Submission to the Department of Economic Development, Jobs, Transport and Resources Regional Services Review

# The Victorian Farmers Federation

The Victorian Farmers Federation (VFF), Australia’s largest state farmer organisation and only recognised consistent voice on issues affecting rural Victoria, welcomes the opportunity to comment on small business in Victoria.

Victoria is home to 25 per cent of the nation’s farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia’s available agricultural land, Victorians produce 30 per cent of the nation’s agricultural product. The VFF represents the interests of our State’s dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

The VFF consists of a nine person Board of Directors, with seven elected members and two appointed directors, a member representative General Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based staff.

Each VFF member is represented locally by one of the 230 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers’ views on hundreds of industry and government forums.

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**Peter Tuohey**

**President**

## Introduction

The Victorian Farmers Federation welcomes the opportunity to provide feedback into the review of the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) Regional Services Review.

As traditional manufacturing sectors decline, agriculture offers an opportunity for growth in jobs and exports. Food and fibre exports already dominate the port of Melbourne. However agribusiness investment and growth can only be achieved in a profitable farming environment.

The reality is the global competitiveness of Australian agriculture has declined in the wake of relatively high wage costs, an over-valued Australian dollar and high regulatory and energy costs that create barriers to investment.

DEDJTR can play a key role in lifting farm profitability and productivity by:

* Facilitating agri-investment in Victoria
* Promoting Victorian agriculture & trade
* Investing in agricultural research and its adoption
* Infrastructure investment
* Reduced and fairer regulation
* Protecting the right to farm and agriculture’s key assets – water & land
* Supporting the next generation of food and fibre producers

## Profile of agriculture

The profile of agriculture, within government and the community, is vitally important. This is an industry with a $11.6 billion dollar gross value, contributing strongly to the Victorian economy.

For the last 12 years, agriculture has been held in high regard by successive Victorian governments, with formalised recognition of agriculture within departments – Department of Environment and Primary Industries and from 1946 to 1996 the Department of Agriculture.

Agriculture deserves to be supported, branded and well represented to the community by both industry and government.

The VFF is disappointed that agriculture has not retained a standalone title within the new DEDJTR structure .

The VFF needs the government to clearly outline what strategy it has in place to ensure agriculture’s profile is maintained.

### Department structure and service delivery

The VFF is concerned at the lack of information that’s currently available on DEDJTR’s structure as well as the lack of detail on how the former Department of Environment and Primary Industries developed policy and delivered its services.

This lack of information makes it difficult for the VFF to clearly respond to the terms of reference for this review.

However we do appreciate the opportunity to submit the VFF’s view on some key reforms and investment that will drive agricultural productivity, profitability, jobs and exports.

The operation of farm businesses can be highly influenced by local, state and federal government rules and regulations. It is therefore essential that the agriculture office within DEDJTR has strong relationships with other government department’s entities. It is especially important that the integration in the operations between DEDJTR and the Department of Environment, Land, Water and Planning (DELWP) are established. There are many issues which face agricultural producers on a day to day basis, which now sit outside the scope of DEDJTR.

Two key portfolios - water and planning – now sit outside DEDJTR’s responsibilities. Many VFF members cite water pricing, access and management as their highest priority issues. Land and water underpin Victorian agriculture’s economy, yet the department that now oversees these resources, DEWLP, is no longer linked to agriculture.

The VFF is also concerned that key issues such as riparian management, wild dogs and catchment management authorities (CMAs) that actively work with farmers will now be under the control of DEWLP.

There was considerable merit in the structure of the former DEPI, which streamlined contact between farmers and government. Regional directors, which still exist under the revised DELWP organisational structure, provided a localised contact for issues management – natural disasters and emergency diseases.

The combined resources and skills of Parks Victoria, CMA’s and agricultural and veterinary officers formed the core of DEPI’s surge capacity when it came to responding to fires, floods and other emergencies.

This surge capacity is crucial in ensuring the government has the capacity to efficiently co-ordinate its response to major emergencies through one department at the local level with the breadth of knowledge which was contained within the former DEPI- across agriculture, water and environment. Effective coordination is essential in ensuring that such events as major emergencies do not limit or prevent ongoing investment in our regions.

