

19 December 2019

Budget Policy Division
Department of the Treasury
Via: prebudgetsubs@treasury.gov.au

To Whom it May Concern

Re: 2020 – 21 Pre-Budget Submission

GrainGrowers is a national grain farmer representative organisation with 17,000 grower members across Australia. Our vision is a more efficient, sustainable and profitable grains industry for all Australian grain farmers. GrainGrowers welcomes this opportunity to provide a submission to the consultative process for the 2020-21 budget.

Should you require any further information in relation to this submission, please contact GrainGrowers Policy Manager for Rural Affairs, Amelia Shaw on (02) 9286 2000 or amelia.shaw@graingrowers.com.au

Yours sincerely,



David McKeon
CEO
GrainGrowers

GRAINGROWERS' RECOMMENDATIONS

GrainGrowers as a member of the National Farmers Federation supports their submission, however in addition we would like to highlight the following budget recommendations:

1. **Improve trade and market access:**

- a. Development and implementation of the *Australia-Indonesia Grains Partnership* to maximise the opportunities for collaboration and trade amongst Indonesian and Australian grains, food processing and livestock sectors. Budgetary commitment of \$30 million over five years.
- b. Additional funding for the elimination of non-tariff barriers impeding Australian grains exports.

2. **Better telecommunications:**

- a. Promptly enact all recommendations made from the *Regional Telecommunications Review* to ensure access to infrastructure, consumer protect and digital inclusion.
- b. Continuation of the *Mobile Black Spots Program* funding.
- c. Continuation of the digital-hub funding beyond the current two-year funding commitment.

3. **Enhance climate resilience and risk management:**

- a. Support growers suffering severe drought to temporarily defer local government rates to help alleviate the pressure felt on them and their family.
- b. Support growers suffering severe drought to cover payroll expenses.
- c. Government to assist with the establishment of a viable and sustainable crop income protection market by 2024 to allow farmers access tools to manage their own risk.
- d. Continuation of the Drought Communities Programme

4. **Improved freight efficiency and access:**

- a. Develop a targeted infrastructure investment program that removes bottlenecks along the grain freight routes.
- b. Australian Government commits to retain the existing system of fuel tax credits.

5. **Improved information transparency and competition**

- a. The introduction of a mandatory Grains Stocks Reporting scheme in Australia and free and public access to ABS monthly grain export data.
- b. ACCC Market Study into the grains supply chain.

AUSTRALIAN GRAINS INDUSTRY

The grains sector is a powerhouse of regional Australia with 22,000 farm businesses growing on average 45 million tonnes of grains, oilseeds and pulses each year for domestic and global customers. The farm-gate value of Australian grain production is \$14.2 billion, contributing 22% of the value of Australian agriculture. We are a major contributor to the Australian economy, directly employing over 100,000 people.

The Australian agricultural sector is striving to reach \$100 billion by 2030, up from current value of \$65 billion. A significant increase in the value of farm production in a decade is clearly a challenging task. However, the Australian grain industry has a history of transformational change, underpinned by research and development and innovative farm businesses.

Grains are produced in all Australian states and territories. Australia's total winter crop area is around 24 million hectares each year, with summer crop area around 1.3 million hectares. Nearly 40% of winter crop is concentrated in Western Australia, followed by 25% in New South Wales.

