural businesses.

For example, milking shifts in the dairy industry can be performed in less than three hours yet the Pastoral Award 2010 requires staff be engaged for a minimum of three hours (Australian Dairy Farmers 2015). Changing this requirement could assist productivity and lower employers’ labour costs. The Government encourages industry to work closely with the Fair Work Commission to ensure modern awards appropriately reflect labour requirements and take into account business concerns about productivity and labour costs.

Australian workers are not always available to meet the labour demand of the agriculture sector due to seasonality, remoteness and relative appeal of urban jobs. This results in gaps in the labour market and the agriculture sector being reliant on foreign workers to supplement labour requirements in peak periods.

The Government has a wide range of visa programmes that help to meet agricultural workforce needs for short-term unskilled work. Agriculture is a major employer of backpackers, for example over 70 per cent of horticulturalists reported backpackers as their main source of labour in a 2011 survey (Hay & Howes 2012). In 2013–14 over 239,000 backpackers came to Australia under 417 or 462 work visas (DIBP 2014). Backpackers working in Australia under a 417 visa can access a second-year visa if they spend three months working in regional areas in agriculture, mining or construction.

The Government will make changes to Working Holiday visa and Work and Holiday visa (subclass 417 and 462 respectively) to allow employers in northern Australia to retain backpackers for an additional six months each visa year if they work in high demand areas, including the agriculture sector. The Government will also give Work and Holiday (subclass 462) visa holders access to a second 12 month visa if they work for three months in agriculture or tourism in northern Australia.

The Seasonal Worker Programme (supported by the 416 visa) also provides valuable unskilled and low skilled labour to meet short, peak demands. This programme currently allows Australian horticulture, sugar cane and cotton producers to seek access to workers from Pacific Islands and Timor-Leste. Importantly, it may allow workers to return each year. Seasonal workers are highly productive and, because they can return each year, farmers fully benefit from any training they provide.

From 1 July 2015 the national cap (currently set at 3,250 places) on the number of workers participating in the Seasonal Worker Programme will be removed entirely so that businesses are no longer constrained from accessing seasonal labour they cannot find domestically. The Government will expand the programme to the broader Australian agriculture sector on an ongoing basis to allow all farmers to access seasonal labour. Seasonal workers can provide growers across Australia with a motivated, reliable workforce for the duration of their peak harvest period, able to return in following seasons.

The Government is also making the programme more attractive to employers. The minimum stay requirement of 14 weeks will be removed, provided workers receive a net financial benefit of at least $1,000 during their stay. The Government will simplify cost sharing arrangements by combining the employer’s contribution to the seasonal workers’ international and domestic airfare to a total of $500.

Subject to the conclusion of the Pacific Agreement on Closer Economic Relations, the Government will also invite additional Pacific Island Forum countries to participate in the Seasonal Worker Programme, potentially adding the Cook Islands, Federated States of Micronesia, Niue, Palau and Republic of Marshall Islands. Domestic workers need to be given first opportunity at getting jobs, so employers will still be required to test the local labour market to see if Australian workers are available. Further, the Government will have the discretion to cap, exclude and review the placement of seasonal workers in areas with high unemployment and low workforce participation.

In addition, the Government provides the Harvest Labour Service (HLS) and the National Harvest Labour Information Service (NHLIS) to help Australian job seekers and travellers find work harvesting fruit and other crops. The HLS helps to source the labour necessary to meet the harvest requirements of growers and mobilise people from outside the harvest region. Historically, between 20,000 and 24,000 HLS placements are filled nationally each year. The NHLIS provides national coordination, development and dissemination of comprehensive information on harvest-related work opportunities across Australian including those areas not serviced by the HLS.

Parts of the agriculture sector continue to find it difficult to fill some skilled roles. The Temporary Work (Skilled) (subclass 457) visa programme could assist with these shortages but has not been widely used by agriculture to date. The agriculture sector has raised concerns that the current framework does not adequately recognise skilled occupations where skills are predominantly developed through on-the-job training. In response to an independent review of the 457 programme, the Government has tasked a new Ministerial Advisory Council on Skilled Migration with reviewing the list of occupations available for sponsorship under the programme and making the scheme more flexible and better able to meet genuine market needs.

The Government encourages agricultural industries to continue to work closely with it to establish industry labour agreements. A labour agreement is a formal arrangement negotiated between an employer (or through an industry) and the Commonwealth. It provides a flexible, tailored skilled visa option for sectors with specific needs, which may not be properly recognised in mainstream categories for skilled migration. The Australian pork industry has successfully developed an industry labour agreement for pork producers, who now have access to workers with skills relevant to industry.

The Government acknowledges community concerns that foreign workers are being exploited. All temporary visa holders, including 417 visa holders, must be engaged in accordance with applicable Australian workplace law and receive the same protections as Australian citizens. The Fair Work Ombudsman and the Department of Immigration and Border Protection (the ‘Cadena Taskforce’) are currently investigating allegations of exploitation and underpayment of Working Holiday (subclass 417) visa holders in the agriculture sector (including by employers and labour hire firms). The Fair Work Ombudsman is taking proactive steps to assist overseas workers in the agriculture sector, including undertaking targeted compliance activity through the three-year Harvest Trail and one-year Working Holiday projects.