The VFF is concerned that with the excision of agriculture from the regional framework that remains in place under DEWLP, delivery of support and services to agricultural industries at times of greatest need may be compromised.

### DEDJTR’s role in lifting farm profitability and productivity

The VFF has repeatedly found that its members are more than capable of lifting their productivity, but are frustrated by the regulatory barriers they face across government agencies – water, planning, transport, native vegetation, EPA and others.

To address some of the barriers that arise for farmers when interacting with governments, the VFF strongly recommends the establishment of agribusiness facilitators within DEDJTR.

These facilitators would assist farmers and agribusinesses navigate the regulatory hurdles they face in dealing with local, state and federal government departments and entities. The VFF envisages that such a group of facilitators would work to provide assistance to farmers in dealing with cross-departmental issues, effectively a one-stop shop for agribusiness. Farmers accessing such a service would be assigned a case manager, who would be able to provide advice and direct contacts within other government departments to assist in lifting productivity, exports and jobs.

A Victorian government agribusiness facilitator would be especially helpful to emerging and expanding industries in Victoria – where the development requires them to work through state planning provisions, obtaining water access or create offsets to clear native vegetation.

Many farmers find themselves in a position where they have the business acumen to pursue a business concept, but there are a number of government barriers are in place. Having government representatives to assist agribusinesses in negotiating the bureaucracy would be a great step forward.

## Examining the Barriers

As previously mentioned navigating the planning system, native vegetation management, red tape and threats to intensive animal husbandry are just some of the barriers to production experienced by farmers.

### Native vegetation

In Victoria, a planning permit is required for removing native vegetation. Although some exemptions apply for agricultural production purposes and fuel load reduction, the VFF believe there are opportunities to reduce regulatory burden associated with both native vegetation and threatened species legislation.

There are also opportunities to improve awareness of obligations under Commonwealth, State and local environmental laws. Currently there are a number of agencies and overlapping rules which add complexity to understanding environmental approval requirements. The VFF actively seeking the Commonwealth enable the ‘one-stop-shop’ model to reduce administrative burden on business. The one-stop-shop model would mean that all threatened species obligations could be understood by engaging with just the one level of Government.

To facilitate growth of agricultural production whilst balancing the needs of biodiversity conservation, the VFF argue for the expansion of native vegetation clearance exemptions for agricultural production and fuel load reduction in all planning schemes. Further, local councils should not be permitted to override these exemptions through the application of environmental overlays, these overlays erode the benefit of having standardised planning schemes. There are opportunities to create market-based instruments that are more effective in achieving improved ecosystems as opposed to unnecessary administrative burden on business.

### Planning

The VFF argue that farming operations within agricultural zoned land need greater protection. There were changes to the farming zones in 2012 that reduced the certainty for farming enterprises in Victoria. The recent amendments to the Farming Zone enabled potential for land use conflicts by increasing the ability to create non-agricultural developments.

The purpose of the Farming Zone is to protect and promote agricultural production. However, the current farming zone is limited in its ability to protect farmers from the proliferation of sensitive uses such as dwellings and tourism. The 2012 reforms to the rural zones removed the link between tourism-based land uses and agriculture. There is a direct conflict between supporting agricultural activity and allowing more subdivision, accommodation and tourism-related uses that are not linked to farming. Farmers will likely be subject to more nuisance complaints and restrictions on their ability to expand their farms, in farming areas.

Often these complaints contribute to significant local planning issues despite the farming operation being compliant with relevant industry codes and planning policies. Education is important to ensure that new entrants to agricultural areas are aware of common farming practices that may create amenity impacts, like any industry, but are regulated by codes and standards.

The greatest protection that can be provided to our farmers is strengthening the farming zone to support agriculture and provide certainty to business. Government can increase this certainty by removing third party notice and review rights for farms in a farming zone and by increasing permit exemptions for operations that comply with an industry code.

### Animal activism

There is increasing activism from perpetrators targeting farmers that results in disruption to production, damage to property, and most importantly puts farm biosecurity at risk. Victorian farmers place utmost importance on animal welfare in their day-to-day management of farms, and work to adhere to all relevant welfare standards. The Victorian Government should improve protection of agriculture from animal activist invasions, by:

* Introducing legislation that penalizes activists for breaching on-farm biosecurity
* making more resources available to pursue activist groups through Victorian Police activities
* prosecuting high-profile cases against activists
* charging activists with animal cruelty when appropriate
* educating court officials on the impacts on animals and farmers of such activities.

