



17 April 2014

The Hon Barnaby Joyce MP
Minister for Agriculture
Parliament House
Canberra ACT 2600

Dear Minister

Re: Agricultural Competitiveness Issues Paper

The NSW Business Chamber (“the Chamber”) welcomes the opportunity to make a submission in response to the issues paper on Agricultural Competitiveness.

As you may be aware, the Chamber is one of Australia’s largest business support groups, with a direct membership of more than 15,000 businesses, providing services to over 30,000 businesses each year. Tracing its heritage back to the Sydney Chamber of Commerce, established in 1825, the Chamber works with thousands of businesses ranging in size from owner operators to large corporations, and spanning all industry sectors from product-based manufacturers to service provider enterprises.

The Chamber is a leading business solutions provider and advocacy group with strengths in workplace management, work health and safety, industrial relations, human resources, international trade and business performance consulting.

Operating throughout a network of offices in metropolitan and regional NSW, the Chamber represents the needs of business at a local, regional, state and federal level, advocating on behalf of its members to create a better environment for industry.

This issues paper has provided the Chamber with a valuable opportunity to highlight the importance of agriculture to rural and regional communities, and to the state of NSW in general, in terms of a variety of economic, social and health benefits.

Agriculture is a significant sector in the Australian economy and is estimated to contribute over 2.4 per cent to Australia’s total gross domestic product (GDP) at a farm-gate value. While the gross value of Australian farm production in 2011-12 was estimated to be \$46.7 billion, when we factor in the value-adding processes that agricultural produce goes through once it leaves the farm, combined with the value of all economic activities supporting farm production, the total of agriculture’s contribution to the economy extends to a 12 per cent of the GDP, or \$155 billion.¹

¹ Australian Bureau of Statistics, Value of Agricultural Commodities Produced, 2011-2012, Catalogue No. 7503.0, Australian Bureau of Statistics, 2010-11, Australian System of National Accounts, Catalogue No. 5204.0, ABARES, Australian Commodity Statistics, 2012

NSW Business Chamber incorporates

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The Chamber submits that for Australia to maintain and improve its competitiveness in the agricultural sector, the following provisions are needed:

- world-class education and training to equip farmers and other agriculture workers with the necessary skills to play an active role in driving advances in both domestic and global food production;
- infrastructure that enables the diverse range of produce to efficiently move across our network of roads, rails and ports in the most cost-effective way
- liberalisation of trade and gaining greater market access to help grow our considerable export trade and compete effectively against other world producers.

Enhancing agriculture's contribution to regional communities

How can we attract the next generation of farm workers in rural and remote areas and promote career pathways to enable younger farm workers to gain broader industry experience and succeed in their agricultural practice?

Attracting the next generation of farmers will require a multifaceted approach to build and promote clear career pathways into the sector. Stronger industry partnerships with schools will help provide opportunities to promote agricultural careers to young people and support young people. The Chamber recently partnered with the Beacon Foundation to create stronger linkages between business and schools. Local businesses engage in a range of activities with schools to assist young people with work readiness, career development and provide advice. Opportunities for school based VET work placements and school based apprenticeships are also an important element. Such partnership arrangements will be important for the future of the agricultural workforce in Australia.

Career advice in schools is currently an area of major concern and needs to be addressed with some urgency. Recent research has shown that secondary school students are provided with copious advice on university pathways relative to advice on vocational pathways, thus providing an unbalanced view of post-school opportunities.²

Industry can play an important role in lifting the uptake of science, technology, engineering and mathematics (STEM) subjects in schools. These skills will become increasingly important in ensuring that the agricultural industry fully utilises advanced technologies, increases competitiveness and boosts productivity.

Industry scholarships, internships and Work Integrated Learning (WIL) opportunities for higher education students will also be important for creating strong pathways to agricultural careers. Industry partnerships with universities will also enhance these opportunities. Stronger industry/university partnerships can also provide opportunities for research collaboration and identify how research findings can be effectively commercialised.