#### We have delivered

##### Skills and education

Through the Assistance for Isolated Children Scheme, the Government is continuing to support remote families to send their children to school. It is also providing new outreach and information for parents. (Department of Human Services 2015b)

The Government is ensuring young Australians learn the importance of agriculture and career opportunities through the Agriculture in Education programme. The programme provides $2 million over two years to assist teachers in educating children on the products and processes associated with food and fibre production. (Department of Education 2015a)

In higher education, the Government has set out a significant reform agenda that will allow our higher education institutions to respond more flexibly to the needs of industry. (Department of Education 2015b)

The Government is also implementing the VET Reform Agenda. This includes the $664.1 million investment in the Industry Skills Fund to support up to 250,000 training places and support services to meet specific business needs. Consortiums (led for example by agricultural peak industry bodies) may be eligible to apply to undertake Industry Skills Fund projects, to the benefit of individual farmers who might not otherwise be eligible under the Fund. (Australian Government 2015f )

The Trade Support Loans programme provides loans of up to $20,000 to help apprentice with the cost of living to complete certain qualifications in agriculture or horticulture in regional areas. The Government is also ensuring industry can play a stronger role in advising on skills and competencies the sector needs. (Australian Government 2015g)

##### Domestic and foreign labour

From 1 July 2015, the Government’s new employment services model, jobactive, will help more people find work and employers find staff for their business, at no charge to them. The more tailored online services will help employers fast-track advertising and manage vacancies, find and manage suitable candidates and connect with jobactive organisations. (Department of Employment 2015)

The Government is reducing the compliance burden of superannuation contributions for businesses, including for farmers. From 1 July 2015, employers will no longer have to offer a standard superannuation fund choice form to temporary resident employees. This will reduce unnecessary red tape and prevent employers who do not supply the form incurring penalties. (The Treasury 2015b)

The Government is helping small businesses to meet their superannuation guarantee obligations by expanding the eligibility of the Small Business Superannuation Clearing House. The clearing house is a free online service allowing employers to pay superannuation contributions in one transaction to a single location. From 1 July 2015, all businesses with an annual turnover below the small business entity threshold (currently $2 million) or with fewer than 20 employees will be able to use the clearing house. (ATO 2015b)

Where local labour is not available the Government is supporting the agriculture sector’s access to foreign workers by improving access to a range of visa programmes, as outlined earlier.

### Sustainable resource management by farmers

Farmers manage 53 per cent of Australia’s landmass (ABS 2015b) and account for the majority of our water diversion or extraction (ABS 2014c). Understanding and managing natural resources (such as water efficiency and soil health) are essential to farming. Australian farmers work under extremely variable conditions and with some of the world’s poorest soils.

The Government is keen to ensure, through improved management of our natural resources, that environmental and agricultural outcomes are appropriately balanced. Future natural resource challenges include: natural limits on expansion of land and water development; competing uses for natural resources; climate change, including extended drought; increases in pests, diseases and weeds; and increasingly constrictive community expectations about how the land is managed.

Adopting appropriate farm practices will be the key to Australia’s ongoing competitiveness. These practices include: reducing soil loss through wind and water erosion; increasing soil health by reducing acidification and improving carbon content; undertaking landscape scale conservation (including management of native vegetation); making advances in water infrastructure (for example, more efficient reticulation) and increasing water use efficiency; and improving pest and disease management (including management of feral animals). Australian farmers need access to the latest knowledge and techniques for resource use and weed and pest management. This will ensure farmers continue to be best-practice managers and safeguard the future productivity and competitiveness of our farms.

Australia has a wealth of natural resources and the Government recognises the need to balance competing land uses carefully. It is in Australia’s national interest to ensure that natural resources are developed responsibly and prudently. The Government released its Domestic Gas Strategy in April 2015, which provides a framework for the responsible onshore development of unconventional gas resources (Commonwealth of Australia 2015k). The Government’s three principles for coexistence of farming and the development of unconventional gas resources are:

* access to agricultural land should only be done with the farmer’s agreement and farmers should be fairly compensated;
* there must be no long-term damage to water resources used for agriculture and local communities; and
* prime agricultural land and quality water resources must not be compromised for future generations.

#### Managing soils for ongoing productivity

The Commonwealth recognises the importance of healthy soil for agriculture. Australia’s soils are a major national asset underpinning our agricultural productivity and our ability to be a net exporter of food. Soils are important to issues such as food security, climate change adaptation and mitigation, regional sustainability and ecosystem service provision.

Improving soil condition will be important for ongoing agricultural productivity. Soil is essentially a non-renewable resource because it not only forms and regenerates slowly but can degrade rapidly. Erosion, soil carbon depletion, desertification and soil acidification are key factors affecting soil health. Soil acidity is a particular problem in Australia, and resulted in a loss of $1.58 billion in agricultural production in 2001, about eight times the cost of soil salinity (State of the Environment Committee 2011).

Approximately 53 per cent of Australia’s land mass is managed for agriculture. The Government recognises that community expectations are that well-managed agricultural landscapes will deliver high quality ecosystem services; such as healthy soils, clean air and water, and biodiversity while also delivering food and fibre products. To help Australian farmers to improve their soil management practices, the Government provides ongoing funding of a range of initiatives (see Box 11).

Box 11 Healthier soils

Good soil management is essential to maintain the future productivity of Australian agriculture. The Government supports a wide range of initiatives to improve Australia’s soils, including through RD&E. A 2010–11 survey estimated $124 million was spent on soils RD&E in Australia, $24 million of which was provided by the rural RDCs. Current initiatives include:

**A National Soil RD&E Strategy**

In March 2014, the Minister for Agriculture announced the release of the National Soil RD&E Strategy, Australia’s first national, collaborative, forward-looking approach to soil management. The strategy’s vision is to secure Australia’s soil for profitable industries and healthy landscapes. It will work to: improve the effectiveness of co-investment to generate and apply new soil knowledge; improve the quality, availability and access to soil data and information; improve the communication and exchange of soil knowledge; adopt a national approach to building future skills and capacity; and collaborate on the development and use of physical infrastructure for soil research.

Soil RD&E research priorities will be released shortly. These are aimed at increasing coordination and collaboration amongst organisations funding and undertaking soil research.

**A National Advocate for Soil Health**

The Government has extended the appointment (for 2015) of the National Advocate for Soil Health, former Governor–General Major General the Hon. Michael Jeffery, AC AO (Mil) CVO MC (Retd). The Advocate works to educate and inform the broader community of the importance of healthy soil, water and vegetation and the benefits these provide for all Australians.

**The Emissions Reduction Fund – Carbon Farming Futures programme**

Under its Emissions Reduction Fund (ERF), the Government is funding the Carbon Farming Futures programme to deliver research—including on-farm trials and communication activities that support on-farm emissions reduction. The programme supports land management technologies and techniques, including soil research. The programme allows farmers and land managers to benefit from the economic opportunities under the ERF while assisting Australia in achieving its long-term emission reduction targets.