**Promoting regional growth**

Agriculture will play a fundamental role in growing the state’s export revenue and delivering more jobs to regional Victoria. As traditional heavy manufacturing declines, it is agriculture that offers the state the greatest opportunity for growth. Victoria is poised to take advantage of Australia’s recent Free Trade Agreement with China and deliver more of its high-quality, safe and clean food & fibre to the world.

Investments such as Northern Victoria’s Irrigation Renewal Project and rail upgrades, deliver the foundations and security that farmers need to further grow productivity. In turn, a strong agricultural industry secures ongoing employment opportunities within our regional communities. Retaining this critical mass of employment in our regional areas ensures that the population of regional areas can be maintained and with it services such as health and education.

Additional investment to grow the productivity and profitability of the agricultural sector has benefits much broader than those which accrue to producers. The strength in the Victorian primary production sector ensures that Victoria can attract greater economic development to our regional areas and build capacity. This includes co-benefits which accrue through the packaging, processing and manufacturing sectors. Development of the supply chain in regional areas, off the back of agriculture, provides numerous employment opportunities within the community.

The VFF is focused on the delivery of infrastructure in a number of areas. There are clear sources of funding available for investment in agricultural enterprises, through the established $500m Regional Jobs and Infrastructure Fund and revenue raised through the sale of government assets – such as the lease on the Port of Melbourne and Rural Finance Corporation of Victoria.

The VFF believes DEDJTR needs to focus on:

* Freight – roads, rail and ports
* Education, training and retention
* Energy
* Water infrastructure
* Biosecurity

## Available funds

### Sale of Rural Finance Corporation and sale of the lease of the Port of Melbourne

Both the Port of Melbourne and Rural Finance Corporation were built on the back of agriculture, so a fair share of the revenue from these sales must go back to regional and rural Victoria. The Rural Finance Corporation has already generated $400 million in income for the government and the sale of the Port of Melbourne Lease is expected to generate billions more. The VFF believes the State Government has an opportunity to make major meaningful investments in rural and regional infrastructure to support increased agricultural production and deliver more jobs for regional Victoria.

### Regional Growth funding

The $500 million Regional Jobs and Infrastructure Fund, including the $250 million Regional Infrastructure Development Fund, $200 million Regional Jobs Fund and $50 million Stronger Regional Communities Fund, provide a potential funding source for many important infrastructure projects across the state. We need to see this funding dedicated to agricultural industries and their supply chains, not simply regional projects that fail to deliver jobs or growth.

*Labor’s Financial Statement 2014*, shows that at least $197.71 of the $500 million allocated funding has already been committed to various projects.

For the remaining uncommitted funds, the VFF strongly hopes to see a competitive process adopted for the distribution of the remaining funds.

Agriculture desperately needs major investments in rail, roads, bridges, trade and training of the next generation of food and fibre producers. Such investments will directly assist the growth of agriculture. The VFF would be happy to provide assistance and advice in this space.

#### Food Source Victoria

The VFF have provided a proposal on Food Source Victoria, for which $20 million has been committed under the Regional Jobs Fund, to government for consideration (Appendix 1).

The VFF understands FSV is to focus on export growth and jobs. If this is to be achieved the VFF believes part of the program needs to focus on export facilitation, training, food safety and quality assurance. However as mentioned earlier the VFF also believes that many farm businesses are already primed for growth. They simply need departmental support to work their way through the labyrinth of departmental and agency regulation to deliver more value to the state’s economy.

## Freight- Roads, rail and ports

## Rail

#### Standardisation and the Murray Basin Rail project

Creating a standard gauge freight network that becomes a part of the ARTC National Standardised network will reduce the complexity and cost of transporting freight both within the State and nationally.

There are many benefits to a standardised network. For the grain industry it will mean more efficient use of assets leading to supply chain savings. The benefits will not be limited to grains either, with the mineral sands industry also likely to benefit.

