



# SUBMISSION ON THE AGRICULTURAL COMPETITIVENESS ISSUES PAPER

▼ CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

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## OVERVIEW OF CCIQ'S RECOMMENDATIONS

CCIQ has put forward a number of recommendations throughout the following submission aimed at enhancing the competitiveness of the Queensland agriculture industry. An overview of these recommendations is provided in the table below.

Subject Area	CCIQ Recommendations
Queensland Agriculture Strategy	The Taskforce to take into consideration the outcomes of consultation processes already undertaken in Queensland, the initiatives underway to deliver Queensland's agriculture strategy and actions that are delivering successful outcomes and subsequently need to be built on at a national level.
Reducing labour costs	<ul style="list-style-type: none"> <li>• <b>Modify the current penalty rates regime</b> to take into account the nature of work and requirements in the agriculture industry. For example, to allow the first five shifts of a working week to attract standard rates of pay, with the sixth and seventh shifts attracting penalty rates.</li> <li>• <b>Introduce measures to grow Australia's superannuation pool</b> to ensure the challenges faced by Australia's ageing population are met and that employees have a greater understanding about the importance of retirement incomes. This requires: <ul style="list-style-type: none"> <li>- The introduction of employee contributions through soft compulsion;</li> <li>- More initiatives to encourage voluntary employee contributions, and saving measures that enhance the responsibility of employees to fund their own retirement – this may include tax incentives, government co-contributions and educational campaigns about the function and importance of superannuation;</li> <li>- Mandatory wage trade-offs for the increases to the mandatory superannuation guarantee; and</li> <li>- Initiatives to boost workforce participation.</li> </ul> </li> <li>• <b>Implement changes to Australia's minimum wage setting process</b> to ensure that it reflects the key considerations of productivity, economic growth and business conditions, particularly in award-reliant industries (such as agriculture). This involves: <ul style="list-style-type: none"> <li>- A requirement that Annual Wage Reviews must take into account employers' capacity to pay any proposed wage increase; the economic and business conditions within those industries in which the minimum wage has the greatest impact; and the flow-on impacts of the decision;</li> <li>- Implementing mechanisms to ensure phased annual instalment increases to the mandatory superannuation guarantee levy are offset in future increases to the National Minimum Wage (NMW);</li> <li>- Implementing a six month transition period following the announcement of the wage increases to allow businesses to make arrangements in light of employee cost increases; and</li> <li>- Consideration of initiatives to enhance productivity in award-reliant industries to correspond with wage increases.</li> </ul> </li> </ul>
Rising input costs	Increased support for producers to manage rising input costs by including standard clauses in contracts (ie "rise and fall clause") to allow fluctuating on-farm costs to be shared with the supply chain (ie processors, retailers) rather than borne solely by the producer.
Reducing transport costs	Strategies need to be developed and implemented in partnership with industry to reduce the cost to business of using integral transport infrastructure networks throughout the State, Australia and internationally. This should include: <ul style="list-style-type: none"> <li>- Removing the carbon tax;</li> <li>- Investigating the success of the Tasmanian Freight Equalisation Scheme (TFES) and its applicability to producers in regional and remote areas of Queensland.</li> </ul>

Subject Area	CCIQ Recommendations
Reducing energy costs	<ul style="list-style-type: none"> <li>• <b>Continuation of the Uniform Tariff Policy</b> to ensure a comparable price for electricity for customers in regional and remote areas compared to those in SEQ.</li> <li>• <b>Addressing barriers to competition in regional Queensland</b>, outside of the uniform tariff policy.</li> <li>• Limit significant increases to network costs by discontinuing the building of unnecessary infrastructure. <b>No further infrastructure should be built with the intention to increase reliability of supply</b>, however currently reliability standards must be maintained.</li> <li>• Energy policy and infrastructure plans must focus on increasing energy diversity by setting an efficient regulatory framework that <b>reduces barriers to the exploration, development and take-up of all energy sources and transport fuels</b>.</li> <li>• Ensure the interests and concerns of the agriculture industry are taken into consideration during the <b>development of the national Energy White Paper</b>. All energy-related information received by the Taskforce should be redirected to the Department of Industry for consideration before the Green Paper is released for public consultation in May.</li> </ul>
Attraction and retention of labour	<ul style="list-style-type: none"> <li>• <b>Initiatives aimed at enhancing public perceptions of the industry and the career opportunities that are available:</b> This should include increasing the understanding of students, parents, teachers and career advisors on the extent of opportunities available in the industry and emerging specialised skill needs (such as robotics, R&amp;D and precision agriculture).</li> <li>• <b>Explore the potential of implementing a “blue card” initiative or passport for the agriculture industry:</b> Support is provided for implementing a “blue card” initiative for the agriculture industry, similar to that available in the construction industry. Holders of this card would show that the person has successfully completed training and assessment in areas such as workplace health and safety, subsequently reducing ongoing training costs for businesses who employ a large number of seasonal and/or itinerant workers.</li> <li>• <b>Amending the Fair Work Act to enhance the capacity of the agriculture industry to attract and retain workers:</b> There is a strong need to reintroduce meaningful provisions that enable the agriculture industry to offer flexible working arrangements.</li> <li>• <b>Expand the working holiday and Seasonal Worker programs</b>, along with a concerted effort to ensure they are fit for purpose as flexible schemes that allow employers to easily fill short term unskilled and semi-skilled positions. This includes removing the requirement to pay superannuation contributions for working holiday visa holders.</li> </ul>
Skill shortages	<ul style="list-style-type: none"> <li>• <b>Increased focus on attracting skilled workers to regional and remote areas:</b> Initiatives could include working with local government to promote the ‘liveability’ of Queensland’s regions; and establishing better linkages between regional employers, RTOs and communities.</li> <li>• <b>Ensure Australia’s skilled migration program meets the needs of the agriculture industry:</b> This should include repealing the 2013 amendments to the subclass 457 visa program and reintroducing regional concessions for small regional business sponsors (including lower English language and salary thresholds). Dedicated strategies are also needed to market opportunities to potential workers, which should be premised around building better relationships and cultural engagement with our Asian neighbours.</li> </ul>
Market dominance of the major retail chains	<p>Ensure the current review of competition policy takes into consideration the concerns of the agriculture industry in relation to the market power of the major retailers, with concerted action taken to ensure farmers receive fair prices for their produce/products.</p>

Subject Area	CCIQ Recommendations
Market Access	<ul style="list-style-type: none"> <li>• Increased attention placed on reducing global trade distortions and opening up of more market opportunities for Queensland producers. This should include:               <ul style="list-style-type: none"> <li>- Continuing to address post-arrival welfare issues for live exports;</li> <li>- Undertaking a window mapping exercise to identify specific market opportunities for all agricultural products and assisting producers to take advantage of those opportunities.</li> </ul> </li> <li>• Develop a well known brand to promote Australian agricultural products, enhance market access and build market share.</li> </ul>
Reducing red tape	<ul style="list-style-type: none"> <li>• Establish high level political leadership and public commitment to a reform agenda;</li> <li>• Measure the regulatory burden and establish a baseline of existing regulation and commit to a target;</li> <li>• Impose constraints on regulators through binding targets to reduce the overall stock and restrict the future growth of regulation by implementing a ‘one in, one out’ approach;</li> <li>• Publicly report regulatory reform measures and progress against the target on a regular, transparent and ongoing basis;</li> <li>• Ensure adequate communication and consultation with business and the community;</li> <li>• Improve government customer service by setting “business relevant” targets for outcomes and service quality.</li> </ul>
Workplace health and safety	<ul style="list-style-type: none"> <li>• The concerns of the Queensland agriculture industry to be taken into consideration and addressed during the 2014 COAG review of WHS laws.</li> <li>• Workers’ compensation premiums to reflect proactive initiatives undertaken by employers.</li> </ul>
Workplace relations	<ul style="list-style-type: none"> <li>• <b>Access to unfair dismissal claims should be subject to reasonable limits that restore balance to the employer-employee relationship.</b> This requires the following:               <ul style="list-style-type: none"> <li>- An unfair dismissal exemption for small businesses;</li> <li>- Dismissal of claims where the Fair Work Commission (FWC) determines that termination of employment was based on valid grounds;</li> <li>- Providing that the FWC may only consider issues relating to the employment relationship when determining claims;</li> <li>- Making higher fees payable on lodgement of an unfair dismissal application;</li> <li>- Giving the FWC discretion to make cost orders and issue penalties against applicant employees and/or their representatives where the claim is determined by the FWC to have been false or vexatious.</li> </ul> </li> <li>• Provide for the <b>reintroduction of individual statutory agreements</b> that allow trade-offs between financial and non-financial benefits, subject to the Better Off Overall Test (BOOT). If no provision is made for the reintroduction of statutory contracts, the alternative step should be to amend the Fair Work Act to better provide for the negotiation and implementation of individual flexibility agreements (IFAs) that give genuine flexibility to employers and employees. This requires:               <ul style="list-style-type: none"> <li>- Limiting union involvement in the negotiation of flexibility terms in enterprise agreements and prohibiting union interference in the negotiation of IFAs between an employee and an employer;</li> <li>- Allowing IFAs to contain trade-offs between financial and non-financial benefits;</li> <li>- Increasing the scope of flexibility terms to include a greater number of matters to which an IFA may relate;</li> <li>- Allowing IFAs to be offered as a condition of employment; and</li> <li>- Creating a defence to an alleged contravention of the IFA provisions with respect whereby an employer will not be guilty of a contravention where they reasonably believed that in creating an IFA, they had met their statutory obligations (for example, to leave the relevant employee better off overall).</li> </ul> </li> </ul>

Subject Area	CCIQ Recommendations
Infrastructure constraints and connectivity	<ul style="list-style-type: none"> <li>• Deliver key Queensland transport infrastructure projects, such as the upgrading the Bruce Highway and delivery of the Toowoomba Second Range crossing, as a matter of urgency;</li> <li>• Investigate feasibility of rail options as an alternative to transport agriculture products to market/ports;</li> <li>• Deliver reliable and affordable access to internationally competitive communications infrastructure in all Queensland regions as soon as possible.</li> </ul>
Competing land interests	Regional planning policies must support viable primary industries and recognise that without long term security and unambiguous arrangements, businesses do not have a profitable and sustainable future, particularly in peri-urban areas.
Drought reform	<ul style="list-style-type: none"> <li>• <b>Enhance the capacity of the industry</b> to manage drought events by reallocating government funding (in the absence of a major drought event like that currently being experienced in Queensland) to help the agricultural industry identify what risk management strategies and tools they require to manage ongoing climate variability/change and subsequently assist the industry to implement them.</li> <li>• <b>Continue current drought assistance measures</b> including concessional loans, deferring of tax liability and social support services. This assistance should also be extended to businesses in the supply chain of drought-affected regions.</li> </ul>

## 1. INTRODUCTION

- 1.1 The Chamber of Commerce and Industry Queensland (CCIQ) is the state’s peak industry body for small and medium businesses, including agricultural producers in every Queensland region. CCIQ welcomes the opportunity to make a submission on the Agricultural Competitiveness Issues Paper.
- 1.2 CCIQ is supportive of the increased focus placed on the agricultural industry from both State and Federal Governments, with the industry being officially recognised as a key pillar of both the state and federal economies. We are hopeful the development of a national agricultural competitiveness policy will go a substantive way towards ensuring the viability, profitability and sustainability of this important industry into the future.
- 1.3 CCIQ notes the Taskforce’s terms of reference including national and international food security, improving farm gate returns, access to finance, inputs and supply chain competitiveness, regulatory impacts and market access. CCIQ also notes the focus on agricultural industries, excluding fisheries and forestry. Our submission focuses on the importance of Queensland’s agricultural industry to the economy, details the key issues that our members have highlighted as being of concern to their future competitiveness, and outlines recommendations and actions that could be made to alleviate the current impacts on agricultural competitiveness. Case studies are also provided.