**Ground Cover Monitoring for Australia**

The Government provides funding for the Ground Cover Monitoring for Australia Project to develop a nationally-agreed, reliable basis for measuring and mapping ground cover using satellite imagery. Nationally consistent ground cover information is essential to assess long-term soil erosion and the benefit of different land management techniques.

**Improving soil information for decision making**

Farmers, scientists and policy makers need access to the best available information and tools for soil management. This access helps support the long term viability and productivity of farm businesses, and can provide positive environmental outcomes.

The Australian Collaborative Land Evaluation Program (ACLEP) collects, manages, disseminates and analyses nationally consistent, integrated data and information on soil and land resources. ACLEP brings together the CSIRO and States and Territory governments to improve availability and accessibility of national soil information. ACLEP has developed the iPad app ‘SoilMapp’ to provide accurate soil information at farmers’ fingertips.

On 25 June 2015, the Minister for Agriculture announced $1.5 million for the CSIRO to partner with farming groups and others to provide practical advice to farmers on the best options for improving production in their cropping paddocks and pastures. The interactive system being developed will give farmers near real time information about their farms. Farmers will be able to examine options for different crop varieties and inputs to make the most of soil moisture available for the coming season, and to obtain updates as the season progresses. This project will start to increase the digital connections between climate, soil and other information. Better information about individual paddocks will help farmers reduce input costs and optimise their production in highly variable climates.

#### Managing water for agricultural production

Management of Australia’s inland water resources is complex. Water is critical for agricultural production. Farmers need secure water rights and certainty of water access. Australian farmers have been improving water use efficiency for years. For example the Australian Export Grain Innovation Centre (2015) indicate that between 1982 and 2012 more than half of Australia’s wheat-growing regions have improved their water use efficiency by at least 50 per cent. The Government is investing in water infrastructure for the future. Chapter 2—Building the infrastructure of the 21st century has further detail on the Government’s investment in water infrastructure and approach to water management.

#### Adaptation to climate change

Climate change presents particular challenges for sectors such as agriculture where productivity and profitability are closely linked to natural resources. Recent projections from the CSIRO and the Bureau of Meteorology (the Bureau) confirm that Australia’s climate has changed and will continue to change into the future. Average temperatures are expected to increase, with more heat extremes and fewer cold extremes. In southern Australia, severe droughts are expected to be more frequent and cool season rainfall is expected to decline. Overall, extreme rainfall events that lead to flooding are likely to become more intense. Farm management practices need to be adapted to build resilience in light of the challenges presented by such long-term trends.

The Commonwealth provides funding to institutions like the CSIRO and the Bureau, which provide valuable information to the farming community in the form of short-term and seasonal forecasts, and long-term climate projections that can be used to support risk assessment and adaptive farm management practices.

The Commonwealth continues to assist farmers to become more responsive and resilient to climate impacts, including through RD&E. For example, under the first round of the Rural Research and Development for Profit Programme the Government will support improvements in the Bureau’s seasonal forecasting model to increase farmer profitability (further detail in Chapter 3—Strengthening our approach to drought and risk management).

The Government is also working internationally to mitigate future climate risks. Australia is on-track to reduce greenhouse gas emissions by 5 per cent below 2000 levels by 2020 (13 per cent below 2005 levels) and the Emissions Reduction Fund (ERF) is helping Australia meet that target.

The Government will shortly announce Australia’s post-2020 emissions reduction target. The target will represent Australia’s fair share of the global effort to respond to climate change as part of the new post-2020 international climate change agreement under the United Nations Framework Convention on Climate Change. The Government is consulting the agriculture sector on our post-2020 target—submissions received have outlined policies to reduce emissions while improving productivity and profitability.

#### Minimising the cost of pests, diseases and weeds

Established pest (including feral) animals and weeds represent a high ongoing cost to agriculture, and they affect the environment and the natural resource base. The cost of production losses attributable to pest animals was estimated at more than $620.8 million per annum in 2009 (Gong et al. 2009). It has been estimated that weeds cost Australian farmers around $1.5 billion a year in weed control activities and a further $2.2 billion a year in lost agricultural production (Sinden et al. 2004). The presence of pests, diseases and weeds can also hamper access to domestic and overseas markets. Common pest animals include wild dogs, foxes, feral cats and feral goats. Common established pest plants include serrated tussock, rubber vine and prickle bushes (for example mimosa and parkinsonia).

Given the cost of containment and management, it is generally more cost-effective to prevent entry or to eradicate new and emerging pests, diseases and weeds before they become established or spread.

The Government has a particular role in addressing pests, diseases and weeds of national significance. The Government is committed to the Australian Weeds Strategy. As part of this, we provide national policy leadership and direction for Weeds of National Significance. The National Biosecurity Committee, which includes the Commonwealth, State and Territory governments, has agreed to principles to assess whether a pest, disease or weed is of national significance and whether a nationally-coordinated response is in the national interest. The principles outline considerations for determining the significance of the pest, disease or weed impact. Impacts are assessed on the economic health of the nation, human health, the natural environment or trade, and the criteria for determining the appropriateness of a national response. These include the availability and cost–benefit of potential control measures.

Over the last 14 years, the Commonwealth has invested more than $310 million on responses associated with cost-shared national eradication arrangements. The value of this investment is demonstrated by the successful eradication of Equine Influenza in 2007 and Highly Pathogenic Avian Influenza at Maitland and Young in 2012 and 2013 (OIE 2012, 2013). In addition, Australia is the only country to have successfully eradicated cocoa pod borer (Department of Agriculture 2014).

With the growth of agriculture, and expansion of trade, the Plant Biosecurity Cooperative Research Centre (2014) estimates that over the next 15 years there will be more than 300 responses to exotic plant pests, more than 40 trade incidents related to plant pests and at least five occurrences of loss of area freedom resulting in export challenges. Pest, disease and weed incursions are closely linked to a sound biosecurity system (see Chapter 5—Accessing premium markets for detail on new biosecurity initiatives).