Standardisation will enable more freight to move by rail, thereby reducing the number of trucks on the road. This has numerous advantages, including improved road safety, reduced road maintenance costs to state and local governments, and reduced environmental impacts. Furthermore the use of rail freight is preferred by communities on freight routes.

A standardised rail network will also create greater incentive for the private sector to invest in locomotives and rolling stock, as well as providing opportunities for co-investment in some rail projects.

VFF, along with the broader industry, considers there is a clear-cut business case warranting standardisation across the Murray Basin. This was again highlighted by industry representatives at the annual VFF Grains Conference held on the 27th February 2015 in Lorne, where it was identified by industry experts that *“rail was the weakest link”* in Victoria’s supply chain.

VFF support standardisation across the network, including:

* Standardisation of the Mildura, Sea-Lake, & Manangatang lines, through Ballarat to Geelong
* Standardisation of the Murrayville to Ouyen Branch Line
* Reopening the currently inactive standard gauge line between Maryborough and Ararat

#### Increasing axle-load weights to 23 metric tonnes.

Understandably much of the analysis to date has focussed on the volume & efficiencies that would be derived from standardising and upgrading the Mildura, Sea-Lake, and Manangatang lines.

Standardisation will provide huge efficiencies and cost savings for Victoria; increasing export volumes and opportunities; and reducing road freight & associated costs. A standardised integrated rail network will also enable more efficient use of rolling stock between states. Importantly the Murray Basin Rail project will also enable Victoria to capitalise on existing infrastructure and investments to increase efficiency and create jobs. Companies such as UGL, Alstom and Bombardier would also be able to tap into underutilised rail maintenance capacity in Ballarat, providing significant potential for Victoria to develop as a rail hub.

## Roads

Victorian agriculture needs further road upgrades to allow more efficient freight movements, using heavier payloads. Enabling heavier mass limits would deliver a substantial productivity gain in reduced transport costs and increased capacity to accommodate production growth. The poor condition of roads is resulting in tens of thousands of dollars a year in additional costs through wear and tear to vehicles that are passed back to food companies and in turn to farmers. These costs would be avoidable if the highway had been maintained to a standard reflecting its heavy use.

#### A key example: The South Gippsland Highway was left out of the State Government’s 2013 Victorian Freight and Logistics Plan. South Gippsland Highway is a major freight route for agricultural produce, including dairy, fodder, and vegetables. Three major dairy processing plants are located along this route, generating hundreds of truck movements a week to and from Melbourne. The South Gippsland Highway is identified as a freight trend hotspot in the Gippsland Freight Infrastructure Master Plan, but remains in a state of disrepair.

#### Detailed scoping study for the North East Link

The North East Link, connecting the M80 Ring Road at Greensborough and the Eastern Freeway, would be expected to carry around 100,000 vehicles a day, providing quicker and easier access for freight operators. The Link would provide major benefits to horticulture producers and flower growers transporting fresh produce to the Melbourne wholesale market and improve the efficiency of feed transport for dairy, pork, and poultry farms east of Melbourne.

#### Increase mass limits on B-doubles from 68.5 to 74.5 tonnes

The dairy industry is heavily reliant on road transport to pick up milk from farms and take it to regional and metropolitan processing facilities, and to take finished products to distribution centres to supply domestic and export markets. In Victoria, transport companies moving raw milk and processed dairy product report they could reduce their transport movements by up to 40%, if mass limits on vehicles were to increase from a gross 68.5 tonnes to 74.5 tonnes. Heavier payloads would mean hundreds fewer trucks a week for the dairy industry alone on major routes such as the Princes and Hamilton highways from south west Victoria; the Hume Freeway, Goulburn Valley, Midland and Northern highways in northern Victoria; and, the Princes and South Gippsland highways in Gippsland. The benefits of rail standardisation will also be increased by the allowance of heavier mass limits to improve and speed up the grain freight movements from on farm to CRPs (Central Receival Points). Enabling heavier mass limits would deliver a substantial productivity gain to the dairy, grain and horticultural industries in reduced transport costs and increased capacity to accommodate production growth. The costs savings will lead to improved farm gate prices and international competitiveness among export dairy companies.