## 2. OVERVIEW OF THE QUEENSLAND AGRICULTURAL INDUSTRY

- 2.1 As shown below, there were 37,370 agricultural businesses (excluding forestry and fishing) operating in Queensland in June 2012. The majority of these businesses (61.3 per cent) were classified as sheep, beef cattle and grain farming businesses. Other key agricultural businesses include crops excluding grain (ie sugar cane and cotton) (16.3 per cent); and production horticulture (ie fruit, nuts, mushrooms and vegetables) (11.9 per cent). The industry employed 52,800 Queenslanders (2.3 per cent of employed persons) in February 2014.<sup>1</sup>

<b>Overview of Queensland’s agricultural industry (excluding Forestry and Fishing), June 2012</b>		
<b>Sector</b>	<b>Number of Businesses</b>	<b>Percentage</b>
Nursery and Floriculture Production	701	1.9%
Mushroom and Vegetable growing	1,523	4.1%
Fruit and nut growing	2,902	7.8%
Sheep, Beef Cattle and Grain Farming	22,901	61.3%
Other Crop growing (ie sugar cane, cotton)	6,090	16.3%
Dairy Cattle farming	1,332	3.6%
Poultry farming	242	0.6%
Other livestock farming	1,679	4.5%
<b>TOTAL</b>	<b>37,370</b>	<b>100%</b>

Source: Australian Bureau of Statistics, 81650 Counts of Australian Businesses

<sup>1</sup> Australian Bureau of Statistics (2014) 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly, Feb 2014. Available: [www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Feb%202014?OpenDocument](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Feb%202014?OpenDocument)

- 2.2 The industry contributed \$7.9 billion (farm gate value) to the state economy in 2012-13 (2.7 per cent of GSP).<sup>2</sup> Including farm gate value and first stage processing, the value of Queensland's agricultural commodities are estimated at \$13.7 billion.<sup>3</sup>
- 2.3 The value of Queensland's food and live animal exports (excluding fish, crustaceans, molluscs and aquatic invertebrates) was \$6.8 billion in 2012-13, representing 25.6 per cent of Australia's agricultural exports. Key exported products from Queensland include meat and meat preparations; sugars, sugar preparations and honey; cereals and cereal preparations; and vegetables and fruit.

<b>Queensland's agricultural exports (excluding forestry and fishing), 2012-13</b>		
<b>Commodity</b>	<b>Value of Qld exports (\$m)</b>	<b>Proportion of Australian exports</b>
Live animals other than fish, crustaceans, molluscs and aquatic invertebrates	76.1	7.9%
Meat and meat preparations	3,592.8	47.0%
Dairy products and bird eggs	20.2	0.9%
Cereals and cereal preparations	651.3	7.0%
Vegetables and fruit	568.8	25.5%
Sugars, sugar preparations and honey	1,334.5	82.6%
Coffee, tea, cocoa, spices and manufacturers thereof	39.9	16.8%
Feeding stuff for animals (excl. unmilled cereals)	348.4	26.7%
Miscellaneous edible products and preparations	144.3	14.4%
<b>Total food and live animals (excluding fishing)</b>	<b>6,773.5</b>	<b>25.6%</b>

Source: Australian Bureau of Statistics, Foreign Trade (unpublished data), available Queensland Treasury and Trade

- 2.4 Due to the nature of and requirements associated with agricultural operations, it is unsurprising that four in five Queensland agricultural businesses are located in regional areas outside of South East Queensland (SEQ). Key agricultural regions in Queensland include the Darling Downs and Toowoomba (22.4 per cent of businesses), SEQ (20.5 per cent), Wide Bay (13 per cent) and Fitzroy/Rockhampton (9.6 per cent).

<b>Location of Queensland's agricultural businesses (including Forestry and Fishing), June 2012</b>		
<b>Region</b>	<b>Number of Businesses</b>	<b>Percentage</b>
South East Queensland	9,058	20.5%
Darling Downs and Toowoomba	9,928	22.4%
Wide Bay	5,770	13.0%
Fitzroy (Rockhampton)	4,254	9.6%
Central Coast (Mackay)	3,211	7.3%
North Queensland (Townsville)	2,597	5.9%
Far North Queensland (Cairns)	3,307	7.5%
Outback	2,926	6.6%
Unknown	3,224	7.3%
<b>TOTAL</b>	<b>44,275</b>	<b>100%</b>

Source: Australian Bureau of Statistics, 81650 Counts of Australian Businesses

<sup>2</sup> Australian Bureau of Statistics (2013) 5220.0 Australian National Accounts: State Accounts, 2012-13. Available: [www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5220.02012-13?OpenDocument](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5220.02012-13?OpenDocument)

<sup>3</sup> Queensland Government (2013) Queensland's agriculture strategy: A 2040 vision to double agricultural production. Available: [www.daff.qld.gov.au](http://www.daff.qld.gov.au)

- 2.5 The agricultural industry is a key economic driver in many rural communities. CCIQ notes the significant supply chain activity in other industry sectors that feeds into the agriculture sector. For example, the industry generates economic activity throughout the food manufacturing/processing, transport, wholesale and retail industries and is a primary and secondary source of income for many families.

### 3. QUEENSLAND'S AGRICULTURE STRATEGY

- 3.1 The Queensland Government released Queensland's Agriculture Strategy in mid-2013. The aim of the strategy is to double Queensland's agriculture production by 2040 by addressing four key pathways:

- Securing and increasing resource availability;
- Driving productivity growth across the supply chain;
- Securing and increasing market access;
- Minimising the costs of production.

- 3.2 The strategy outlines 60 initiatives aimed at achieving the strategy's objective including:

- Investigating options for increasing availability of water for agricultural uses;
- Improving agriculture skills and career pathways by developing workforce plans;
- Improving preparedness and response mechanisms to enhance resilience to natural disasters and biosecurity threats;
- Implementing a research, development and extension plan that sets clear targets for transformational research, capability, industry development, sustainability and improved international linkages;
- Enhancing science and technology capability to provide practical research that boost productivity;
- Continuing to improve biosecurity systems, surveillance and detection to protect agriculture production and the environment;
- Enhancing trade development services for food and agribusiness clients, including the coordination of inbound and outbound missions, market research, business matching and network facilitation;
- Undertaking a rigorous review of all aspects of Queensland's electricity sector and develop new ideas on how to manage process while maintaining a reliable network;
- Reducing red tape, including streamlining the regulatory burden around workplace health and safety, and reducing the burden on landholders by streamlining development approval processes;
- Investing up to \$50 million in additional rail passing loops across the Toowoomba range.

- 3.3 **CCIQ recommendation:** The Taskforce to take into consideration the outcomes of consultation processes already undertaken in Queensland, the initiatives underway to deliver Queensland's agriculture strategy and actions that are delivering successful outcomes and subsequently need to be built on at a national level.

### 4. CCIQ AGRICULTURE INDUSTRY CONSULTATION

- 4.1 During March and April 2014, CCIQ undertook a consultation process with our members in the agriculture industry. This consultation included a feedback form emailed to agriculture

industry members, face to face discussions and telephone conversations, and request for additional input through our weekly EDM “The Week”. The below table provides an overview of the feedback provided. The following sections of this submission provide more in-depth details on the key issues impacting on the competitiveness of the agriculture industry including actions supported for improving competitiveness and farm gate returns/profitability.

Queensland agricultural industry SWOT analysis		
Factors	Strengths/Opportunities	Weaknesses/Threats
Operating costs and inputs	<ul style="list-style-type: none"> <li>Removal of the carbon tax</li> <li>Implement initiatives to provide farmers with more power to improve farm gate returns</li> <li>Commitment on improving agricultural competitiveness by both State and Federal Governments</li> </ul>	<ul style="list-style-type: none"> <li>Costs continue to rise but prices received for products remain the same</li> <li>Transportation and freight costs</li> <li>Rising electricity/energy prices</li> <li>Increasing labour costs, including the negative impact of Fair Work Act (ie penalty rates, increases to minimum wage)</li> <li>Material input costs</li> <li>Access to finance and lack of support for agriculture from banks</li> <li>Water</li> <li>Cost of disposing chemicals and chemical containers</li> </ul>
Workforce and Skills	<ul style="list-style-type: none"> <li>Ability to access skilled workers through 457 visas</li> <li>Generally are family run businesses with generations of experience</li> <li>Large number of working holiday makers looking for seasonal work opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Difficulties attracting and retaining skilled and semi-skilled staff</li> <li>Aging workforce</li> <li>Lack of younger generations entering the industry</li> <li>High staff turnovers</li> <li>High demand for labour during peak season</li> <li>Poor industry image (ie hot and dirty working conditions)</li> <li>Difficulties negotiating labour agreements</li> </ul>
Markets	<ul style="list-style-type: none"> <li>Increasing local demand and desire for Australian products</li> <li>Growth potential in food manufacturing sector</li> <li>Proximity to Asian markets</li> <li>Better use and enhanced capacity to take advantage of technology and the digital economy</li> </ul>	<ul style="list-style-type: none"> <li>Market dominance of the major retail chains</li> <li>Producers unable to achieve economies of scale</li> <li>Price takers / reduced profit margins</li> <li>Imported products not required to meet same standards as Australian products (AQIS import conditions)</li> <li>Market access (ie China) and lack of support from AQIS to open up markets</li> <li>High export tariffs</li> <li>Access to chemicals and usage requirements</li> <li>Supply chain competitiveness</li> <li>Labelling / Australian Made / Australian Grown</li> <li>Definition and use of “organic”</li> </ul>
Regulatory environment	<ul style="list-style-type: none"> <li>State and Federal Government commitment to reduce red tape and regulatory burdens</li> </ul>	<ul style="list-style-type: none"> <li>Too much time and cost associated with compliance</li> <li>Food safety/quality assurance issues</li> <li>Burdensome WHS requirements, particularly staff training</li> <li>Extensive audit requirements</li> <li>Complex and costly taxation system</li> <li>Payroll tax acting as a barrier to business growth and employment</li> <li>Vegetation management</li> </ul>
Regional	<ul style="list-style-type: none"> <li>Important regional employer</li> <li>Multiplier effect throughout local communities</li> </ul>	<ul style="list-style-type: none"> <li>Regional connectivity and infrastructure lacking</li> <li>Technology access in rural areas</li> <li>Waste removal services lacking in some rural areas</li> <li>Impact of the Reef Water Quality Protection Plan</li> <li>Load restrictions on export containers</li> </ul>
Natural environment	<ul style="list-style-type: none"> <li>Clean, green image</li> <li>Good quality soil</li> </ul>	<ul style="list-style-type: none"> <li>Susceptibility to natural events ie droughts, floods</li> <li>Water access and storage</li> <li>Competing land interests/access to good quality agricultural land</li> </ul>

## 5. OPERATING COSTS AND INPUTS

- 5.1 CCIQ’s agriculture members raise production costs as one the largest constraints on their businesses, impacting on many areas including profitability levels, capital expenditure, employment and the ability to access new markets or explore new opportunities.
- 5.2 Generally, agricultural producers tend to be price-takers, with little power to improve farm gate returns. Subsequently, despite rising production costs, producers are faced with little or no capacity to pass cost increases up the supply chain. The key factors identified by CCIQ members that are increasing the cost of production are labour, material inputs and commodity prices, transport, and electricity/energy.