Emergency response capability and management are critical to ensure early, effective action against pests, diseases and weeds. The Government will provide a secure and increased funding base to ensure rapid and effective responses to potentially devastating pests, diseases and weeds. Improved pest, disease and weed management and emergency response arrangements will increase the likelihood of eradication, minimise the response cost and limit the impact on trade.

The Government will also increase the capacity of farmers, land managers and industries to manage established pest animals and weeds and to deal with incursions of exotic pests and diseases. There is little value in one farmer managing the pests, diseases and weeds on their farm if there is not similar action by neighbouring farms and other land-holders (including national parks). The Government will provide funding to drive common action to deal with a common threat.

#### We have delivered

The Commonwealth is delivering improvements in managing natural resources.

##### National Wild Dog Action Plan

The Government is providing an additional $1.35 million to support the continued implementation of the National Wild Dog Action Plan over the next two years. This builds on start-up funding of $280,000 towards the Plan, which funded a number of outcomes including the updated PestSmart Connect National Wild Dog Action Plan portal web site.

Developed by the Invasive Animals Cooperative Research Centre, PestSmart Connect is a one- stop-shop for farmers and the community to easily access the information they need on best practice management of wild dogs and other pest animals. Resources include a wild dog management glove box guide and videos. Farmers can also connect with each other and find assistance in their region to help them tackle wild dogs and other pest animal problems. (Invasive Animals CRC 2015)

##### Green Army

The Government is providing $704.4 million over four years from 2015–16 for the Green Army programme to deliver practical projects for environmental benefit and provide training in conservation management. The programme provides opportunities for young Australians (aged 17–24) to gain training and experience in environmental and heritage conservation fields, while participating in projects that generate benefits to the environment.

Through the first three application rounds, 704 projects have been committed. Of these projects, 486 are in regional Australia, engaging up to nine participants per project. The Green Army will create Australia’s largest-ever environmental workforce, building the skills of up to 15,000 individuals annually from 2018–19, capable of delivering 1,500 on-ground environmental projects. Future rounds are still to be announced. (Department of the Environment 2015h)

##### National Landcare Programme

The Government is investing around $1 billion in the period to 2017–18 for the National Landcare Programme to drive sustainable agriculture and the protection, conservation and rehabilitation of Australia’s natural environment. The National Landcare Programme provides an approach to land management so communities and farmers across Australia can take practical action to improve their local environment and productive landscapes across regional Australia.

The National Landcare Programme consists of two funding streams (national and regional) for projects that address environmental and sustainable agriculture issues. A significant proportion of the investment is provided to the 56 regional natural resource management organisations through the regional stream of the programme. These organisations are contracted to act as a central source of support for farmers, local community and environmental groups to take practical action to improve their environment and implement sustainable land management practices.

The national stream is comprised of a range of initiatives that are protecting and restoring the environment and making agriculture more sustainable and productive. Across Australia, the National Landcare Programme is supporting sustainable land management practices to deliver long-term benefits to our communities, our environment, our economy and our country. (Australian Government 2015h)

##### Emissions Reduction Fund

The $2.55 billion Emissions Reduction Fund (ERF) works alongside other Government programmes to reduce growth in Australia’s greenhouse gas emissions. The ERF purchases low-cost emissions reductions from across the economy—including agriculture—through reverse auctions.

The Clean Energy Regulator held the first ERF auction in April 2015, awarding 107 contracts to deliver more than 47 million tonnes of emissions reductions. The awarded contracts included 75 contracts for vegetation and agriculture-based activities, such as destroying methane from piggery waste, vegetation sequestration projects and building soil carbon in grazing systems. (Department of the Environment 2015g)

#### White Paper actions

##### Boosting our emergency response capability

The Commonwealth already works with State and Territory governments to coordinate a national response to emergency eradication of pests and diseases. However, due to the increased number of pest and disease occurrences in recent years, the current funding allocated for eradication cannot meet demand. The Government recognises that emergency pest and disease eradication and management is a critical investment for the future productivity of the agriculture sector.

The Government will invest **$50 million over four years (starting 1 July 2015) to support nationally significant agricultural and environmental pest and disease eradication programmes and enhanced response capability**. This funding will include an allocation to the National Plant and Animal Disease Eradication Programme to combat new incursions.

The effective management of incursions requires prompt action to gather information, contain and eradicate where possible. The faster the response, the better our chances of containment and eradication. Therefore the Government has established the Immediate Assistance Fund to support deployment of and access to national and international experts and specialised equipment required for pest and disease eradication.

The Government will be better placed to tackle pest and disease incidents and to enable future containment and eradication programmes to be put in place, when needed.


##### Fighting pest (including feral) animals and weeds

The Government will provide **$50 million over four years (starting 1 July 2015) to improve the way pest (including feral) animals and weeds are managed** and to increase the capacity of farmers to deal with these threats. Common pest and feral animals include wild dogs, foxes, feral cats and feral goats.

The Government will help develop and promote better technologies and tools (including chemical and biological options) for controlling priority species. Developing cost-effective new methods of control requires targeted research.

Funding will also provide information and raise awareness among landholders and the community about the benefits of pest animal and weed control and the cost of inaction. Coordinated and credible information will promote efficient management.

On-ground mitigation is best led by the community and industry. This can be supported by contributions from government to build the commitment, skills and capabilities of landholders (for example through demonstration sites). The Government recognises that improving on-farm management of pest animals and weeds to reduce their impacts on agricultural production and on the environment has public benefit.

The Government will also develop national consultative and collaborative arrangements for joint government, community and industry action on priority pest animals and weeds.

Farmers will have access to better tools and control methods for managing pest (including feral) animals and weeds, as well as support from Government for pest and weed management. 


Accessing premium markets

The Government will open new export markets and continue to work to eliminate tariﬀs and address technical barriers to trade. We will protect Australia’s highly prized biosecurity status, which underpins our valuable exports.

1. Accessing premium markets

#### Action 5 Improved market access underpinned by a strong biosecurity system

##### 5A Capturing premium agricultural markets

The Government will secure new and better access to overseas markets for all sectors, including agriculture.

