

18 August 2016

Regulation of Australian Agriculture
Productivity Commission
Locked Bag 2, Collins Street East
Melbourne Vic 8003
Via email: agriculture@pc.gov.au

Dear Sir/Madam,

Subject: Regulation of Australian Agriculture

Warakirri Asset Management (“WAM”) welcomes the opportunity to provide a submission in response to the Productivity Commission Issues Paper for the enquiry into the “Regulation of Australian Agriculture”. We acknowledge the enquiry covers a very diverse, fragmented and multi-faceted industry. However, we advise that our comments are in relation to issues that are pertinent to our farming businesses as described below.

About Us

Warakirri has two established funds which we respectively own and operate on behalf of investors.

- (i) The Warakirri Cropping Trust was established in 1996, managing approximately 77,000 hectares of broad acre cropping farms in Victoria, southern and northern New South Wales, southern Queensland and Western Australia. Farm staff are employed to manage the day-to-day management of the farms together with contract service providers who are utilised for planting and harvesting operations. Farm operations are supported by management and administration staff based in Melbourne.
- (ii) The Warakirri Dairy Industry Trusts was established in 2006, managing approximately 4,600 hectares across eleven dairy farms in Victoria and south-east South Australia. With approximately 7,700 milking cows and 5,300 heifers, producing around 66m litres of milk annually. Farm staff are responsible for the day-to-day management of the farms, while farm operations are supported by management and administration staff based in Melbourne.

General Comments

The sustainability and success of Australian Agriculture will be underpinned by continuing to attract capital investment to recycle into initiatives that ensures Australian Agriculture remains globally competitive. Investment into Australian Agriculture is often bypassed by local superannuation funds as they are generally understood to prefer to invest in alternative asset classes that are expected to offer greater returns with less volatility.

This lack of investment has driven Australian Agriculture to be self-reliant and more efficient than most farming systems in the world. Consistent with other major economies around the world, the Australian Government and our leading industry bodies have a key role in improving the profitability of the sector, through the following initiatives;

- **Reducing the collective burden of complying with red tape** – Complying with red tape is not just a financial impact; it is a resource drain that changes a farming businesses focus away from what they are good at, farming. As outlined in the National Farmers Federation (NFF) submission, the annual average cost for a mixed farming enterprise complying with red tape was 20 days work or \$34,367 annually (15% of net profits).
- **Consolidating a fragmented industry** - There are 120,112 farm business solely dedicated to agricultural production in Australia, with 307,000 people employed across 9 major commodities¹. The majority of these businesses are small scale family owned farms that do not have either the resources or the understanding of how to influence change at a government or local government policy level. As such, they adopt the path of least resistance and accept the regulations handed down. Farming businesses rely on industry bodies and lobby groups to influence change. However, as most of these groups are lobbying for government grants, their focus remains narrow and not supportive of agriculture at large. By being so fragmented and multi-faceted, agriculture lacks a collective voice to improve our collective bargaining on aspects including policy reform and price regulation.
- **Reduction in costs being pushed down** – For agricultural producers there is increasing pressure to remain profitable, yet while there have been yield improvements and productivity gains on farm over the years, levies and tariffs imposed on us have increased over the same period. As a price taker, as an industry we are in no position to pass this onto the end consumer. This leads to a less profitable business, which tries to maintain margin by reducing costs in areas like research and development and not purchasing new machinery ultimately resulting in less money being recycled back into the economy.
- **Reduction of multi layered regulation** – Many examples exist whereby there is a lack of clarity or inconsistency from regulations imposed across different levels of government (ie. federal, state and local) on similar issues. This includes road licencing, vehicle registration, transporting vehicles, vegetation management and many more. By reducing the multiple levels of regulation to a national footprint, it will ensure regulations are: easier to locate, consistent between regulators, more time and cost efficient, and would permit local and state governments to allocate their resources to more value adding initiatives. By consolidating these regulations, the efficiency gained should lead to a passing on of price reductions or added services through to consumers.

¹ NFF Farm Facts 2012

Specific Comments

1. Moving of oversize agricultural vehicles

Operating across 5 states and over 20 local governments or shires, the administrative cost burden on moving oversize agricultural vehicles is high. The regulations are often different at federal, state and local levels, meaning different licenses and permits are required. At all levels of regulation being Federal, State or local, we are required to:

- Know where to find the relevant regulations
- Understand and interpret how to comply with each regulation
- Complete the administration to comply with the regulation
- Receive the appropriate permits
- Carry out the task of moving in the appropriate timeframe or look to reapply for the permit
- As the task is generally completed by farm employees, ensure they fully understand the requirements in each region.