*“We try to grow fruit that is healthy for the Australian population but when you have less to spend, you aren’t putting on as much fertiliser and water, and thus it isn’t as nutritious. It turns out we are producing food for the masses but are not being rewarded for it. We must become more globally competitive” – Fruit growing producer, Far North Queensland*

*“Rising costs have forced us to put off nearly half of our staff” – Agriculture industry recruitment agency, South West Queensland*

*“We are unable to sell our business because we employ too many people and only have an 8% profit margin. The value of our business is now less than when we purchased it 10 years ago, despite substantial growth (six times the original size). Just closing up shop and walking away is a very attractive option for us” – Herb grower, Far North Queensland*

*“The prices received for fresh fruit and vegetables has not increased in 40 years whereas growers costs increase by an average of 10% per year. Sustainability and profitability our industries is in jeopardy. The capacity to produce clean and green produce at a reasonable price is high provided we receive a fair price for our fruit” – Fruit producer and nursery, Brisbane*

*“While affordability of fresh fruit and vegetables is required to assist society to maintain and improve health, the artificially lower prices in the supermarkets do not help growers cover their high costs of production and therefore not allowing a reasonable return on their investment. Healthy produce from Australian growers may not be able to continue without a fair return” – Horticulture producer, South West Queensland*

### 5.3 Labour Costs

Labour costs have been identified as one of the largest cost centres for agricultural businesses, particularly intensive industries such as horticulture, nurseries, piggeries and egg farming. The key issues contributing to rising labour costs include:

- **Penalty rates:** Agricultural businesses overwhelmingly tell CCIQ that the current penalty rate regime is unsustainable and can not continue in its current form. The nature of agriculture enterprises is that they operate for seven days a week when required (ie during harvesting, planting, milking, feeding animals). There are reports that penalty rates are restricting many businesses from cost effectively operating at the most opportune times.
- **Superannuation:** Businesses are concerned about their increasing obligations in relation to the payment of superannuation to employees. There is strong support for

employees to be held more responsible for their retirement savings. In particular, the horticulture industry (which employs a large proportion of backpackers) has raised concerns regarding the payment of superannuation to overseas workers who subsequently take this money home with them when they leave the country.

- **Minimum wage increases:** Many businesses in the agriculture industry tend to be award-reliant, and subsequently, are highly exposed to annual increases to the minimum wage. Since 2010, the National Minimum Wage has increased by \$4,071.60 per annum or 14.4 per cent, well ahead of the 10.9 per cent increase in the Consumer Price Index (CPI) and 5.1 per cent increase in productivity levels.<sup>4</sup> Businesses are concerned that minimum wage increases have little regard to the economic conditions facing the industry, employers' capacity to pay and the subsequent impact on staff numbers, especially in difficult times such as drought.

5.4 **CCIQ recommendations in relation to labour costs:** In 2013, CCIQ released *CCIQ's Workplace Relations Blueprint: A Workplace Relations Framework for Modern Businesses*<sup>5</sup> which includes a number of recommendations to deliver a more flexible and fair workplace relations system for employers and employees. In particular, CCIQ would like to highlight the following recommendations as crucial to improving the business operating environment for agriculture businesses in Queensland, subsequently improving the current cost constraints on labour:

- **Modify the current penalty rates regime** to take into account the nature of work and requirements in the agriculture industry. For example, to allow the first five shifts of a working week to attract standard rates of pay, with the sixth and seventh shifts attracting penalty rates.
- **Introduce measures to grow Australia's superannuation pool** to ensure the challenges faced by Australia's ageing population are met and that employees have a greater understanding about the importance of retirement incomes. This requires:
  - The introduction of employee contributions through soft compulsion;
  - More initiatives to encourage voluntary employee contributions, and saving measures that enhance the responsibility of employees to fund their own retirement – this may include tax incentives, government co-contributions and educational campaigns about the function and importance of superannuation;
  - Mandatory wage trade-offs for the increases to the mandatory superannuation guarantee; and
  - Initiatives to boost workforce participation.
- **Implement changes to Australia's minimum wage setting process** to ensure that it reflects the key considerations of productivity, economic growth and business conditions, particularly in award-reliant industries (such as agriculture). This involves:
  - A requirement that Annual Wage Reviews must take into account employers' capacity to pay any proposed wage increase; the economic and business conditions within those industries in which the minimum wage has the greatest impact; and the flow-on impacts of the decision;

<sup>4</sup> CCIQ (2014) *CCIQ Submission 2013/14 Annual Wage Review*. Available: [www.cciq.com.au](http://www.cciq.com.au)

<sup>5</sup> CCIQ (2013) *CCIQ Workplace Relations Blueprint: A Workplace Relations Framework for Modern Businesses*. Available: [www.cciq.com.au](http://www.cciq.com.au)

- Implementing mechanisms to ensure phased annual instalment increases to the mandatory superannuation guarantee levy are offset in future increases to the National Minimum Wage (NMW);
- Implementing a six month transition period following the announcement of the wage increases to allow businesses to make arrangements in light of employee cost increases; and
- Consideration of initiatives to enhance productivity in award-reliant industries to correspond with wage increases.

*“Wages currently represent 52% of our costs. We are paying far too much for unskilled labour. We are price takers and because of this, increases in wages affect our profitability. We are forced to do more and more work ourselves and spend large amounts of money trying to automate the business as much as possible so we don’t have to employ people” – Fruit growing producer, Far North Queensland*

*“The move to modern awards cost our business hundreds of thousands of dollars. The 40 hour a week thing never works in our industry. Being seasonal, we go hard then stop. We actually have staff who want to work 60-70 hours per week during the season, then take it easy in the off season. Now we can’t afford to pay penalty rates so they get cut short and have less cash. Australians pay the highest wages and get the lowest flexibility” – Vegetable producer, Gold Coast*

*“Weekend penalty rates for our businesses, which work 7 days a week, as fruit must be harvested on weekends. We can not pass these higher harvesting costs to the consumer, which is making profitability almost impossible” – Fruit producer and nursery, Brisbane*

*“Penalty rates are a killer. We have to operate on weekends and Thursday/Friday night shifts. It is the nature of the industry - animals must be fed, given water, mated etc. It should revert back to ordinary rates for the standard hour work week, then penalty rates apply” – Piggery, South West Queensland*

## 5.5 **Material Inputs and Commodity Prices**

There are reports of high feed prices, particularly as a result of the current drought. At the end of March, prepared or finished stock feeds in Queensland have been about \$75-\$100 per tonne more expensive than southern States.<sup>6</sup> Furthermore, during the first 8 weeks of 2014, cereal fodder prices on the Darling Downs had risen 58 per cent to \$435/tonne, lucerne had increased 67 per cent to \$525/tonne and straw increased 32 per cent to \$225/tonne.<sup>7</sup> These rising costs impact on the competitiveness of the local industry, even in comparison to other states. Commodity prices and the impact of the Australian dollar were also raised as factors impacting on the cost of production and profitability levels. Businesses are requesting a greater recognition of these cost impacts on their bottom line.

- 5.6 **CCIQ recommendation in relation to inputs:** Increased support for producers to manage rising input costs by including standard clauses in contracts (ie “rise and fall clause”) to allow fluctuating on-farm costs to be shared with the supply chain (ie processors, retailers) rather than borne solely by the producer.

<sup>6</sup> QFF (2014) *QFF Weekly Bulletin: April 7 2014*. Available: [www.qff.org.au](http://www.qff.org.au)

<sup>7</sup> Queensland Country Life (12 March 2014) *Price creep for lot feeders*. Available:

[www.queenslandcountrylife.com.au/news/agriculture/cattle/general-news/price-creep-for-lot-feeders/2691211.aspx](http://www.queenslandcountrylife.com.au/news/agriculture/cattle/general-news/price-creep-for-lot-feeders/2691211.aspx)

*“This season we had a reduction in milk production due to lower quality pasture (\$5,000 per month less income). We also had higher feed costs to supplement the lack of pasture (\$3,000 per month higher feed costs)” – Dairy, Sunshine Coast*

*“It is becoming unsustainable to farm when the prices we receive are the same as 25 years ago. We have no more room for decreasing costs. Realistic prices must be paid for produce” – Fruit growing producer, Wide Bay*

*“The biggest cost to our business is grain to feed our pigs. The cost depends on whether it has been a good or bad season” – Piggery, South West Queensland*

## 5.7 Transport

Transport to market is a critical component of every agriculture business. The cost of transporting product to market has been raised as a factor influencing operating costs and reduced profit margins. It has been reported that transport costs of Australia’s agricultural products represents between 4 per cent and 48.5 per cent of the farm gate value with an average of 8.75 per cent for domestic markets and 23.64 per cent for international markets.<sup>8</sup> Key factors contributing to increasing transport costs are:

- **Fuel:** Rising fuel costs have consistently been raised by rural industries as impacting on the bottom line and substantially increasing the cost of getting products to market. One major factor contributing to rising fuel costs in Queensland was the State Government decision to scrap the fuel subsidy of 8.354 cents per litre on 1 July 2009.<sup>9</sup> Queensland fuel prices typically tend to be more expensive than other states due to distance and the spread of the population.<sup>10</sup> For example, it was reported in March 2014 that ULP sold in Melbourne, Sydney, Adelaide and Perth was cheaper than ULP sold in Brisbane; Melbourne was 5.0c per litre cheaper, Sydney and Adelaide were both 3.2 c per litre cheaper and Perth was 2.0c per litre cheaper than Brisbane. The price of diesel in Melbourne, Sydney and Adelaide was also cheaper than Brisbane; Melbourne was 4.1c per litre cheaper, Sydney was 1.9c per litre cheaper and Adelaide was 0.9c per litre cheaper than Brisbane.<sup>11</sup>
- **Carbon tax liability for heavy on road transport:** Heavy on road transport (greater than 4.5 tonne weight) will no longer be exempt from the carbon tax from 1 July 2014. Between 2011 and 2014, diesel fuel tax credits will reduce from 15.043 cents per litre to 6.858 cents per litre.<sup>12</sup> This is expected to cost the industry and its customers \$510 million in 2014-15 alone.<sup>13</sup>
- **Road quality:** Infrastructure constraints are addressed in more detail under section 9: Regional.

<sup>8</sup> Agforce (2013) *Transport and Infrastructure Access*. Available: [www.agforceqld.org.au/index.php?tgtPage=policies&page\\_id=454](http://www.agforceqld.org.au/index.php?tgtPage=policies&page_id=454)

<sup>9</sup> Office of State Revenue (2014) *Fuel subsidy scheme: Retail scheme basics*. Available: [www.osr.qld.gov.au/historical-information/fuel-subsidy/fuel-retailer/index.shtml](http://www.osr.qld.gov.au/historical-information/fuel-subsidy/fuel-retailer/index.shtml)

<sup>10</sup> ABC Rural (9 January 2014) *Queensland hit with high fuel prices*. Available: [www.abc.net.au/news/2014-01-09/rising-fuel-prices/5192538](http://www.abc.net.au/news/2014-01-09/rising-fuel-prices/5192538)

<sup>11</sup> RACQ (2014) *Monthly Fuel Price Report – March 2014*. Available: [www.racq.com.au](http://www.racq.com.au)

<sup>12</sup> Queensland Trucking Association (2011) *Carbon Tax*. Available: [www.qta.com.au](http://www.qta.com.au)

<sup>13</sup> Queensland Trucking Association (2011) *Carbon Tax*. Available: [www.qta.com.au](http://www.qta.com.au)

- **Regulatory constraints:** In particular, agriculture businesses have raised concerns regarding load restrictions and vehicle sizes. CCIQ has not received any feedback in relation to the Heavy Vehicle National Law and regulations that commenced in Queensland on the 10 February 2014. A flexible and common sense approach is essential to ensure positive outcomes and minimal impacts on the rural industry.
- **Export costs:** Concerns have been raised regarding the cost of agriculture producers to export product, and in some cases, it has been determined as unfeasible to do so. More must be done to ensure Queensland producers are able to export their products and remain competitive in a global marketplace.