Growth in wealth, including in Asia, has created new opportunities for Australia’s premium agricultural exports. But these opportunities will not be delivered on a plate; our exporters face an increasingly competitive trading environment. Our exporters will need to seek out markets that offer premium returns and then out-compete exporters from other countries. The Government has a critical role in removing or lowering technical barriers to trade and reducing tariffs through free trade agreements.

Building on the gains from free trade agreements with Japan, the Republic of Korea and China, the Government is negotiating trade agreements with other major trading partners, including India, and in our region, through the Trans-Pacific Partnership and the Regional Closer Economic Partnership Agreement. The Government will also remain active in the World Trade Organization to reform global agriculture trade rules and to reduce unfair subsidies provided to producers in other countries.

More needs to be done to improve market access and ensure the outcomes from trade negotiations turn into additional agricultural trade. The Government will **invest $30.8 million to remove technical trade barriers** in key markets for agricultural exports and increase the number of agriculture counsellors overseas. This will result in real gains in access, providing additional export returns to Australian farmers and food processors.

##### 5B A stronger biosecurity system

The Government will strengthen Australia’s biosecurity system. This will be essential to maintain Australia’s favourable pest, disease and weed status, reduce costs to producers from exotic pest and disease incursions, and secure improved export market access. By effectively managing biosecurity risks in Australia and through the trading system, we are also contributing to strengthening global food security.

Australia’s biosecurity system is coming under increasing pressure from greater movements of vessels, aircraft, people and goods across our border from a wider range of countries and regions.

The Commonwealth will work with State and Territory governments and industry to eradicate or better manage pests, diseases and weeds that have entered Australia; improve surveillance and analysis to reduce the risk of a new entry; and enhance existing traceability systems to enable efficient tracing of problems back to source. Improved traceability enables issues to be addressed quickly and allows trade to continue from unaffected locations.

The Government will **invest an additional $200 million in biosecurity surveillance and analysis** to protect our animal and plant health status. This will include additional resources needed for biosecurity activities in northern Australia, including $12.4 million for Indigenous Rangers. Northern Australia faces different risks from other parts of Australia due to its proximity to other countries and its tropical environment, which is more receptive to certain pests, diseases and weeds.

We will also invest **$12.4 million to enhance traceability** of Australian products to maintain market confidence in exports and respond to incidents. The Government will consider further improvements to information systems in 2016 to better support enhanced surveillance and analysis and the implementation of the more flexible *Biosecurity Act 2015.*

With biosecurity risks on the rise, better surveillance and intelligence are needed to safeguard Australia from these threats. Fast and effective traceability systems are critical to provide the assurance required by trading partners to maintain market access. Australia’s existing traceability systems are paper based, cumbersome and slow, and need modernisation. The additional biosecurity funding will help to address these concerns.

### Capturing premium agricultural markets

Australia’s agriculture sector is already a strong performer in international markets. Australia is among the top 10 agricultural exporting countries in the world (WTO 2014). Australian producers account for almost two-thirds of global wool exports, a fifth of beef exports and more than 10 per cent of global wheat and cotton exports (ABARES 2014).

Around two-thirds of all Australian agricultural produce is exported. Much of this is to bulk commodity markets where competition is intense. To stay competitive and to increase the value of exports, Australian farmers must be given the best possible chance of also capturing high-value premium markets.

By 2060, over one billion people will shift into the middle classes in the developing Asia region alone (Hajkowicz & Eady forthcoming). Future growth in global demand presents a significant opportunity for Australian agriculture, as populations and incomes increase in developing countries (Gray, Oss-Emer & Sheng 2014). Australia currently feeds around 60 million people globally each year (PMSEIC 2010). We cannot hope to be the food bowl of Asia, but we produce far more food and fibre than can be consumed here in Australia.

As a net agricultural and food exporting country, we can, and must, capture a greater share of the growing demand in our region. We cannot afford to be complacent. We must complement our existing trade and produce the premium agricultural products that increasingly affluent consumers in overseas markets want. We must supply these products regularly and reliably. We need to target high- end food segments by producing differentiated products built around a reputation for safety, integrity and quality. The future profitability and competitiveness of our farmers depends on this.

Having overseas alternatives to domestic markets can also help producers achieve higher margins. Farmers are in a stronger negotiating position, both at home and abroad, when they can sell their products in a greater range of markets. Diversifying their client base will help producers and exporters manage risk.

It is up to farmers and agribusiness to decide where and how to sell their products. It is the Government’s job to help open those markets and enable exporters to sell their products overseas. This includes working to remove unnecessary barriers to trade including high customs duties (tariffs), subsidies and taxes, and fees on local and international transactions.

All countries, including Australia, have the right to implement systems and standards that protect their human, animal and plant health and food safety. However, countries are required to minimise trade distortions and must not breach international trade obligations. Some standards, such as excessive quarantine and food safety requirements, can also constitute unnecessary barriers to trade. This means not only a loss of export income, but also more produce being sold domestically. This lowers the prices producers receive. Such barriers can generally only be addressed at a government-to-government level.

Producers and exporters must overcome these barriers to capture high-value export opportunities. The Government can help by working closely with industry to negotiate the best possible commercial deal in bilateral and regional free trade agreements (FTAs). The Government can work globally in the World Trade Organization (WTO) to reinforce and reform the global rules for agriculture trade and lower trade barriers. The Government can also take action in the WTO’s dispute settlement system or use dispute settlement mechanisms in Australia’s FTAs. This allows the Government to challenge trade initiatives that are inconsistent with WTO rules or FTA commitments. The commitments we secure in trade negotiations are enforceable under international law. Dispute settlement mechanisms allow the Australian Government to better protect Australia’s agricultural exports.

FTAs with Japan and the Republic of Korea have now entered into force, and we have now signed an FTA with China. To explain the opportunities these FTAs can deliver for business and advise on services available for exporters, the Government is delivering a North Asia FTAs Information Seminar Series in all capital cities and rural and regional centres. The Government will also provide extensive online information, including step-by-step guides and factsheets, and a web-based tariff finder to help businesses compare opportunities in different markets.