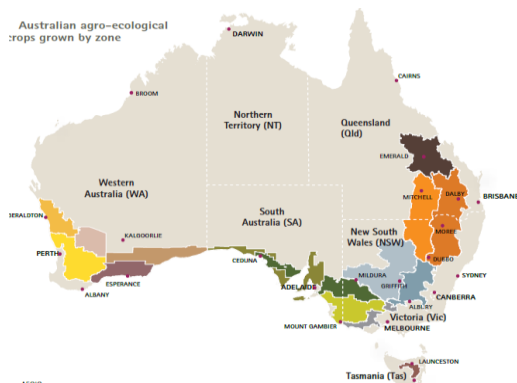


Figure 1 Australian grain production regions
Source: AEGIC

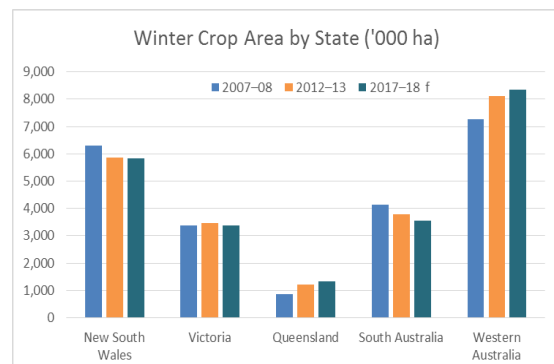


Figure 2 Winter crop area by state
Source: ABARES

The Australian grain industry is export focused with approximately 70% of total production sold to overseas customers in normal (non-drought) years.

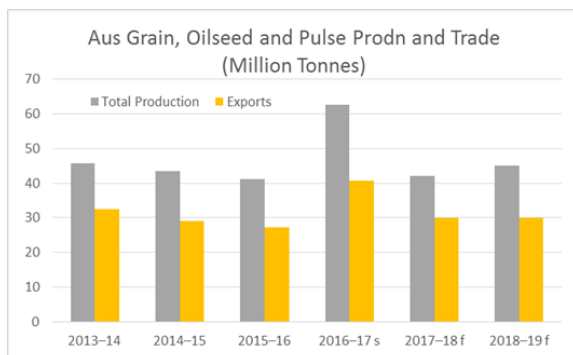


Figure 3 Australian grain production and trade
Source: ABARES

BUDGET REQUEST DETAILS

1. Improved trade and market access

The Australia-Indonesia Grains Partnership is designed to achieve the following outcomes:

- Demonstrate bilateral commitment from Australia towards Indonesia's requirements for long term food security.
- Support Indonesia's value-adding and export opportunities in the flour milling; food processing; stockfeed manufacturing; animal/aquaculture production; and meat processing sectors.
- Invest in human capacity building, technical training and high potential talent development within Indonesia's agrifood industries.
- Promote trade of Australian milling wheat and feed grains to Indonesia, thereby complementing industry's efforts to open feed grain market access under IA-CEPA.
- Develop a platform for future trade in pulses, oilseeds and other grains (such as milling oats).
- Design a successful capacity-building model that can be replicated with Indonesia in other important value and growth food markets (such as the ASEAN market) or replicated by Australia in a stand-alone bilateral initiative with other emerging economies.
- Create a high-level strategic industry coordination through a bilateral Australia Indonesia Grains Partnership "Industry Advisory Council" (IAC). The IAC would set the strategic direction and design for the proposed Australia Indonesia Grains Partnership Program.

Suggested program design and implementation:

- a) Grains Leadership Program: A modular technical training program for delivery in Australia and Indonesia. The training program is to be positioned as¹:
 - A prestigious program: for selected high potential staff from the Indonesian flour milling; premium baking/food processing sectors; and nutrition, feed and livestock industries.
 - An innovation agenda: training technical staff in the applications of Australian grains.
 - A leadership program: developing the capabilities of the leaders in the Indonesia grain, milling, livestock and food sectors.
- b) Scholarships provided for Indonesian PhD candidates to complete their studies in Australia (for example at AEGIC or a suitable Australian university). PhD topics would be aligned to one of the four streams identified above and be focussed on Australian grains.
- c) Development of Grains eLearning Program. A technical eLearning program that allows the Grain Leaders to engage and train their staff using Australian training materials. These programs would be prepared in Bahasa and would lead to

¹ It is proposed that a modular two-year technical training program would be provided to small cohorts of high potential persons from Indonesia's agrifood industry. The program will build a network of alumni under the auspices of, for example, the "Australia Indonesia Grain Partnership Program".

certificates in topics such as grain technology and milling. This will allow the Partnership to reach many grain industry participants and it will also be enduring beyond the five years of the initial program.

- d) Establishment of Annual Indonesian-Australian Grains Forum which would facilitate government and industry engagement across Australian and Indonesian stakeholders. It is envisaged that the would include a specific program to address the ongoing food security and safety issues faced by the rapidly expanding Indonesian grains industry. The forum may also include participation at Australian Grain Industry Conferences (AGIC) Australia and AGIC Asia Conference (<https://www.ausgrainsconf.com/>).