5.8 **CCIQ recommendation in relation to transport costs:** Strategies need to be developed and implemented in partnership with industry to reduce the cost to business of using integral transport infrastructure networks throughout the State, Australia and internationally. This should include:

- Removing the carbon tax;
- Investigating the success of the Tasmanian Freight Equalisation Scheme (TFES) and its applicability to producers in regional and remote areas of Queensland.

#### Business Case Study – Transport

A horticulture producer in the Wide Bay-Burnett region is constrained by current road conditions. The Department of Transport and Main Roads imposes weight restrictions on export containers from the region because the current road network can not handle frequent heavy load transport. Accordingly, containers being transported from the region can not be filled to full capacity prior to being transported to the Port of Brisbane. This increases the cost of exporting containers and reduces business efficiency. To make it economically viable to export, the business is required to re-open containers at the port prior to shipping and “top-up” the containers to full capacity. However, this imposes additional costs due to the requirement for AQIS inspections on all loads (in this case, AQIS will inspect and seal the container both prior to transport from the region and again once the load has been topped up prior to shipping).

*“Loads are not being transported properly. Perishable products require special treatment, but no duty of care is given” – Fruit growing producer, Wide Bay*

*“Cost of charges at the wharf to import goods is a constraint on our business. We need to reduce wharf costs by providing better infrastructure at the ports” – Pastoral company, Brisbane*

*“The cost of fuel to transport cattle is having a big impact on bottom line as processors are based in coastal areas and the SE corner” – Beef cattle farmer, Wide Bay*

*“The imposition of tarping restrictions of agricultural produce is costing us a fortune. Police and Main Roads book our drivers even if you can’t see the load. Now we use those rollover tarps which means we lose 10-20% of our load capacity. This hits hard on the bottom line. There needs to be a relaxing of restrictions on freighting of raw agricultural products, with a recognition by Main Roads of bona-fide rural users” – Vegetable producer, Gold Coast*

## 5.9 Electricity/Energy costs

The rising cost of electricity is impacting on the competitiveness of the agriculture industry, with prices doubling since 2007. It is unsustainable for prices to continue to rise at current levels. Key concerns raised by agriculture businesses include:

- **Lack of competition in regional Queensland:** Due to the nature of the agricultural industry, 80 per cent of producers are located in regional areas. There is currently a lack of electricity supplier competition in regional Queensland, subsequently resulting in limited incentive by regional electricity providers to drive down costs.
- **High network costs:** The recent rises in electricity prices in Queensland are attributed predominantly to network costs. Network costs account for approximately 54 per cent of bills and have grown by more than 100 per cent between 2007-08 and 2012-13.<sup>14</sup>
- **Increases to the irrigation tariff:** Feedback from members indicates irrigated crops are being hit particularly hard, with some businesses no longer able to afford to irrigate. CCIQ is supportive of the work being undertaken by farming organisations such as CANEGROWERS to advocate the electricity needs of irrigators and develop detailed recommendations for reducing this cost impost on agricultural production.

5.10 There are examples of agriculture enterprises being innovative in generating their own energy and fuels. CCIQ is strongly supportive of policies and initiatives that assist businesses to explore opportunities, and/or allow them to adopt new technologies and practices that improve their energy efficiency and reduce their costs. This should include solar and biofuels.

### Business Case Study – Diversifying energy sources

A.J. Bush & Sons at Beaudesert operates the most advanced, state-of-the-art manufacturing plant for meat by-products in Australasia and was the winner of the Premier’s Business Eco-efficiency Award in 2013. The plant processes over 800 tonnes of animal by-products daily. The business is a high energy user, generally consuming around 1 million kilowatt hours (kWh) of electricity per month, with a monthly electricity bill in excess of \$130,000.

The business recognised the opportunities that exist from waste water generated from the site. They installed the first waste heat evaporator at an Australian rendering plant and was one of the first to collect biogas from covered ponds. Waste water from the rendering process is directed these ponds, where it produces methane gas. This gas is collected to power two 500kW generators to produce around a third of the electricity used on site (around 250,000 to 300,000 kWh per month). Further projects include using the trapped methane to power a new biogas fuel boiler with a 10 megawatt capacity which has the potential to reduce the amount of coal currently being burnt, subsequently reducing emissions and the business’s carbon tax liability (around \$2 million/yr). If all effluent generated by the business is in covered anaerobic ponds, the business can generate 600,000 kWh of electricity per month (about 60% of their energy usage), subsequently reducing their electricity bill to one quarter of what it would be without these initiatives.<sup>15</sup>

<sup>14</sup> CCIQ (2013) *Submission to Department of Energy and Water Supply on the 30 year Electricity Strategy Discussion Paper*. Available: [www.cciq.com.au](http://www.cciq.com.au)

<sup>15</sup> CCIQ (2013) *CCIQ ecoBiz Webinar: Waste as a winner: A dollar saved is a dollar made*. Audio available at [www.cciq.com.au](http://www.cciq.com.au)

5.11 **CCIQ recommendations in relation to energy costs:** CCIQ put forward a range of recommendations in our submissions on the development of a Queensland 30 year electricity strategy, and the Federal Government’s Energy White Paper.<sup>16</sup> In relation to the competitiveness of the agriculture industry, CCIQ would like to stress the following recommendations:

- **Continuation of the Uniform Tariff Policy** to ensure a comparable price for electricity for customers in regional and remote areas compared to those in SEQ.
- **Addressing barriers to competition in regional Queensland**, outside of the uniform tariff policy.
- Limit significant increases to network costs by discontinuing the building of unnecessary infrastructure. **No further infrastructure should be built with the intention to increase reliability of supply**, however currently reliability standards must be maintained.
- Energy policy and infrastructure plans must focus on increasing energy diversity by setting an efficient regulatory framework that **reduces barriers to the exploration, development and take-up of all energy sources and transport fuels**.
- Ensure the interests and concerns of the agriculture industry are taken into consideration during the **development of the national Energy White Paper**. All energy-related information received by the Taskforce should be redirected to the Department of Industry for consideration before the Green Paper is released for public consultation in May.

*“Irrigation tariff rises almost 100% in one quarter without even a blip on the radar. This has resulted in high pressure gun irrigators almost cost prohibitive to run. Vegetable packing businesses are high users of electricity for cooling plants. They are seasonal, weather determinant and ad hoc in use. For this reason, they are the sort of industry that power suppliers are not interested in. Consequently, we pay a penalty for every kwh we buy. Its crippling” – Vegetable producer, Gold Coast*

*“Our electricity charges for Nov-Jan 14 are \$11,000 due to high irrigation usage and price (\$3,000 more than last year)” – Dairy, Sunshine Coast*

*“Electricity prices are going through the roof, at more than 20 c/kWh which is outrageous. Only 32 per cent of our electricity bill is for electricity, the rest is all the add-ons with network fees, small scale renewable targets etc” – Meat processing plant, Gold Coast*

*“Electricity has a huge impact on hay production and hikes up the cost of fodder and crops. Something must be done about electricity and fuel prices. The continued increases can not be sustained by the industry and there will be a real crisis in agriculture before long as more producers are leaving the industry. Either government regulates fuel and electricity prices or offers big rebates for agricultural producers or food production in Queensland will be greatly affected” – Beef cattle farmer, Wide Bay*

<sup>16</sup> Both submissions are available on CCIQ’s website [www.cciq.com.au](http://www.cciq.com.au)

## 5.12 Other issues raised in relation to operating costs and inputs

Other issues raised by CCIQ members in relation to operating costs and inputs included:

- **Access to finance:** Businesses raised concerns regarding the lack of support from banks for businesses and projects in the agriculture industry. Concerns have also been raised regarding stricter lender requirements and tightening of covenants.
- **Disposal of chemicals:** The cost of disposing of unwanted chemicals and chemical containers has also been raised as a concern. Support is provided for increasing access to programs such as drumMUSTER and ChemClear.

*“The banking sector does not support the agricultural industry, which is encouraging foreign investment as Australian companies can either not get credit, or if they do, are faced with prohibitive covenants with interest rates that are uncompetitive with competitors. The Australian banking industry is so protected and uncompetitive and the agriculture sector is paying” – Vegetable producer, Gold Coast region*

*“We have experienced stricter lending practices in relation to existing loans including more reporting requirements and an increase in financial covenants” – Seed producer, Darling Downs*

*“The banks and financial institutions reduce your credit limits without notifying the customers. For example, we had a facility of \$1 million line of credit but when we came to use some of this to purchase some new capital equipment discovered that it had been reduced to nil and no notification was forwarded to us. We only become aware after we had signed the purchase order for the equipment” – Vegetation management company, North Queensland*

## 6. WORKFORCE AND SKILLS

6.1 The agriculture industry is largely reliant on labour, particularly intensive agricultural industries where labour costs can represent as much as 60 per cent of overall operating costs.<sup>17</sup> The industry employs more than 52,800 Queenslanders on a part and full time basis, with thousands more entering the industry on a casual basis during peak seasons. Workforce and skill issues have been raised as a large constraint on the competitiveness of the industry, with these issues likely to become more prominent into the future.

### 6.2 Attraction and Retention

Businesses in the agriculture industry have raised concerns regarding their ability to attract and retain workers. These concerns include:

- **Competition with the resources sector:** Many agricultural businesses are located in regional areas where the resources sector is also active. As the resources sector is well known for paying higher wages, many potential agriculture employees are attracted to the opportunities and money being offered in this sector in Queensland.
- **Industry image:** The industry suffers from a particularly poor public image, with perceptions of hot and dirty working conditions, limited career pathways and a lack of

<sup>17</sup> Growcom (2013) 2013-2015 Queensland Production Horticulture Workforce Development Plan. Available: [www.growcom.com.au](http://www.growcom.com.au)

skilling opportunities. Subsequently, common reports are that employers find it very difficult to find Australian workers who are willing and able to work in the industry.

- **High seasonal demand:** Many agricultural sectors, such as horticulture and crops, have a large demand for temporary or seasonal workers during peak periods such as planting and harvesting. The lack of ongoing work throughout the year can discourage workers from moving into these industries.
- **Ageing workforce and lack of younger generations entering the industry:** In 2011, the average farmer age was 56, meaning that half of Australia’s farming workforce could retire within the coming decade.<sup>18</sup> Furthermore, there are concerns surrounding the lack of younger generations entering the industry, with many young people leaving rural communities to explore opportunities “in the city”, never to return. There is also a lack of demand for agriculture education and training in schools.
- **Reliance on working holiday makers:** Many businesses within the agriculture industry have developed a reliance on temporary workers on working holiday maker visas (subclass 417). The industry is subsequently highly exposed to any changes to this policy. Due to the nature of this type of itinerant worker, and the limit of six months employment, businesses that employ working holiday makers also experience high staff turnovers and associated training costs.