The inconsistency and administration requirement imposed between regulators does not make the moving of oversize agricultural vehicles safer. However, it substantially inhibits efficiency.

Recommendation

- On purchase of any oversized piece of equipment, a lifelong road permit will be for the vehicle. This permit will allow the moving of machinery on roads in accordance with one set of national guidelines.
- To work with industry participants and develop national regulations on moving self-propelled machinery and their implements. This will eliminate any cross jurisdictional differences.

2. Vegetation Management

Similar to the above, we operate across a number of jurisdictions, yet vegetation management regulations are different at national, state and local levels. At each level of government, vegetation management may include different regulations for a combination of roadside maintenance, land clearing and weed management amongst other things. As the regulations are updated by multiple sources, this increases the risk of failing to comply with the most up to date regulations. Approval processes are typically protracted and time consuming.

Recommendation

To engage with industry participants and develop national regulations on vegetation management. This will promote administrative efficiency and eliminate any cross jurisdictional differences across Australia.

3. Transport

The cartage of grain to port is a major cost to Warakirri cropping. At present, current wheat prices are \$250/tonne, yet it can cost up to \$65/tonne to transport from farm to port. A cost effective road and rail system is critical to the viability of farming nationally.

Recommendation

The Federal Government should complete an in depth review of the impact of road haulage on our roads. In conjunction with the Federal Minister of Infrastructure and Regional Development, and the state transport ministers, a review into the viability of upgrading our road and rail networks should be considered.

4. Foreign Investment

WAM is supportive of foreign investment as the capital investment will allow Australian Agriculture to remain one of the most efficient and developed farming nations in the world. However, the current FIRB rules are inefficient, costly and act as a disincentive to invest in Australian Agriculture. Australian agricultural land ownership is fragmented and often multiple transactions are required to consolidate land holdings to achieve the desired economies of scale and deliver acceptable investment returns. Introducing the cumulative trigger for FIRB approval will mean that foreign entities need to seek FIRB approval on each individual transaction over the \$15m trigger. This may lead to one investor submitting many requests for FIRB approval over a 1 to 3 year time frame.

Recommendation

Introduce a pre-approval process - In order to streamline the administration process for Foreign Investors looking to aggregate agricultural land holdings or build a portfolio of agricultural land we suggest that a pre-approval process be implemented. If an investor was pre-approved and had an obligation to report their subsequent agricultural land acquisitions on a quarterly basis then only one approval process would be required. The pre-approval process would also allow Foreign Investors to acquire agricultural land at auction. Remove the need to gain approval for 'add-on' transactions to approved and existing holdings, such as for the purchase of neighbouring properties, paddocks or road closures.

5. Employer Obligations

WAM employs approximately 120 staff, a number of seasonal workers and on farm contractors throughout the year. We are required to comply with a number of laws and regulations that cover, among other matters, conditions of employment, occupational health and safety, workers' compensation as well as appropriate training. There is often duplication between state laws and inconsistency in administration requirements and messaging. As a business we operate across a number of jurisdictions, and the administrative burden to keep up to date is significant.

Recommendation

- To undertake a review of all federal and state based legislation with a view towards harmonising the regulations or developing a federal based legislation to be adopted by all states.
- Work with participants of the agricultural industry and develop a central repository of employer related regulations tailored to the agricultural industry.

WAM supporting our industry bodies

As a member of the National Farmers Federation (NFF), Australian Dairy Farmers (ADF) and CBH Group (CBH), WAM supports and endorses the issues and recommendations raised in their submissions to the enquiry.

In particular WAM is equally supportive of the NFFs recommendation that the Productivity Commission undertake a set of detailed case studies on Australian Farms with regards to the regulatory burden imposed on them. WAM recommends this review should cover a good cross section of farming business across all major commodities, including understanding the role played by the various industry bodies. WAM would be happy to be part of any formal review to assist the Productivity Commission.

Conclusion

WAM recommends the Commission undertake a thorough review of the agricultural industry when developing future policy. A bottom up review engaging with a cross section of the industry would ensure appropriate prioritisation of issues. From a review of the submissions made to date, there is very little input provided from the family farming businesses, yet they need to be engaged first and foremost. By working with those in the industry, WAM is confident a common sense and practical outcome should be end to end processes that will reduce the administrative burden and resource drain, without reducing either oversight or control and risk.

WAM looks forward to the completion of this review and would be pleased to be involved in ongoing work in conjunction with the Productivity Commission when addressing the needs specific to cropping and dairy industries. Should you wish to discuss in further detail, please contact Luke Carey

Yours sincerely

Luke Carey
Investment Manager – Agribusiness
Warakirri Asset Management