² Clarke, K. (2013) *Entry to vocations: the efficacy of VET in schools*. National Centre for Vocational Education Research.

Improving the competitiveness of inputs to the supply chain

What specialised skills and training will be required in the future and how can these be delivered and encouraged to be taken up by future workers?

Many NSW food producers in rural and regional areas have identified a lack of skilled workers and adequate training resources as a major problem. Many highly skilled workers are abandoning rural and regional areas for careers in urban centres or for opportunities in the mining sector, leaving many industries with a lack of skilled workers. NSW Business Chamber's most recent Business Conditions Survey shows that some 26.7% of businesses in the agriculture sector in NSW are having difficulty hiring suitably qualified staff.³

In a recent speech to The Sydney Institute, the Secretary to the Treasury, Dr Martin Parkinson, identified three waves of opportunity for the future of the Australian economy. The second of these waves, flowing from the vast economic shifts in Asia, is rising global demand for agricultural produce.⁴ While Australia is well placed to capture these benefits, realisation of these benefits is not assured. Capturing these benefits will require strong industry leadership, supported by appropriate government and industry policies and programs, including investment in skills and workforce development.⁵

The Australian Workforce and Productivity Agency (AWPA) has suggested that to make the most of future market opportunities in Asia, it is important to know what future demand might look like and to assess whether domestic capability exists to meet this demand. This means putting in place strategies to ensure Australian producers and processors have the skills, knowledge and capabilities to take advantage of opportunities. AWPA also suggests that it is apparent that a new approach to skills and workforce development is required, one that focuses on pathways across the supply chain. Also needed is increased involvement of the industry in education and training provision, including through a greater focus on work integrated learning.⁶

AWPA has also identified that the key skills required for the future competitiveness of the agricultural industry include leadership, management, mentoring, risk management and the ability to translate research and development into business processes along the supply chain.

³ NSW Business Chamber (2013). *Business Conditions Survey*. March 2013 Quarter.

⁴ Dr Martin Parkinson PSM, Secretary to the Treasury (2014). *Fiscal sustainability & living standards - the decade ahead*. The Sydney Institute. 02 April 2014

⁵ Australian Workforce and Productivity Agency (2013). *Food and beverage workforce study*. October 2013. Commonwealth of Australia

⁶ Australian Workforce and Productivity Agency (2013). *Food and beverage workforce study*. October 2013. Commonwealth of Australia

Agrifood Skills Australia has also identified a range of workforce development needs for the sector. The following needs are identified and supported by a series of recommendations:

- Development of business management, leadership and entrepreneurial capabilities;
- Attraction of new workers;
- Adoption of higher level skills and knowledge;
- Diffusion of new research findings, innovative practice and technologies; and
- Retention and skills utilisation of existing workers.⁷

A flexible and responsive training system is needed to adapt to the changing demands of the industry, with widespread acceptance for a greater focus on the quality of training in the agricultural sector. It is hoped that recent state based training reform in NSW will improve the flexibility and responsiveness of training delivery. However, questions still remain regarding specialised vocational training delivery in regional areas with the move to a more competitive training market.

The NSWBC recommends that the Australian Government consider increasing skills training and educational opportunities to attract and retain workers to the many food industries within rural and regional NSW through educational policies that:

- Better attract skilled workers and retain young people in rural and regional areas through initiatives such as student scholarships and relocation grants. The establishment of rural Centres of Excellence to promote identified industry learning and research outcomes in regional areas is particularly well supported.
- Improving the quality, consistency and industry relevance of career advice in school by engaging with specially trained career advisors to better equip young people in rural and regional areas with detailed local industry information and resources.
- Increasing the awareness of employer obligations to Australian Apprentices by recognising employers who provide quality and supportive on-the-job training.
- Identifying technology training for the agriculture workforce, to help boost productivity.
- Improving the level of higher educational attainment in rural and regional areas by strengthening engagement between local tertiary education providers and employers. For example, certain qualifications such as engineering have a high demand in particular areas such as the Murray-Riverina, yet no tertiary education providers offer the opportunity for students to undertake the study of this degree.