#### Business Case Study – Attracting and retaining staff

A large poultry farmer and egg producer on the Darling Downs experiences difficulties in attracting and retaining skilled and semi-skilled staff, particularly due to the low unemployment rate in the region. Competition with the local resources sector has also seen unrealistic wage expectations from locals, for example, usually the business would employ a truck driver for around \$60,000/yr, however the resources sector is paying \$120,000/yr. The business can not compete with the wages paid in the resource sector.

The business is now employing a large number of workers on Working Holiday visas (subclass 417) to fulfil their skill needs. These workers are staying for the maximum 6 months, however due to these time restrictions, the business is faced with ongoing training costs which act as a constraint. Support is provided for allowing working holiday makers to work with the one employer for 12 months.

The business has implemented a flexible roster to help attract and retain the working holiday makers to their business. A five day on, five day off roster has been established to allow these workers to earn an income and also have time to travel and explore Australia. This system is working well for the business and its employees.

### 6.3 CCIQ recommendations in relation to attraction and retention of labour:

- **Initiatives aimed at enhancing public perceptions of the industry and the career opportunities that are available:** This should include increasing the understanding of

<sup>18</sup> Stock Journal (3 October 2012) *Ageing agriculture workforce concerns*. Available: <http://www.stockjournal.com.au/news/agriculture/agribusiness/general-news/ageing-agricultural-workforce-concern/2627116.aspx>

students, parents, teachers and career advisors on the extent of opportunities available in the industry and emerging specialised skill needs (such as robotics, R&D and precision agriculture).

- **Explore the potential of implementing a “blue card” initiative or passport for the agriculture industry:** Support is provided for implementing a “blue card” initiative for the agriculture industry, similar to that available in the construction industry. Holders of this card would show that the person has successfully completed training and assessment in areas such as workplace health and safety, subsequently reducing ongoing training costs for businesses who employ a large number of seasonal and/or itinerant workers.
- **Amending the Fair Work Act to enhance the capacity of the agriculture industry to attract and retain workers:** There is a strong need to reintroduce meaningful provisions that enable the agriculture industry to offer flexible working arrangements.
- **Expand the working holiday and Seasonal Worker programs,** along with a concerted effort to ensure they are fit for purpose as flexible schemes that allow employers to easily fill short term unskilled and semi-skilled positions. This includes removing the requirement to pay superannuation contributions for working holiday visa holders.

*“It has been difficult to retain skilled workers and labourers due to high wages offered by the mining industry which is relatively close to this region” – Fruit growing producer, Central Queensland*

*“We have to employ backpackers as locals won’t do the work. It takes 7 to 10 days to train them and then they move on after a month or so and we have to start all over again” – Fruit growing producer, Far North Queensland*

*“There are very few young people coming into the industry. We must turn this around” – Fruit growing producer, Wide Bay*

*“It is becoming more and more difficult to access skilled labour” – Fruit producer and nursery, Brisbane*

#### 6.4 Skill shortages

Skills shortages and poor labour mobility between regions and professions are endemic to certain areas of regional and remote Queensland, which has been made more prominent due to increased competition for labour with the resources sector for the retention and attraction of skilled employees. In many instances, agricultural businesses have become reliant on sourcing their skilled workers from overseas. Ensuring the skilled migration program is meeting the needs of the agriculture industry is critically important moving forward.

6.5 Changes to skilled visa programs, including the subclass 457 visa program, have left employers confused about their future use of the program. These changes have substantially increased the burden for employers in becoming sponsors under the program, including:

- The introduction of labour market testing requirements (LMT), whereby employers must provide documentary evidence of LMT when nominating a person for sponsorship and observe minimum advertising periods;
- Significant increases to the cost of visa application charges for visa applicants and their families, paid for by employer sponsors; and

- Significantly expanding the role of Fair Work inspectors to give them powers to actively monitor compliance of employer sponsors.

#### 6.6 CCIQ recommendations in relation to skill shortages:

- **Increased focus on attracting skilled workers to regional and remote areas:** Initiatives could include working with local government to promote the ‘liveability’ of Queensland’s regions; and establishing better linkages between regional employers, RTOs and communities.
- **Ensure Australia’s skilled migration program meets the needs of the agriculture industry:** This should include repealing the 2013 amendments to the subclass 457 visa program and reintroducing regional concessions for small regional business sponsors (including lower English language and salary thresholds). Dedicated strategies are also needed to market opportunities to potential workers, which should be premised around building better relationships and cultural engagement with our Asian neighbours.

#### Business Case Study – Access to Skilled Labour

A pig breeding and growing business in the South West Queensland region is unable to access the skilled staff it requires from the local community. Difficulties are arising due to competition with the resources sector (particularly the coal seam gas industry), a reduction in the traditional source of labour from local family farms and a lack of willingness from locals to work in the agriculture industry. The business has previously recruited staff from outside the region, including interstate, however turnover remained high as staff left to explore opportunities in other regions and industries.

For the past 8 years, the business has had limited options other than fulfilling their skill needs through overseas labour. Three years ago the business commenced a Labour Agreement under the Department of Immigration to allow them to continue recruiting skilled workers from outside Australia. It took two years to negotiate this agreement, requiring significant time and resources from the business manager. Due to the quota under this Labour Agreement almost reached, the business is concerned about the need to negotiate a new agreement including uncertainties around the time it will take and what will be required from the business. The business is supportive of the Immigration Department reducing the red tape associated with obtaining Labour Agreements. In particular, the business is supportive of the department taking a more proactive approach to understand the industry and the unique requirements of their labour intensive business.

## 7. MARKETS

- 7.1 In order to remain viable and sustainable, it is essential that Queensland’s agricultural producers remain competitive in an increasingly globalised marketplace. Not only are Queensland’s agricultural producers competing against domestic competitors, they are competing against producers in other countries that can produce food at lower costs. The competitiveness of the industry is also characterised by producers’ ability to access markets and the inputs required to ensure the best quality agriculture products can be produced. A

number of issues have been raised by businesses which are reducing their current competitiveness including the market dominance of the major retail chains and access to export markets.

## 7.2 Market dominance of the major retail chains

Agriculture businesses have raised significant concerns regarding the market dominance of the major retail chains Woolworths and Coles, and their associated use of market power to drive down prices and push risks and responsibilities back down the supply chain. The current price war between the two retailers and reported harsh bargaining practices are said to be further eroding viability, and is unlikely to remain sustainable in the long term unless much more is done to help local farmers reduce their production costs. Producers have also raised concerns about the low prices they receive for produce/products compared to the final prices charged by the retailers to their customers.

### Case Study – Retailer branded \$1/Litre milk

In recent weeks, the media has reported new milk supply contracts worth \$300 million over the next decade for Woolworths \$1/L Select home-brand milk. Woolworths sells about 330 million litres of milk a year through this brand, about one-quarter of all 1,294 million litres of milk sold in Australian supermarkets in 2013, and 13 per cent of the total national fresh milk market.<sup>19</sup> Subsequently, the longevity of the contracts has raised concerns within the industry that cheap milk prices from the retailers are here to stay. The commitment of the retailers to \$1/L milk to their customers is distorting the market, with reducing milk supplies and rising production costs having no impact on improving farm-gate returns.

The \$1/L retail chain prices for milk have been reported to have already contributed to a decline in milk production in Queensland.<sup>20</sup> The long term contracts being provided by the retailers will provide some certainty for processors and farms to allow them to invest and innovate. However, the downward pressure on prices during a time of rising input costs (particularly grain) and reducing supply is placing significant pressure on the sustainability and competitiveness of an industry that is already struggling to compete and remain viable.

A Queensland dairy farmer recently described the current pressures placed on his family's business. The business milks 250 head of Friesian cows each day using a 20 a-side rapid exit system that produces around 2 million litres of milk per year, for which they are averaging 53c a litre. The farmer is currently paying \$400/tonne for barley and maize which is the highest prices they have ever seen. The business says a much needed price rise is necessary to ensure the future viability of the industry, and to deliver a market that reflects true supply and demand. Otherwise, the outlook of the industry will remain very bleak.<sup>21</sup>

## 7.3 CCIQ recommendation in relation to the market dominance of the major retail chains: Ensure the current review of competition policy takes into consideration the concerns of the

<sup>19</sup> The Australian (3 April 2014) *Woolworths milk deal cuts out supplier*. Available: [www.theaustralian.com.au/business/woolworths-milk-deal-cuts-out-supplier/story-e6frg8zx-1226872787345](http://www.theaustralian.com.au/business/woolworths-milk-deal-cuts-out-supplier/story-e6frg8zx-1226872787345)

<sup>20</sup> Queensland Country Life (10 April 2014) *\$1 milk here to stay*. Available: [www.queenslandcountrylife.com.au/news/agriculture/agribusiness/general-news/1-milk-here-to-stay/2694705.aspx?utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=newsletter](http://www.queenslandcountrylife.com.au/news/agriculture/agribusiness/general-news/1-milk-here-to-stay/2694705.aspx?utm_source=newsletter&utm_medium=email&utm_campaign=newsletter)

<sup>21</sup> Stock and Land (10 April 2014) *Deal fails to ease dairy pressure*. Available: [www.stockandland.com.au/news/agriculture/cattle/dairy/deal-fails-to-ease-dairy-pressure/2694866.aspx](http://www.stockandland.com.au/news/agriculture/cattle/dairy/deal-fails-to-ease-dairy-pressure/2694866.aspx)

agriculture industry in relation to the market power of the major retailers, with concerted action taken to ensure farmers receive fair prices for their produce/products.

*“Supermarket dominance and their ability to set prices is killing our fresh product industries such as fruit, vegetables and dairy” – Dairy, Sunshine Coast*

*“The chain stores are dictating prices. Woolies and Coles only give us \$1 a kilo, then sell for \$3 to \$6 a kilo” – Fruit growing producer, Far North Queensland*

*“There is a refusal by duopoly to accept increase in cost of product, in fact they want a reduction in price!” – Egg producer, North Queensland*

*“Milk prices need to go up. \$1 milk is unsustainable. Free market mechanisms are not working for milk anymore. Higher input costs and shortages of milk is not having the effect on prices as it should. Supermarket power needs to be addressed by Government. Otherwise dairy businesses will continue to close down one after the other as a result” – Dairy, Sunshine Coast*

*“Margins are being taken with prices driven down by Woolworths and Coles. The big boys need to be more accountable with margins” – Egg producer, South West Queensland*

*“Government needs to address the duopoly of the supermarket chains to provide fair and reasonable prices for our fruit” – Fruit growing producer and nursery, Brisbane*

*“Retain chains price per kg in the yards is \$1.24. Price on cheap cuts is \$6.99/kg. Something is very wrong” – Beef cattle farmer, South West Queensland*

#### 7.4 **Access to markets**

Queensland producers export a large proportion of our agricultural production, with food and live animal exports currently worth \$6.8 billion.<sup>22</sup> The competitiveness of the agriculture industry into the future will be reliant upon achieving new export market opportunities and reducing current barriers to trade. Under the right government policy settings, our producers will be able to capitalise of many more global opportunities to supply food. CCIQ remains supportive of the trade negotiations being undertaken by the Australian Government to increase market access for producers, particularly in Asian countries.