Reliable, current information about the requirements of importing countries will help all participants along the production chain to adjust their systems and businesses accordingly. This will ensure they are more flexible and competitive.

Beyond market access, it is industry’s responsibility to convert opportunities into business outcomes—including by marketing its own products (for example see Box 12). The Government welcomes industry efforts to promote coordinated branding efforts for Australian agricultural and food products, including consistent national promotion and messaging overseas.

Industry branding has the potential to build on the strong reputation among overseas buyers of Australian agricultural commodities, and consumers of products such as Australian wine, red meat and dairy products. This would help link perceptions of Australian food to the unique strengths of Australia’s agricultural production and biosecurity systems, and clean environment.

The Government can help by continuing to work with State and Territory governments to reinforce Australia’s reputation as a producer of reliable clean, green and safe premium products by strengthening Australia’s biosecurity and maintaining food standards. This will reassure trading partners of the quality and integrity of Australian products.

Box 12 Free trade agreements boost cherry exports to Asia

Australian cherry exports are now more competitive, after the Australian Government signed free trade agreements with Japan and the Republic of Korea.

After the Korea–Australia Free Trade Agreement was signed in December 2014 Australian producers benefited from the elimination of a 24 per cent tariff on cherry exports to the Republic of Korea. Australia exported almost 250 tonnes of cherries to Korea in 2014–15, compared with only 5 tonnes the previous year. This increased the export value to Korea from $69,000 in   
2013–14 to $3.5 million 2014–15 (ABS 2015c).

Australian cherry exports no longer face an 8.5 per cent tariff in Japan, after the Japan–Australia Economic Partnership Agreement was signed in January 2015. This makes Australian cherries more competitive in the Japanese market compared with competitor countries and will increase returns to growers. The agreement contributed to a 35 per cent increase in the value of cherry exports to Japan in the 2014–15 season compared to 2013–14; and increased the total export value to Japan in 2014–15 to $280,000 (ABS 2015c).

However, the quarantine conditions that Japan and Korea put on cherries mean that only growers in Tasmania can meet them. This reinforces the importance of addressing technical barriers to trade as well as tariff barriers. The Government is increasing resources to address such barriers, to ensure new trade agreements maximise opportunities for Australian producers and exporters.

#### We have delivered

While more remains to be done, the Commonwealth has delivered better overseas market access for our agricultural producers and created new opportunities in high value markets.

##### Freeing up markets

FTAs with Japan and the Republic of Korea have entered into force, and we have now signed an FTA with China. These markets accounted for 33 per cent of Australia’s agriculture, fisheries and forestry trade in 2014. (DFAT 2015)

Agreements are being progressed with India and with countries in the region through the Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership Agreements. (DFAT 2015)

The Government has invested $24.6 million to promote business understanding of the recently concluded FTAs in North Asia and to assist businesses to access and maximise their benefits under these agreements. (DFAT 2015)

New trade opportunities have been realised for Australia’s livestock producers. We achieved new or improved market access for livestock exports to Lebanon, Iran, Thailand, the Philippines, Malaysia and Cambodia. Many of these markets are beginning to show significant potential for growth for Australian industries. (Department of Agriculture 2015h)

Livestock trade to Bahrain and Egypt has also been reopened. Trade recommenced in early 2014 and in the first year 513,629 sheep and 27,598 cattle were exported. (Australian Government 2014a)

##### Growing markets

The Government is supporting the growth in overseas markets, by:

* investing $188.5 million to set up five Industry Growth Centres, including a Food and Agribusiness Growth Centre, to lift industry competitiveness and help the food and agribusiness sector capture high-value export opportunities (Australian Government 2015a);
* providing a $50 million boost to the Export Market Development Grants scheme (ATC 2015a);
* providing a $200 million boost for the Export Finance and Insurance Corporation to better support small and medium-sized exporters (Australian Government 2015i);
* providing $15 million for small exporters, including grants to help improve market access for small exporters, a rebate for export registration charges in 2014–15 and a review of export fees and charges (Department of Agriculture 2015i);
* promoting Australian products overseas, including expanding Australia Week to ASEAN countries and the United States (Australian Government 2015j); and
* providing Austrade services for agricultural and food exporters, including export facilitation and promotion, which help businesses capture premium niche opportunities and position our agricultural products as high quality, safe and worth a price premium. (ATC 2015b)

#### White Paper actions

##### Breaking down trade barriers

Reducing tariffs and quotas through FTAs and the WTO is only part of the story in achieving market access. Capturing opportunities from trade agreements depends on delivering products that meet the pest, disease, food safety standards and regulations set by governments in other countries.

Even after an FTA is negotiated, technical requirements can make it difficult for producers to get their products ready for export. When requirements are overly complicated or standards are unnecessarily high, they can affect or even stop, agricultural trade. Technical negotiations between governments are often needed to reduce these barriers and to open or maintain access for specific commodities in a particular country. We must convert agreements into real opportunities by securing technical market access with our new trading partners.

The Government will invest **$30.8 million over four years to break down technical barriers to trade** and appoint **five new agriculture counsellors** in key overseas markets to help industry maintain access and achieve new access.

The Commonwealth will expand its work with industries, and State and Territory governments to better understand the commercial impact of technical barriers on Australian agriculture exports. This information will be used to prioritise and coordinate technical market access efforts, and reduce trade barriers. Better information will help influence international standards and trade policies that affect Australian exports. It will help industry better understand overseas market opportunities and risks, including consumer trends and import requirements in key markets. The Government will also raise awareness of existing support programmes for agricultural exporters that will assist them to export to those markets.

Australia has fewer agriculture counsellors overseas in key markets such as China, than competitor countries, including New Zealand. We need to bolster our strength overseas. Five new overseas agriculture counsellors will work with industry, the Department of Foreign Affairs and Trade and Austrade in Australia’s overseas missions to lower technical barriers to trade in key markets, including in North Asia, South Asia and the Middle East.

Agriculture counsellors will focus their efforts overseas working with industry to strengthen relationships with key trade partners, remove technical barriers, help industry to quickly resolve agriculture trade-related incidents, and gather and share practical market information. Regular opportunities for face-to-face interaction between counsellors and industries will also help better position our producers and exporters in the international market-place.