⁷ Agrifood Skills Australia (2013). *Mind the gap – why agrifood’s potential in the Asian century is far from assured*. 2013 Environmental Scan of the Agrifood Industry. Industry Skills Councils.

- Supporting programs to increase language, literacy and numeracy levels and digital literacy among existing workers and young people transitioning into the workforce.
- Encouraging greater industry investment in training of existing workers and new entrants to the workforce through the provision of apprenticeship and traineeship opportunities. With high levels of youth unemployment across Australia it is vitally important that employers in the agricultural sector engage with young people and provide pathways to employment.
- A more flexible and responsive skilled migration system. Skilled migration plays an important part in meeting skill requirements of the agriculture industry. The Chamber supported the introduction of Regional Migration Agreements, review of the 457 visa to reduce barriers to employer uptake, the working holiday maker program and a broader Skilled Occupations List for independent points-based skilled migration and support services for migrants moving to regional areas with their families.

What infrastructure is needed, and what levels of funding are required to support future food production?

Australia needs to have reliable, well-developed and fast inter-connected infrastructure if we are to compete effectively in global markets, both now and in the future. We must ensure that we take care of our current infrastructure needs and undertake the necessary planning and have well-defined processes to identify and deliver the infrastructure needs of tomorrow. A key component of this relies on a cost-effective, transport system that allows agricultural produce to be moved across the large network of roads, railways and ports as efficiently as possible. Other economic infrastructure components such as water, energy and telecommunications also play a vital role in providing essential services to farms and other businesses within the agricultural sector and food supply chain.

Infrastructure needs differ between commodities in the agriculture sector. An Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) preliminary economic assessment of infrastructure and Australia's food industry, released in November 2013, identified that wheat and sugar would need additional capacity of distribution networks in good harvest years. An expansion in the beef industry would require improving network connectivity with major supply chain points for high productivity vehicles, while an expansion in dairy would require greater irrigation infrastructure. The network connectivity with major supply chain points for high productivity vehicles, the condition of roads and the competition for access to ports were deemed to be the most pressing issues for the beef and sheep meat industries.⁸

In 2008–09, infrastructure services accounted for 11 per cent of total intermediate input costs in the agriculture, forestry and fishing sector, 10 per cent in the food

⁸ Ngyen, N (et al.) (2013) Infrastructure and Australia's food industry: Preliminary economic assessment, Australian Bureau of Agricultural and Resource Economics and Sciences [Link](#)

processing industry and 14 per cent in the food services industry.⁹ This is a significant cost component in the Australian agricultural sector, and if we are to compete effectively on a global scale, greater consideration must be given to increasing the amount of funding given for essential infrastructure projects that will directly and indirectly assist in growing Australia's agricultural output. Given Australia's lack of appropriate infrastructure in key agricultural production regions, it is important that we address concerns promptly and effectively, as demand for Australian food is set to increase rapidly as we move further towards 2050. It is expected that halfway through this century, global food imports by Asia will grow by \$470 billion, increasing Australian agricultural exports by 140 per cent.¹⁰

While initiatives such as the development of the National Heavy Vehicle Regulator will assist in harmonising legislation and reducing regulatory burden across jurisdictions, there are still significant last mile issues faced by freight transporters in Australia which are relevant to the food sector. The Chamber was supportive of the development of Infrastructure Australia's *National Land Freight Strategy*, announced by the former Federal Government, and awaits the implementation of the Strategy into policies and regulations. Federal and state governments should continue to work towards addressing last mile issues by:

- continuing the harmonisation of road access regulations relevant to freight transportation;
- having appropriate planning policies and mechanisms in place to prevent residential encroachment on freight activities, such as the development of strategic plans and establishing appropriate zones to support the strategic plan; and
- implementing appropriate regulatory settings to create an appropriate balance between safety and environmental policies and the efficient and economic transfer of freight.