#### 7.5 CCIQ agriculture members have raised the following market access and trade barrier issues:

- **Live exports:** The live export industry is important to the Queensland economy, worth \$76.1 million in 2012-13.<sup>23</sup> The industry has not fully recovered following animal welfare issues that resulted in the suspending of live exports to Indonesia with ongoing substantial economic and social impacts for businesses and families.<sup>24</sup> CCIQ supports ongoing work on activities around post-arrival welfare concerns that ensures Australia remains a leader in animal welfare practices and that further suspending of live export is not imposed.
- **Substantial lead times associated with trade agreements:** Producers have raised concerns regarding the substantial lead times associated with negotiating trade

<sup>22</sup> See section 2.3 for more detail

<sup>23</sup> See section 2.3 for more detail

<sup>24</sup> Agforce (2013) *Live Export*. Available: [www.agforceqld.org.au/index.php?tgtPage=policies&page\\_id=453](http://www.agforceqld.org.au/index.php?tgtPage=policies&page_id=453)

agreements with other countries, which take many years, even decades to formalise. There are also concerns about the agriculture industry being traded-off in substitute for other trade benefits under existing FTAs.

- **Prohibitive tariffs:** Average global tariffs for agricultural goods are more than three times higher than for non-agricultural goods, with some agricultural tariffs as high as 800 per cent.<sup>25</sup> CCIQ is supportive of the Australian Government continuing activities to reduce global trade distortions and opening up of more market opportunities for Queensland producers.
- **Identification of opportunities for Queensland producers:** Producers have raised concern about a lack of knowledge regarding specific market opportunities for their products. CCIQ is supportive of a window mapping exercise to identify what market gaps exist in product supply in international markets. The importance of this exercise is demonstrated by the experience of a citrus grower in Queensland that obtains 50 per cent of their annual income from accessing a three week window of opportunity in Indonesia before cheaper South American imports supply that market.<sup>26</sup>
- **Ad hoc promotion and lack of an Australian brand in export markets:** There is currently a lack of consistency in international markets in relation to promoting Australian agricultural products. Support is provided for delivering a united brand to increase export opportunities and enhance the image of Australian products in international markets (ie such as the 100% pure initiative undertaken in New Zealand). Businesses have also provided support for expanding the “Australian Grown” brand.

#### 7.6 CCIQ recommendations in relation to access to markets:

- Increased attention placed on reducing global trade distortions and opening up of more market opportunities for Queensland producers. This should include:
  - Continuing to address post-arrival welfare issues for live exports;
  - Undertaking a window mapping exercise to identify specific market opportunities for all agricultural products and assisting producers to take advantage of those opportunities.
- Develop a well known brand to promote Australian agricultural products, enhance market access and build market share.

*“The cost of government related red tape has risen and the service given to export is almost non-existent. It has taken me almost 3 months to have a simple export signed in Canberra” – Agricultural producer, Brisbane region*

*“Access to exports is a constraint. It seems AQIS is there for other countries, not the producer. We must remove the red tape that prevents businesses from taking export opportunities” – Egg producer, North Queensland*

<sup>25</sup> DFAT (2014) *Agriculture and the WTO*. Available: [www.dfat.gov.au/trade/negotiations/trade\\_in\\_agriculture.html](http://www.dfat.gov.au/trade/negotiations/trade_in_agriculture.html)

<sup>26</sup> Growcom (2013) *Australia in the Asian Century Indonesia*. Available: [www.growcom.com.au/uploads/80674\\_2.pdf](http://www.growcom.com.au/uploads/80674_2.pdf)

### Business Case Study – Market Access

A pig breeder in Queensland has raised concerns regarding the inability of pork producers in Australia to access the Chinese market. The Chinese market is the biggest pork eating nation in the world (consuming almost half of the world's pork supplies). The quality and safety of Australian pork makes it in demand in the Chinese market, whose local market in recent times has been plagued with disease and biosecurity concerns. Due to the relatively small nature of the Australian pork industry, exports would not be significant in terms of the size of the Chinese market, however present a great opportunity for Australian producers and the growth/competitiveness of the industry. The business indicated that Australian pigs are cheaper than Chinese pigs, presenting a potential competitive advantage for the local industry. Trade politics currently lock Australian producers out of the market, and subsequently, there is a strong push by the industry to develop government to government protocols to allow Australian pork producers to supply the Chinese market as part of the Australia-China Free Trade Agreement negotiations.

#### 7.7 Other issues raised in relation to markets

Other issues raised by CCIQ members in relation to markets include:

- **Imported products and biosecurity:** Businesses raise concerns about the increasing levels of imported agricultural goods and the associated biosecurity concerns. The prevention of pest and disease incursions is of vital importance to the viability of all rural industries. Our unique biodiversity and relatively disease free status, along with our reputation as a supplier of fresh, high quality, clean produce must be maintained. Freedom from many of the world's major pests and diseases is a clear advantage in both domestic and global markets. Incursions can have a significant and long-term impact on the industry and need to be avoided.
- **Access to chemicals:** Agricultural producers have raised concerns regarding their ability to access a range of chemicals at prices comparable to their international competitors. A relatively small market place, a lack of competition and the expense of registering chemicals in Australia have been raised as issues contributing to a lack of chemical access.
- **Labelling:** Product labelling has been identified as a potential issue impacting on the competitiveness of the agriculture industry. There are reports of companies misleading consumers, for example, some fruit juice companies claiming their products are "Made in Australia from Local and Imported Ingredients" when all juice content is imported however Australian water is added during processing.<sup>27</sup> Concerns were also raised by egg producers regarding the lack of understanding from consumers on the definition of organic, free range, cage and barn eggs. Support is provided for ensuring food labelling requirements are much clearer and transparent for consumers to understand and make appropriate purchasing decisions from.

<sup>27</sup> ABC Rural (3 April 2014) *Call for 'neutral' water to stop dodgy juice labelling*. Available: [www.abc.net.au/news/2014-04-03/nrn-apal-labels/5364078](http://www.abc.net.au/news/2014-04-03/nrn-apal-labels/5364078)

- **Business skills:** Farmers are very good at being farmers (ie managing the land and livestock) however can often be lacking in the business and negotiation skills required to ensure their business remains competitive and viable into the future. The case study provided below provides an example of this issue.

#### Business Case Study – Negotiation Skills

A horticulture producer in the Wide Bay region described their difficulties in negotiating prices with agents. Agents act as the middle-man in the produce selling process and will use a range of tactics to obtain the produce from the grower at the lowest price. The business owner told CCIQ that they have to take a “hard line” to ensure their agents obtain the best deal for their business and under no circumstances sell their produce for less than \$6/kg (under which the business operates at a loss). This business has become skilled at negotiating prices before produce leaves the property, obtaining that price in writing and packing to order. Other producers are not experiencing similar success.

*“Cost of complying with AQIS import conditions of an audit every two years and then not having exclusive use of the permit. Need to reduce the number of years a facility needs to be audited and actually monitor what is being imported” – Pastoral company, Brisbane region*

*“Imports of lower quality and questionable residue limits fruit may put consumers at risk” – Fruit producer and nursery, Brisbane*

*“Concerns regarding the definition of organic free range and competing with non-genuine producers. There are also concerns regarding consumer awareness of organic system versus free range, barn and cage and why the prices are more. Regulations are needed to regulate definition of free range, cage, carn and organic” – Egg producer, South West Queensland*

*“APVMA is well over due for reform. Their out-dated and costly practices are detrimental to the horticulture industry. We do not have access to the chemicals that our competitors do. The ones we do have access to are very expensive compared to our competitors. The minor use process is expensive and old fashioned” – Vegetable producer, Gold Coast region*

## 8. REGULATORY ENVIRONMENT

- 8.1 Businesses are concerned about the increasing impact of regulatory burdens and compliance costs, which is associated with the common request from agriculture businesses to reduce red tape. Reducing red tape is a cost effective/revenue neutral way of stimulating business growth. CCIQ believes that red tape is felt more severely by small and medium businesses that do not have the depth of resources to undertake compliance. ***It is essential that the Taskforce investigates ways to reduce the overall volume of regulatory compliance faced by agriculture businesses as a key strategy to enhancing the competitiveness of the industry into the future.***
- 8.2 CCIQ has undertaken an extensive red tape campaign over recent years as part of our commitment to improve the overall business operating environment in Queensland. Regulatory reform and reduction plays a central role in supporting business and economic growth, which highlights the importance of all levels of government reducing the amount of unnecessary contact that the business community has with regulatory agencies.

- 8.3 **CCIQ recommendations in relation to reducing red tape:** Overall, CCIQ believes there are a number of essential elements to any regulatory reform agenda including:
- Establish high level political leadership and public commitment to a reform agenda;
  - Measure the regulatory burden and establish a baseline of existing regulation and commit to a target;
  - Impose constraints on regulators through binding targets to reduce the overall stock and restrict the future growth of regulation by implementing a ‘one in, one out’ approach;
  - Publicly report regulatory reform measures and progress against the target on a regular, transparent and ongoing basis;
  - Ensure adequate communication and consultation with business and the community;
  - Improve government customer service by setting “business relevant” targets for outcomes and service quality.<sup>28</sup>

#### 8.4 **Workplace Health and Safety and workers’ compensation**

Workplace health and safety regulations and workers’ compensation have been raised as one of the largest areas of compliance and complexity for agriculture businesses. In particular, agriculture businesses have raised concerns regarding the following:

- ***Overly complex, difficult to interpret/understand actual compliance requirements:*** Agriculture members raised concerns regarding the complexity of WHS regulations which can be open to interpretation and are difficult for many business owners to understand and implement. Subsequently, those businesses who can afford to are employing external consultants or hiring WHS professionals as they do not have the capabilities to undertake compliance activities themselves. Others are “doing the best they can” to comply. However there is the view that it is impossible to be 100 per cent compliant, as it is too expensive and time consuming. The regulations are seen to be too prescriptive and do not allow businesses to be proactive in achieving improved safety outcomes and systems in their business.
- ***Excessive paperwork and documentation requirements:*** There is the view that paperwork is getting in the way of actual safety outcomes, with every aspect of WHS compliance required to be documented. Paperwork and documentation requirements are seen to be time consuming and excessive, adding nothing to a businesses’ bottom line or protecting a business from workers’ compensation claims.
- ***Lack of employee duty of care:*** Businesses often raise concerns that although they meet their WHS requirements, an action of an employee that disregards that business’s policies or fails to use/misuses provided safety equipment still results in that business being penalised. Support is provided for increased onus on ensuring employees are held more responsible, and take greater ownership of their own actions/decisions.
- ***Extensive risk assessment requirements:*** The nature of work in the agriculture industry results in a number of risk assessments to be undertaken, which small businesses in particular find extremely difficult and complex. Agriculture businesses

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<sup>28</sup> CCIQ (2013) *Targeting Red Tape: A Priority for Every Queenslanders*. Available: [www.cciq.com.au](http://www.cciq.com.au)

raise concerns about their ability to complete risk assessments to a standard that ensures compliance with the Act.

- **Training requirements:** Staff training requirements are seen to be costly and burdensome, particularly in those agriculture sectors with large seasonal workforces. For example, there is a lot of repetition and duplication when workers working on the ‘harvest trail’ move from business to business. Any solution to this issue however must provide an adequate level of risk protection for businesses owners.
- **Focus on compliance and enforcement:** Agriculture businesses raise concerns surrounding the perceived focus of the department on compliance and enforcement, rather than assisting businesses to deliver improved safety outcomes.

#### 8.5 CCIQ recommendations in relation to workplace health and safety regulations:

- The concerns of the Queensland agriculture industry to be taken into consideration and addressed during the 2014 COAG review of WHS laws.
- Workers’ compensation premiums to reflect proactive initiatives undertaken by employers.