The Government will increase its capacity to connect all aspects of our agricultural relationships with trading partners. These include export ambitions, import requests, market access priorities, market trends, cooperation activities, and bilateral and multilateral objectives. As a result, the Government will be better placed to help Australian agriculture capture premium export opportunities.

Farmers and food processors will achieve increased returns from increased security of existing market access and access to new markets.


### A stronger biosecurity system

#### Good biosecurity makes good business sense

Australia’s geographical isolation and robust biosecurity system mean we remain free of many of the major pests, diseases and weeds that affect agriculture. Protecting Australia’s reputation for quality and safe produce is crucial to safeguarding market access and for our farmers to remain competitive.

Biosecurity is about managing the risk of entry, establishment and spread of pests, diseases and weeds that could pose a threat to animal, plant or human health or the environment. These risks are managed across a continuum (Figure 11):

* **offshore**, before goods reach the Australian border;
* **at the border**, to prevent entry of exotic pests, weeds and diseases; and
* **onshore**, through activities to enable the continued productivity of our domestic industries, to minimise the impact of incursions and to facilitate trade.

Australia’s pest, disease and weed status is directly related to market access and farm gate returns.

ABARES has recently examined the contribution Australia’s biosecurity system makes to the financial performance of farms. ABARES found that, in the absence of Australia’s current biosecurity system, the average annual profits of broadacre farms would be $12,000 to $17,500 lower due to the greater risk of foot and mouth disease, Mexican feather grass and Karnal bunt outbreaks (Hafi et al. 2015). Good biosecurity also lowers costs for consumers. According to the CSIRO, 25 per cent of food product costs are due to pests, diseases and weeds (CSIRO 2009).

In its Australia’s Biosecurity Futures’ report, the CSIRO stated that we cannot be complacent about biosecurity (CSIRO 2014). If Australia were complacent, we could be vulnerable to biosecurity ‘megashocks’ such as nationwide incursions of virulent plant pests or epidemics of animal borne diseases.

Figure 11 Biosecurity continuum

A flowchart depicts the biosecurity continuum:
- imports—cargo, vessels, passengers, mail
- activities offshore—international agreements, import risk analyses, capacity building, offshore treatments, permits, systems and audits
- activities at the border—risk assessment, inspection and treatment
- activities onshore (surveillance and response)—surveillance, sampling, diagnostics, emergency response and long-term planning
- activities onshore (eradication, containment and long-term management)—asset-based protection 
- assurance activities—intelligence, data and export certification


Last year alone, the Australian Government responded to over 100 pest and disease detections, 11 of which required a shared national response by industry and governments. The cost of exotic pest, disease and weed incursions can be large. The cost of an outbreak of foot and mouth disease in Australia has been estimated at $50 billion over a decade, due to lost markets and eradication efforts (Buetre et al. 2013). The response to red imported fire ants has been long and protracted and has already cost $411 million (2001–2012). However, without any government funded biosecurity activities, red imported fire ants could cause losses of $8.5 billion over a 70-year period (Hafi et al. 2013).

Strong biosecurity also requires good research and cooperation with international bodies and experts. The Australian Centre for International Agricultural Research (ACIAR) advances Australia’s national interests by supporting Australian scientists and research institutions to develop solutions to agricultural problems in developing countries. But these efforts can also reap benefits at home. For example, the Queensland banana industry is currently battling an outbreak of Panama disease in the Tully Valley. Researchers involved in controlling the Queensland outbreak are drawing on expertise and findings developed by ACIAR-funded research collaborations in Indonesia and the Philippines.

Good biosecurity not only protects agricultural industries, but also provides opportunity for growth. For example, it ensures farmers can access safe genetic material from overseas—which is vital to continued productivity growth in Australian agriculture. Most agricultural industries are based on species that were originally exotic to Australia and many still rely on overseas services for new genetic material.

#### Risks are on the rise—better surveillance and traceability are needed

Australia’s biosecurity faces an increasingly complex global environment, characterised by increased tourism and growth in passenger and cargo movements. By 2030–31, Australian airports are expected to handle three times as many international passengers than in 2010–11 (BITRE 2012). Factors such as increasing global trade and the changing prevalence of pests, diseases and weeds in the region mean biosecurity risks are rising.

An expansion of agriculture in northern Australia will create additional biosecurity challenges. This is because of the proximity to neighbouring countries and the different eco-climatic conditions of the north, which may be conducive to the introduction of exotic pests, diseases and weeds. It is in Australia’s national interest to develop the north, but the Government will need to ensure additional biosecurity arrangements are applied to ensure risks are managed.

Australia manages biosecurity risk to a very high standard. Australia’s biosecurity system identifies and manages high-risk pests, diseases and weeds and their pathways through surveillance, intelligence-gathering and analysis, supported by science. With biosecurity risks rising, better surveillance and intelligence is needed to safeguard Australian produce from these threats.

Strong biosecurity is integral to maintaining overseas market access. Trading partners want better assurance that Australia’s produce is high-quality, safe and free of pests, diseases and weeds. Our trading partners increasingly expect robust traceability systems to verify product integrity at all steps along the supply chain. Modern, responsive traceability systems are likely to become a compulsory importing country requirement in the future.

The proposed initiatives in this White Paper seek to deal with:

* pests, diseases and weeds that have already entered Australia (see Chapter 4—Farming smarter);
* improvements to surveillance and analysis to reduce the risk of new entry of exotic pests, diseases and weeds and support market access; and
* enhancements to traceability systems to enable efficient tracing of problems back to the source, which allows issues to be addressed quickly and trade to continue from unaffected locations.

#### We have delivered

The Government is delivering on its 2013 election commitment to strengthen Australia’s biosecurity system.

##### New modern legislation

The Government has strengthened Australia’s biosecurity legislative framework by delivering a long overdue and modern *Biosecurity Act 2015* to replace the outdated *Quarantine Act 1908*.