The road network is of particular importance to food supply chains and as production and exports expand it will become increasingly important that issues such as the quality of roads which greatly affect performance and efficiency of road freight transport are addressed. Transporters will often need to undertake costly detours or comply with onerous access requirements in order to get to their destination. Much of this problem can be attributed to the tiered structure of road ownership across NSW as well as a general lack of funding for the upgrade of major road projects. The chamber supports the Heavy Vehicle Charging and Investment Reform project (HVCI), previously known as COAG's Road Reform Plan, for heavy vehicles and has been actively involved in the process to recommend reforms. The Road Reform Plan provides an opportunity to allow more efficient investments in the road network which will benefit freight transporters.

There are also limitations to the efficiency of freight movement by rail. Particularly in Sydney, rail freight has to contend with an increasingly congested passenger rail system. The Chamber supports the Federal Government's partnership with the state

⁹ Infrastructure Australia, (2013) National Infrastructure Plan [Link](#)

¹⁰ Infrastructure Australia, (2013) National Infrastructure Plan [Link](#)

Government in their continued investment in the Northern Sydney Freight Corridor Program, which will help to improve the efficiency of the freight task in this busy corridor, as well as reducing freight transport operating costs and easing peak hour restrictions on freight services.¹¹

Wagga Wagga is at the centre of a long-proposed rail hub that would greatly benefit local producers in the provision of long line-haul rail services to and from the major ports of Brisbane, Sydney, Melbourne, Adelaide and Port Kembla. The Riverina Intermodal Freight and Logistics (RiFL) Hub would provide freight consolidation, logistics support and open access rail transport services for businesses not only in the Murray-Riverina, but also increase freight capacity for NSW and Victoria as well as improving logistic links nationwide.¹²

This raises the wider issue of how infrastructure services are funded, as they have traditionally been through the public sector. Public-private partnerships (PPPs) have increased in recent decades and as of March 2014, the Wagga Wagga Council resolved to explore alternative delivery methods and have taken to testing the market to confirm the level of private sector commitment to the RiFL Hub project. If the private sector can demonstrate the necessity and viability of the project, the Council can then hold further discussions with State and Federal Government to determine their level of investment in the project and thus seek the necessary funds to build enabling infrastructure.

The NSW Business Chamber has previously advocated for such initiatives in its *10 Big Ideas to Grow the Murray-Riverina* campaign and continues to strongly support the development of an integrated and coordinated transport and infrastructure strategy for the Murray-Riverina, one of Australia's premier agricultural and horticultural production regions, worth over \$1 billion a year and fuelling many sectors of the food industry.

The Chamber was supportive of measures taken by the previous Government in respect to the funding of infrastructure projects in rural and regional Australia through the Nation Building Program. The Chamber welcomes the current Federal Government's plan to spend \$1 billion over five years on a new national stronger regions fund. The fund, which is expected to start in 2015, would be spent on social and economic infrastructure in regions with high unemployment, and would operate on a 50 per cent matching contribution from the local or state government. The Chamber supports the Federal government continuing this commitment to improve infrastructure. Investment in this type of infrastructure will greatly assist in reducing barriers in trade between farms, factories and markets, driving growth and increasing productivity of the food processing and manufacturing sectors.

The Chamber also supports the Federal Government's commitment of \$300 million towards the development of the Inland Rail project. The Inland Rail project will

¹¹ Transport NSW (2014), *Northern Sydney Freight Corridor Fact Sheet* [Link](#)

¹² Wagga Wagga City Council (2014), *RiFL Hub*, [Link](#)

help farmers get their product to market through providing greater interstate linkages and improving access to ports.

How do we encourage better collaboration between industry and government on market access priorities to increase/enhance exports and use multilateral and bilateral trade negotiations to advance the agricultural sector?