*“WH&S requirements have become extremely burdensome with every task having to be documented” – Piggery, South West Queensland*

*“OHS is adversely impacting on our business. We have high staff turnover and have to retrain a lot at considerable time and expense” - Vegetable producer, Gold Coast*

*“It does not matter how much money and effort you spend on OHS, if you have an accident, you still pay. Farms and packing sheds are dangerous, and we actually rely on people to use common sense to avoid injury. It is impossible to cover all farm risks. Duty of care only skews responsibility against business owners, which is just unacceptable. As a Director, it is like you go to work every day with a noose around your neck hoping nobody kicks the chair out” – Vegetable producer, South West Queensland*

#### 8.6 Workplace relations

The current Fair Work Act and regulations has been raised as an area of significant compliance and cost for agriculture businesses. The key issue raised in relation to the Fair Work Act is the implications for labour costs (which is addressed in more detail in section 5.3 and 5.4). Other concerns raised by agriculture businesses include:

- **Unfair dismissal claims:** Agriculture members raised concerns regarding the increasing number of unfair dismissal claims and the return of “go away money” (where claims are settled to save time and money rather than based on their merits). Issues were raised with the lack of onus placed on employees to demonstrate that they have reasonable ground for making a claim, and the time and costs spent by businesses in responding to claims.
- **Lack of flexibility:** Current workplace agreements, modern awards and the Better Off Overall Test (BOOT) are not providing employers and employees with the flexibility they are seeking to make arrangements that best suit their needs. This is impacting on workforce participation outcomes and the ability of agricultural employers to attract and retain staff.

8.7 **CCIQ recommendations in relation to workplace relations:** In 2013, CCIQ released *CCIQ’s Workplace Relations Blueprint: A Workplace Relations Framework for Modern Businesses*<sup>29</sup> which includes a number of recommendations to deliver a more flexible and fair workplace relations system for employers and employees. In particular, CCIQ highlights the following recommendations:

- ***Access to unfair dismissal claims should be subject to reasonable limits that restore balance to the employer-employee relationship.*** This requires the following:
  - An unfair dismissal exemption for small businesses;
  - Dismissal of claims where the Fair Work Commission (FWC) determines that termination of employment was based on valid grounds;
  - Providing that the FWC may only consider issues relating to the employment relationship when determining claims;
  - Making higher fees payable on lodgement of an unfair dismissal application;
  - Giving the FWC discretion to make cost orders and issue penalties against applicant employees and/or their representatives where the claim is determined by the FWC to have been false or vexatious.
  
- Provide for the ***reintroduction of individual statutory agreements*** that allow trade-offs between financial and non-financial benefits, subject to the Better Off Overall Test (BOOT). If no provision is made for the reintroduction of statutory contracts, the alternative step should be to amend the Fair Work Act to better provide for the negotiation and implementation of individual flexibility agreements (IFAs) that give genuine flexibility to employers and employees. This requires:
  - Limiting union involvement in the negotiation of flexibility terms in enterprise agreements and prohibiting union interference in the negotiation of IFAs between an employee and an employer;
  - Allowing IFAs to contain trade-offs between financial and non-financial benefits;
  - Increasing the scope of flexibility terms to include a greater number of matters to which an IFA may relate;
  - Allowing IFAs to be offered as a condition of employment; and
  - Creating a defence to an alleged contravention of the IFA provisions with respect whereby an employer will not be guilty of a contravention where they reasonably believed that in creating an IFA, they had met their statutory obligations (for example, to leave the relevant employee better off overall).

*“Industrial relations laws limit flexibility and do not take into account seasonal requirements. We have limited flexibility to stand good employees down during quiet seasons and provide them work easily when it picks up” – Vegetation Management service company, North Queensland*

*“It needs to get fairer for employers” – Irrigation supplier, North Queensland*

*“Need to revisit industrial relations agreements to make them more flexible” – Egg producer, North Queensland*

<sup>29</sup> CCIQ (2013) *CCIQ Workplace Relations Blueprint: A Workplace Relations Framework for Modern Businesses*. Available: [www.cciq.com.au](http://www.cciq.com.au)

## 8.8 Additional regulatory compliance areas

Additional areas of red tape and compliance of concern to agriculture businesses include:

- **Taxation:** CCIQ has consistently advocated for reform of the overall tax system to stimulate business growth. Transforming the Federal-State fiscal relationship and changing the rate and scope of the GST are fundamental to this reform. The efficiency gains from holistic tax reform could then support specific changes to business taxes. This includes reduction to the corporate tax rate, phasing out payroll tax and removing duty on business transactions.
- **Audits:** The number, cost and time associated with undertaking audits in agriculture businesses has been raised as an issue. Audits are undertaken in relation to food safety and quality assurance and exports. Support is provided for simplifying and streamlining the current requirements.

*“Get rid of payroll tax, which is actually a disincentive to increase employment” - Seed Producer and provider of agricultural services, South West Queensland*

*“Taxes are anti-progressive. Get rid of the payroll tax, carbon tax and perhaps increase the GST” – Egg producer, North Queensland*

*“High costs involved in maintaining accreditation and undertaking audits. Assistance is needed with accreditations. There should be one audit to cover all accreditations” – Egg producer, South West Queensland*

*“Most websites are difficult to navigate and when your circumstances do not fit the standard, it becomes a difficult, time consuming process” – Sugarcane producer, North Queensland*

### **Business Cast Study – Impact of Red Tape on a Horticulture Producer**

As part of CCIQ’s red tape campaign, CCIQ undertook a red tape case study with a horticulture producer in the Wide Bay-Burnet region. The business operates three citrus farms across 50 hectares, supplying products to both domestic and international markets. The business employs six full time employees (including 3 family members) and up to 100 seasonal workers during picking season.

The case study found the business is spending on average 17.54 hours undertaking regulatory compliance activities each week, with a total annual compliance cost of \$138,935. The three largest areas of regulatory compliance were food safety and export compliance, health and safety, and employment and workplace relations.

In relation to food safety and export compliance, the business had an ongoing annual compliance cost of \$46,577. AQIS audits and inspections represent a large part of this cost. A number of administrative, management, monitoring and verification activities are requirement to satisfy the requirements imposed by importing countries. For example, the AQIS annual audit and certification process involves an 8 hour desktop/documentation audit and inspection of the business working environment. This requires approximately 2 weeks of preparation by the business to ensure all auditable documents and worksites are in order and compliant. The business raised concerns that this compliance and standards has little to do

with the quality of the produce, but instead focuses on the quality of production processes and the work environment. Other key costs relating to food safety and export compliance are quality assurance documents, reporting, audits and inspections.

Workplace health and safety regulation also represents a large compliance cost for the business, costing \$37,640 per annum in associated compliance costs. One of the key compliance costs relates to ongoing staff training as the business has a high staff turnover associated with a large seasonal workforce. Each worker is required to undertake 1.5 hours of WHS training upon commencement, and an additional 0.35hrs of practical training in the orchard, which is undertaken on average 75-100 times each year. Following training, the business is also required to document and obtain employee sign-off on procedures and WHS requirements. The business employs a consultant to undertake risk assessments to ensure compliance with the regulations, which are seen as too complex for the business owner to understand and complete. Other key costs relate to workers' compensation, licences and the purchase of safety equipment and clothing.

The third key area of regulatory compliance is employment and workplace relations. The business is concerned about the lack of understanding from the Fair Work Commission on the nature of employment in the horticulture industry and the large demand for workers during peak periods. The lack of flexibility, conditions and wage rates required to be paid are reducing the ability of the industry to employ particular workers. Concerns were also raised regarding unfair dismissal regulations and access to skilled workers through the current visa programs.

**Note: Full case study can be found in Attachment 1**

## 9. REGIONAL

9.1 Due to the nature and requirements associated with agriculture operations, four in five Queensland agriculture businesses are located in regional areas outside of South East Queensland (for more detail, refer to section 2.4). In particular, CCIQ agriculture members have raised infrastructure issues that are especially prominent in regional areas of the state.

### 9.2 Infrastructure constraints and connectivity

Infrastructure plays a crucial role in driving agriculture business investment, growth and productivity. Businesses have told CCIQ that existing infrastructure networks are deficient and are not meeting the needs of the industry and the economy. Particular attention and investment is required to improve the capacity and reliability of Queensland's transport and communications infrastructure.

9.3 The transport of agricultural products to market generally relies on road transport, due mainly to the lack of alternative options in many regional areas. Ensuring reliable and affordable transport options for producers is critically important when transporting live or perishable products to markets or processing facilities. Many businesses have raised concerns regarding regional road and highway conditions, and urban encroachment resulting in the reduction of freight corridors. There are urgent calls for road upgrades/projects particularly:

- **Toowoomba Second Range Crossing:** Toowoomba is a growing hub for the Darling Downs and acts as a gateway for the Surat Basin. The area is a critically important

agriculture region, with 22.4% of the Queensland industry located in the Darling Downs and Toowoomba.<sup>30</sup> It is also a focal point for both interstate and intrastate freight movement, as the Warrego, New England and Gore Highways converge in Toowoomba en route to and from the east. The existing range crossing consists of a steep grade (around 10 per cent) and tight horizontal curves resulting in high levels of congestion and a very poor safety record. Coupled with the section through urban Toowoomba City, the existing route falls well short of specified national highway levels of service. Delivery of the Toowoomba Second Range Crossing will increase productivity of the Toowoomba region by \$2.4 billion and Australia wide by \$3.1 billion over 30 years.<sup>31</sup> The project has received joint Commonwealth and Queensland Government funding, and is required to be delivered as soon as possible.

- **Bruce Highway Upgrade:** This highway is a critical transport corridor for the nation, and represents a vital connectivity link for local communities and the economy. Carrying 7 million tonnes of freight a year, and huge volumes of traffic (average 2,500 vehicles movements per day in smaller rural centres to 30,000 around Rockhampton and more than 100,000 just north of Brisbane), the highway contributes \$11.5 billion each year to the Queensland economy and supports 60,000 jobs. Demand from the agriculture sector is expected to contribute to traffic volume growth of more than 4 per cent a year to 2025. Capital investment in the Bruce Highway over many years has been significantly lacking, and when linked with increased population, freight and travel growth, has resulted in a flood-prone, aging network that has serious capacity, safety and reliability issues. Substantive investment is essential to fund upgrades to increase flood resilience, reliability and safety, and deliver ring roads, bypasses, duplications and overtaking lanes.<sup>32</sup> State and Federal Government funding has been committed to the Bruce Highway.
- **Other key priorities:** Additional transport priorities identified by businesses included:
  - Road networks including upgrades to the M1 Pacific Motorway from Nerang to Tugun, flood proofing regional Queensland roads (such as Kennedy, Hahn, Isis and Burnett Highways), making the Kuranda Range Road suitable for B-doubles vehicles and upgrading the Peak Downs Highway;
  - Implementing solutions to reduce the impact of traffic congestion on businesses, both within SEQ and busy regional centres such as Townsville;
  - Regional air transport network to improve freight movement, better meet the requirements of the fly-in fly-out (FIFO) workforce, drive regional tourism and development, and enhance the connectivity with other states and internationally;
  - Expanding ports to enhance their capacity and allow for more businesses/agricultural sectors to export their products.

9.4 Businesses in rural and remote areas of Queensland have highlighted the lack of access to and the reliability of current communications infrastructure which is reducing the capacity of the agriculture industry to meet the needs of their customers, utilise online and digital technologies, and remain competitive in a global marketplace. Businesses have generally expressed support for the NBN rollout, believing it will help them compete globally, work

<sup>30</sup> See section 2.4 for more information

<sup>31</sup> CCIQ (2013) *Building World Class Infrastructure and Reducing Bottlenecks*. Available: [www.cciq.com.au](http://www.cciq.com.au)

<sup>32</sup> CCIQ (2013) *Building World Class Infrastructure and Reducing Bottlenecks*. Available: [www.cciq.com.au](http://www.cciq.com.au)

faster and reduce costs by bringing Australia’s communications infrastructure more in line with our competitors in other developed countries.