Finally, it is proposed that the modular technical training programs and eLearning models would contribute to formal certification and qualification (i.e. diploma or graduate diploma level).

RECOMMENDATION 1:

- a) **Development and implementation of the Australia-Indonesia Grains Partnership to maximise the opportunities for collaboration and trade amongst Indonesian and Australian grains, food processing and livestock sectors. Budgetary commitment of \$30 million over five years.**
- b) **Targeted elimination of non-tariff barriers impeding Australian grains exports.**

2. Better Telecommunications

Connectivity is essential for all farm business to operate efficiently and adopt new technology. Yet blackspots, slow speeds and poor service hamper regional Australia every day.

A recent NFF survey found that more than a third of farmers reported no mobile service across the majority of the land they farm, including 7% who receive no coverage at all. The Australian Digital Inclusion Index continue to show an unacceptable substantial difference in connectivity between rural and urban Australia.

RECOMMENDATION 2:

- a) **Australian Government to promptly enact all recommendations made from the *Regional Telecommunications Review* to ensure access to infrastructure, consumer protect and digital inclusion.**
- b) **Australian Government to fund the continuation of the *Mobile Black Spots Program*.**
- c) **Australian Government to fund the continuation of the digital hub beyond the current two-year funding commitment.**

3. Enhance climate resilience and risk management:

Drought is one of the most significant risks faced by regional communities and is a regular feature of the Australian agricultural landscape. There is a need for an enduring, coordinated and effective national drought policy in Australia. GrainGrowers is pleased by the commitment taken to ensure the agricultural sector has a secure fund of \$100 million per annum to be allocated towards continuous improvement and resilience of farming enterprises and the communities they reside in. However, farmers across Australia are seeking support now to manage this drought, which has seen some in drought for over eight years.

RECOMMENDATION 3:

- a) Support growers suffering severe drought to temporarily defer local government rates to help alleviate the pressure felt on them and their family.**
- b) Support growers suffering severe drought to receive temporary income support to cover payroll expenses.**
- c) Government to assist with the establishment of a viable and sustainable crop income protection market by 2024 to allow farmers access tools to manage their own risk.**
- d) Continuation of the Drought Communities Programme**

4. Improved freight efficiency and access:

Australian supply chain costs are comparably higher than our competitors. As a result, growers are penalized through lower grain prices and reduced profitability. Grains supply chain costs are significant, making up roughly 30% of the value of the Australian export grains at port. This reduces the international competitiveness of the Australian grain and directly reduces the prices paid to Australian farmers.

Targeted infrastructure investment and improvements to government regulation is needed to ensure Australia has an efficient and globally competitive grain supply chain. Improved freight efficiency not only supports the productivity of the entire industry, but also removes road congestion and improves

RECOMMENDATION 4:

- a) Develop a targeted infrastructure investment program that removes bottlenecks along the grain freight routes.**
- b) Australian Government commits to retain the existing system of fuel tax credits.**

5. Improved information transparency and competition

There's no level playing field in the grains supply chain with a small number of regional monopolies compared to over 20,000 individual grain farming businesses. This creates distortionary information asymmetry, placing Australian farmers at a disadvantage when making decisions.

As a result of the grains supply chain structure there is a asymmetry of information, which places growers in the weakest position. Australia is dragging its feet in terms of providing transparency to agriculture markets. One key area is grain stocks information and reporting, which is a routine activity in other parts of the world which provides growers, industry and government with valuable information to inform business, marketing and policy decisions.

RECOMMENDATION 5:

- a) Introduction of a mandatory Grain Stocks Reporting scheme in Australia and free and public access to ABS monthly grain export data.**
- b) ACCC market study into the grains supply chain.**

CONCLUSION

GrainGrowers welcomes the opportunity to provide a submission to the 2020-21 budget consultation process. We implore the panel to consider the recommendations outlined in this submission and should there be any further questions, please contact Amelia Shaw, Policy Manager for Rural Affairs (amelia.shaw@graingrowers.com.au) on 02 9286 2000.