The new legislation will support the risk-based approach to managing biosecurity, simplify the existing regulatory framework, reduce unnecessary regulation and introduce a broader range of compliance measures. It is expected to result in a reduction of more than $6.9 million in compliance costs on businesses (Australian Government 2014c). (Department of Agriculture 2015j)

##### World-class biosecurity

A new government-run post entry quarantine facility in Victoria will have its first phase completed and operational by late 2015 and its second phase completed by 2017. This facility will be fully operational by 2018 and will enhance processes for plants and animals. It will also allow safe access to genetic material from overseas. (Department of Agriculture 2015k)

The Government has previously announced $20 million investment in faster, more effective responses to pest and disease incursions. This funding has recently helped northern Queensland deal with the impacts of Panama disease on the banana industry. (Australian Government 2014c)

The Government is supporting biosecurity research, development and extension, including through the CSIRO Biosecurity Flagship. (CSIRO 2015b)

##### Australian Trusted Trader Programme

The Government is working with industry to design and establish the Australian Trusted Trader Programme to complement the biosecurity approved arrangements. The programme will help exporters and importers that have strong security practices in place and a history of trade compliance. Once approved, a Trusted Trader will be offered several trade facilitation benefits including streamlined customs procedures, options to pay duty periodically and greater access to international markets through mutual recognition agreements with trading partners.

Working with partner agencies, the programme will reduce the regulatory burden for accredited participants. It is estimated this programme will generate annual average regulatory savings of $24.3 million a year across the economy. (Australian Government 2015k)

#### White Paper actions

A strong biosecurity system that reduces the risk of entry of exotic pests, diseases and weeds and effectively manages outbreaks is essential to maintaining Australia’s favourable animal and plant pest and disease status. This safeguards market access, reduces production costs for farmers, and protects our communities and environment.

##### Strengthening Australia’s biosecurity

The Government will invest **$200 million over four years to improve biosecurity surveillance and analysis** to better target critical biosecurity risks.

Investing in surveillance will improve Australia’s ability to detect and manage biosecurity risks early. This will prevent damage to farmers, the environment and the economy in the long run. In 2016, the Government will also make further improvements to information systems to capture, use and manage data to better target the risks that matter most. This will support enhanced surveillance and analysis, and better implementation of the new *Biosecurity Act 2015.*

Boosting surveillance will grow the evidence base around our pest and disease status. This will help Australia to negotiate favourable protocols to start trade in new markets and prove compliance with importing country requirements when disputes arise.

Additional resources will be applied in northern Australia to ensure the specific regional biosecurity risks are appropriately managed. This includes a commitment of $12.4 million to boost Indigenous Rangers groups in northern Australia. The additional funding will complement nation-wide efforts by providing the additional resources necessary for a more developed northern Australia, which faces different risks from other parts of Australia. Northern Australia’s proximity to other countries means incursions can occur through natural processes as well as trade and movement of people. Also its tropical environment is more receptive to certain pests, diseases and weeds.

The Government will be informed on how the Department of Agriculture’s biosecurity activities and resources should be best allocated following the completion of an independent functional and efficiency review in 2015.

Effective biosecurity protects agricultural industries and the community from the impact of exotic pests and diseases, and supports our access to overseas markets. 


##### Sound traceability to prove the quality and safety of our produce

The Government will invest **$12.4 million over four years to modernise Australia’s traceability systems**, to verify product integrity and secure access to overseas markets.

Our ability to increase agricultural exports depends on our favourable animal and plant health status, the integrity of our food safety systems and our ability to meet importing country requirements and certify products for export. Modernising existing traceability systems will enable quicker trace-back to the point of origin to identify the source of disease, residue, contamination or any other problem that becomes apparent.

A food contamination issue linked to an Australian product can damage our ability to export to the country where the problem was detected and potentially other markets. Effective trace-back means that the problem can be quickly identified, contained and addressed, and that the impact on trade can be limited to the business or geographic region where the incident occurred. A modern, efficient system is needed to meet the increasing demand for food quality and guaranteed safety in international markets.

For example, in August 2013 New Zealand reported the possible presence of botulism in whey protein powder exported to Australia and other countries. The whey protein was further processed in Australia for export, so significant potential existed for Australian dairy exports to be adversely affected. Effective trace-back procedures enabled potentially contaminated product to be quickly identified and withdrawn from the market. This safeguarded consumers and protected trade in Australian dairy products. The additional funding will enhance our capacity to respond to incidents involving Australian products in the future.

Sound traceability systems help to ensure markets remain open, thereby increasing access and returns to farmers.


## Glossary

ABARES Australian Bureau of Agricultural and Resource Economics and Sciences

ACCC Australian Competition and Consumer Commission

ACLEP Australian Collaborative Land Evaluation Project

ACIAR Australian Centre for International Agricultural Research

AER Australian Energy Regulator

AEST Australian Eastern Standard Time

APVMA Australian Pesticides and Veterinary Medicines Authority

ASEAN Association of Southeast Asian Nations

ATO Australian Taxation Office

CCA Competition and Consumer Act (2010)

CEWH Commonwealth Environmental Water Holder

CNL Co-operatives National Law

CRC Cooperative Research Centres

CSIRO Commonwealth Scientific and Industrial Research Organisation

ERF Emissions Reduction Fund

ESCAS Exporter Supply Chain Assurance System

FMD Farm Management Deposit

FTA Free Trade Agreement

GABSI Great Artesian Basin Sustainability Initiative

GDP gross domestic product

GPS Global Positioning System

HLS Harvest Labour Service

IGA Intergovernmental Agreement

LPA Livestock Production Assurance

MSC major supermarket chains

NBN National Broadband Network

NHLIS National Harvest Labour Information Service

NWI National Water Initiative

R&D research and development

RD&E research, development and extension

RDCs rural research and development corporations

RFCS Rural Financial Counselling Service

RIRDC Rural Industries Research and Development Corporation

RSPCA Royal Society for the Prevention of Cruelty to Animals

TFES Tasmanian Freight Equalisation Scheme

TRANSIT Transport Network Strategic Investment Tool (CSIRO)

VET vocational education and training

WET wine equalisation tax

WTO World Trade Organization

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