Trade market access and the liberalisation of markets are key priorities of many member businesses involved in farming and food production. The Chamber is committed to ensuring that our members are able to operate and grow in the global, national and domestic markets by eliminating trade barriers, identifying and seizing new market opportunities and strengthening key existing markets. The Department of Agriculture, Fisheries and Forestry (DAFF) and the Department of Foreign Affairs and Trade (DFAT) must continue to make maintaining and improving international market access opportunities for Australia's agriculture, food, fisheries and forestry industries a major objective.

It is estimated that Australia exports, on average, around 60 per cent of its farm products, 56 per cent of its fish products and 60% of its forest products.¹³ Exports have been increasing 5 per cent each year over the past decade and as such, the need to eliminate both tariff and non-tariff trade barriers has never been more vital.

With such a large amount of agricultural goods to export, Australia needs to ensure it has adequate access to international markets to enable effective trade of goods to occur. Providing equal access to markets encourages free and fair competition which benefits suppliers and consumers. With the mining sector facing a decline as we move forward, Australia must focus its energies on ensuring that a diverse range of high quality Australian exports remain a significant contribution to the national GDP.

In addition to taxes and tariffs imposed on exporters, some significant trade barriers facing food exporters include:

- technical regulations, standards and conformity assessment procedures
- packaging conditions
- labelling conditions
- poor protection of intellectual property rights
- unfair export subsidies
- unjustified trade defence measures - such as anti-dumping actions
- quantitative restrictions
- barriers to trade in services and investment

State and Federal Governments need to identify opportunities where they can work collaboratively with industry to deliver successful outcomes in gaining greater market access for exported goods. This could be in the form of providing greater industry assistance to help food exporters to deal with international compliance and

¹³ Department of Agriculture Fisheries and Forestry, (2013), Program 1.13: International Market Access [Link](#)

labelling regimes. It should also provide a platform for the harmonisation of Australian regulations wherever possible with international practice. For example, the Australian wine and cattle industries both have industry market access groups that are overseen by the industry bodies, which were established to ensure a consistent industry and government approach to international trade issues. The groups contain DFAT, DAFF and Department of Industry representatives. Through this collaborative approach, governments are able to determine what issues and hurdles Australian producers are facing in the journey to exporting their goods, and identify solutions that each party can work at overcome these challenges.

The Government, through their recent focus on cutting red tape and reducing regulatory burdens, should look towards targeting food regulations and removing multiple compliance regimes to ensure that domestic food producers are not placed at a competitive disadvantage when competing in international markets or domestically against international producers.

The importance of negotiating free trade agreements (FTAs) must continue to be a priority for Australian governments. Australia currently has FTA's in force with Chile, New Zealand, United States, Malaysia, Singapore and Thailand. An agreement has been signed with Korea but is not yet in force, and the Japanese Economic Partnership agreement was completed at the end of March 2014, which will see Australia become the first major agricultural exporter to unlock the very high import duties that apply in Japan. This increasing network of FTAs will play an important role in supporting global trade liberalisation. China is also set to accelerate negotiations in their bilateral FTA with Australia, and there are two other FTAs and four multi-lateral agreements still under negotiation. Those under negotiation represent a total of 45% of the world's economy, and any liberalisation of trade across these markets would greatly enhance Australia's export opportunities.

Australia has a proud history of feeding the world, and in coming years we will be required to do this at a greater volume than ever experienced. Australia is uniquely positioned to export significant quantities of produce to Asia to cater for demand, as we have both the ability and capacity to undertake such a large task. However, we must also ensure that domestic demand is taken care of, whilst also keeping our highly profitable and desired agricultural exports globally competitive. Thus, the greater level of skill, infrastructure and market access we can acquire as a nation will go some great lengths in ensuring that Australia remains a world leader in agricultural produce.

For further information on this submission, please contact Craig Milton, Policy Analyst, NSW Business Chamber on craig.milton@nswbc.com.au or 9458 7913.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Paul Orton', with a long horizontal flourish extending to the right.

For Paul Orton
Director, Policy and Advocacy