9.5 Businesses remain concerned about when the NBN will be delivered and be available in all regions. Under the previous Federal Labor Government, only five Queensland regions (including SEQ, Darling Downs, Mackay, North and Far North Queensland regions) achieved limited connection to the NBN (with low adoption rates in these areas also experienced). Furthermore, work has not even commenced in several Queensland regions including Fitzroy (Rockhampton), North West, Central West, South West or Wide Bay Burnett. Considering the new Coalition Government is overhauling the existing broadband policy and NBN Co, questions are being raised about what will happen with the current NBN rollout and when/if businesses in all Queensland regions will achieve access to improved broadband coverage and reliability. Greater priority is needed to ensure all regions received reliable and affordable access to internationally competitive communications infrastructure.<sup>33</sup>

9.6 **CCIQ recommendations in relation to infrastructure constraints and connectivity:**

- Deliver key Queensland transport infrastructure projects, such as the upgrading the Bruce Highway and delivery of the Toowoomba Second Range crossing, as a matter of urgency;
- Investigate feasibility of rail options as an alternative to transport agriculture products to market/ports;
- Deliver reliable and affordable access to internationally competitive communications infrastructure in all Queensland regions as soon as possible.

**Business Case Study – Technology constraints**

A large poultry farmer and egg producer on the Darling Downs described to CCIQ their current business constraints as a direct result of a lack of physical infrastructure. Due to its rural location, the business has substantial difficulties accessing reliable, affordable and efficient internet and mobile coverage on their properties. Currently the business relies on a DSL connection. Due to the business operating from various rural locations and the staged rollout of the NBN, the business is projected to receive NBN coverage anywhere from 3 to 6 years.

Recently, on two separate occasions, the business experienced connection problems resulting in no internet access for 3 days, which had a significant impact on the business’s operations. As the majority of processes are automated (ie orders to packing shed direct from their major client), a lack of internet access results in manual processes being required which leads to increased risks of errors and significantly slows the supply chain (all at a significant cost to the business and its reputation).

The business recently established a new farm, where no mobile phone reception was available. Particularly from a WHS perspective, the business was keen to establish a mobile connection on this property. Telstra told the business they would be required to pay \$400,000 to build a tower in order to secure mobile reception on the property, however once built, the business would not have exclusive use of the tower. Instead, the business has installed digital radio technology at a much lower cost of \$38,000.

<sup>33</sup> CCIQ (2013) CCIQ Submission on the Draft Queensland Digital Economy Strategy. Available: [www.cciq.com.au](http://www.cciq.com.au)

The current lack of infrastructure is impacting on the business’s ability to be innovative. Despite having plenty of ideas, they lack the infrastructure and technology access to be able to implement them. For example, a piece of equipment used by the business has the ability to be remotely accessed via cameras to see how it is performing and to undertake selected maintenance/technology support. However currently technology constraints only allow one of the six cameras to be utilised. Another example is that the business would like to be able to remotely determine how much feed is stocked in silos at any point in time, in order to be able to optimise their truck fleet. Once again, technology constraints do not allow the business to implement these innovative, and productivity improving measures.

Infrastructure constraints are also impacting on the business’s ability to interact with their customers and meet customer expectations. For example, customers are logging onto “ChookTracker” to watch free range hens roaming free in real time. However, their internet connection does not allow the business to upload the data.

*“We are technology rich, but infrastructure poor. Infrastructure constraints are stopping efficiency”*

*“Gazetting of roads for B Doubles and Road Trains has adversely impacted our business. We transport a lot of grain and livestock and the cost of taking alternative routes, especially in flood times, is prohibitive” – Piggery, South West Queensland*

*“The remoteness of the area results in high costs of both inbound and outbound transportation” – Fruit growing producer, Far North Queensland*

*“We have no mobile phone coverage, no public transport, no rail....there is a high cost of doing business in rural areas” – Agriculture industry recruitment agency, Wide Bay*

*“In 2014 we are not where I would have expected in regards to technology in rural areas. Our business relies heavily on communication and an internet presence and our clients are Australia wide income of the most remote areas of the country. The NBN was meant to be the great white hope to bring decent speeds and reliability to rural areas but I read recently that all the towers are already at capacity and with satellites needing to be launched to cover the need. Government must take hold of the communications issue, define a feasible solution and act on it” – Agriculture industry recruitment company, South West Queensland*

## 10. NATURAL ENVIRONMENT

10.1 Queensland’s natural environment and resources provides a competitive advantage for the industry in a global marketplace. Queensland is well known for its clean and green image, and for abundant quantities of good quality agricultural land. It is important that this image is protected in a sustainable manner, while also ensuring businesses can remain viable and flourish. However issues such as drought/climate change, urban and industry encroachment and environmental protection policies are impacting on the viability of the industry.

### 10.2 Competing land interests

There is currently significant exploratory work being undertaken across regional Queensland by the resources sector to assess the existence of economically viable wells. This is leading to many concerns including the depletion of groundwater, loss/contamination of good quality

agricultural land and the associated impacts on food production in Queensland. There are concerns that Coal Seam Gas (CSG) projects are going ahead at the expense of agriculture. A balance is needed between mining and agricultural activities, with mitigation activities put in place to ensure primary producers continue to have access to good quality agricultural land.

- 10.3 CCIQ believes that energy security, water security and food security are intrinsically linked and access to these assets needs careful management and planning. Appropriate conduct of water pressure, water quality and soil quality should be undertaken by exploration licence holders and verified independently by relevant authorities. This will provide landholders, business owners and their communities with verifiable data to ensure the ongoing viability of agribusiness and its co-existence, where necessary, with mining resource operations.
- 10.4 Landholders have legitimate concerns about the impact of gas exploration and production on their existing land use. For the businesses and communities that support agribusiness activities, their operations and property values and community wellbeing are also important. Industry and landholders should work together to create ongoing mutually beneficial working partnerships. Sensitivity to land use issues such as stock control and movement, prevention of weed spreading and crop integrity are critical issues and must be appropriately managed by exploration licence holders. Negotiations for access to land must be undertaken respectfully, with proper compensation and reparations managed effectively.
- 10.5 Many landholders are still uncertain of the benefit but more importantly their rights in relation to exploration requests. There continues to exist significant opportunity for education and awareness strategies relating to the CSG industry.
- 10.6 **CCIQ recommendation in relation to competing land interests:** Regional planning policies must support viable primary industries and recognise that without long term security and unambiguous arrangements, businesses do not have a profitable and sustainable future, particularly in peri-urban areas.

10.7 **Drought reform**

Queensland is currently experiencing a significant drought event, with 79 per cent of the state drought declared (the largest area ever recorded).<sup>34</sup> Around half of Queensland's agricultural industry (21,590 businesses or 48.8 per cent) are located in drought declared areas. Key impacts being experienced include a significant reduction or no capital expenditure, loss of skilled staff and loss of crops and livestock. As the agricultural industry is a key economic driver in many rural communities, the impact of drought on the industry has significant ripple effects that can result in higher unemployment rates, reduced rural populations and reduced economic activity.

- 10.8 One of the key challenges faced by the agricultural industry is planning and managing for climate variability, including significant drought events (especially with recent reports suggesting harsher and more frequent events into the future). For the agricultural industry to remain competitive, farmers must become better at adapting to or mitigating the risks associated with climate variability (or climate change). Subsequently, it is essential that

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<sup>34</sup> The Honourable John McVeigh, Minister for Agriculture, Fisheries and Forestry (7 March 2014) *The largest area of Queensland ever drought declared (media release)*. Available: <http://statements.qld.gov.au/Statement/2014/3/7/the-largest-area-of-queensland-ever-drought-declared>

individual businesses incorporate strategies and risk management practices that ensure their future viability without relying on government support payments or hand-outs for an extended period of time.

10.9 CCIQ is strongly supportive of shifting the focus of drought policy from drought relief to drought preparedness, risk management and self reliance as the first line of defence against drought events. Concerns with the current policy include difficulties in accessing current assistance measures and the tendency to discriminate against farmers who successfully, or better plan and manage for drought compared to others. The policy framework must deliver sound, consistent and equitable programs that respond to the real needs of the agricultural industry and are apolitical. It is also important that a basic welfare safety net is maintained to ensure farmers are protected against climatic events which are beyond even the most vigilant producers' capacity to manage or plan for.

10.10 **CCIQ recommendations in relation to drought support:**

- **Enhance the capacity of the industry** to manage drought events by reallocating government funding (in the absence of a major drought event like that currently being experienced in Queensland) to help the agricultural industry identify what risk management strategies and tools they require to manage ongoing climate variability/change and subsequently assist the industry to implement them.
- **Continue current drought assistance measures** including concessional loans, deferring of tax liability and social support services. This assistance should also be extended to businesses in the supply chain of drought-affected regions.

*"Drought is causing a shift in expenditure areas with reduced capital expenditure to offset" – Beef producer and processor, Brisbane*

*"We have a lost 50% of our crop due to drought, and will therefore lose 50% of our income this financial year" – Fruit growing producer, Wide Bay*

*"A number of our fruit trees are struggling and most likely we won't receive a harvest from some of these trees. Even when the drought breaks, it will take a few seasons to return trees to normal production (longer for replanting)" – Fruit growing producer, Sunshine Coast*

*"Wage subsidies/supplement payments should be available to employers to help them keep the business viable, and keep all their workers in employment during the hard times. The pastoral industry workloads increase exponentially during drought as livestock need much more attention and expense to keep them in saleable/breeding condition. We are seriously thinking of laying off 2 of our staff as we won't be able to afford to keep them on with the cost of feeding cattle. In conjunction with unviable cattle prices, employers have no option but to lose valuable workers to maintain cash flow, who are then not available when conditions improve and the business could begin to recover" – Pastoral company, Far North Queensland*

*"During drought times (and we are going through one of the worse ever) underground water allocations need to be increased temporarily for intensive livestock industries to cope with the problem of dams and streams drying. The restrictions could be replaced once the drought breaks and sufficient aboveground water becomes available" – Piggery, South West Queensland*

*"Drought conditions/climate change affects all aspects of our business and customers. While this is a fact of life in horticulture, the impact can be devastating with limited support to rebuild after a major event" – Fruit growing producer and nursery, Brisbane*

## 11. CONCLUSION

- 11.1 CCIQ appreciates the opportunity to provide input into the development of the Agricultural Competitiveness White Paper. Overall, CCIQ is strongly supportive of implementing policies and initiatives aimed at improving the business operating environment and competitiveness of agricultural producers to enhance farm gate returns and ensure the viability, profitability and sustainability of this important industry into the future. This includes action being taken in the areas of operating costs and inputs, workforce and skills, markets, regulatory environment, infrastructure and the natural environment.

*“Farming is becoming more and more unviable. I do not know the answer but will have no farmers left soon. We have lost over 100 small egg producers with only a limited amount left” – Egg producer, South West Queensland*

*“It is very easy for people to forget about the importance of farmers and food producers. We have never gone hungry and do not fully appreciate the value of safe, clean and reliable food. There needs to be a shift in government policy and Australian thinking to start valuing food security” – Beef cattle producer, Wide Bay*

## **Attachment 1: CCIQ Red Tape Case Study: Agriculture and Horticulture**