### Primary Producer Registrations

It is extremely important to the farming community that the primary producer vehicle registration continue. Farm-based heavy vehicles are generally used much less than commercial vehicles and are seasonal therefore creating little road damage. Primary producer registrations (PPRs) enhance local productivity by allowing farmers to license the optimal number of vehicles for their peak freight times. Agricultural production is time sensitive and efficient transport at peak times is crucial. A survey recently undertaken by the VFF showed 79% of farm based heavy vehicles travel less than 10,000 km per annum. Furthermore, 57% of farm based heavy vehicles travel less than 5,000 km per year. Despite the low annual mileage these vehicles provide a very valuable service for agricultural businesses. Removal of the PPR will lead to reduced freight capacity, sacrificing quality and/or production levels.

### Port oversight – fees and competition

The Port of Melbourne provides a crucial gateway to our international markets. Cereal grains, dairy products, fruit and vegetables, stockfeed and meat are among the top ten exports out of the Port. As a result the VFF has raised concerns with the Government on its plan to sell off the Port of Melbourne lease. The VFF’s key concern is the sale of the government-owned port to the private sector could lead to higher port charges. Agriculture is the economic driver of regional Victoria, so handing the food and fibre export gateway to a private corporation, which is driven by shareholder returns, raises alarm bells for farmers. Consequently the VFF believes there should be strong independent oversight of port access and charges.

Currently the Essential Service Commission’s role is restricted to monitoring, rather than setting, Port of Melbourne charges. The VFF is concerned that a simple monitoring role is insufficient to guarantee that food and fibre producers won’t face hefty hikes in port charges and loss of access following privatisation. Even with the proposed Webb Dock development, the Port of Melbourne is still likely to face major capacity constraints in the next 10 years. These constraints will in effect create unmet demand that could be exploited by a private-sector leaseholder. The VFF is therefore calling on the Victorian Government to implement some form of Essential Service Commission or other agency oversight of Port charges and its access regimes. This oversight would become even more important if the lease is sold to one of the existing stevedores – to prevent the leaseholder from charging exorbitant fees to its competitors.

### Cattle Underpass Scheme

The VFF is seeking support from the Victorian Government to allocate another $3 million to the CUPS over the next four year term, given the improved road safety and farm efficiencies the scheme will continue to deliver. The VFF and Victorian Governments have helped build 550 Cattle Underpasses, first under Labor’s Stock Over/Underpass Road Safety (SOURS) program and more recently the Coalition’s Cattle Underpass Scheme (CUPS).

The current CUPS program was funded from a $2 million grant out of the Victorian Coalition Government’s $1 billion *Regional Growth Fund*. The grant equals 33 per cent of the underpass cost or up to a maximum of $55,000. However funding for the current program is now fully subscribed. As a result the VFF is calling on the Victorian Government to allocate another $3 million to the CUPS program from the second round of funding from the Regional Growth fund for 2015 to 2018.

The schemes have taken thousands of cows off the state’s roads, resulting in:

1. Improved road safety;
2. Improved workplace safety for farmers and their employees;
3. Improved farm efficiency and productivity; and
4. The Removal of impediments to the expansion of dairy farms and growth of the industry.

## Education, training and retention

### Education and training

Improving farmer skills and training are crucial to export and jobs growth. However most farmers gain their skills through informal or targeted training, rather than via traditional vocational or other tertiary courses. The key issue for the VFF is retaining young people in agriculture and giving them the skills to own a farm and grow the business. One they own their farm it then becomes a case of needing different skill sets as they move through the business cycle, from making their first loan application to structuring their succession and retirement plans.

This means we need a customised training scheme that allows farmers to identify the skills they need and then identify a provider. The VFF has found the government is not effective in developing and delivering such training and that it is best left to industry and the private sector. It then comes down to what support or incentives government can offer to facilitate such customised training.

Currently, government decisions regarding issues such as funding for Vocational Education and Training are undermining industry programs to attract and retain more people in dairy and other sectors. Specific issues include lack of funding priority for Vocational Education and Training (VET) courses, which are targeted at industries with acknowledged skill shortages.

#### Labour & Skills shortages –the dairy industry’s dilemma

The Victorian dairy industry suffers a chronic labour shortage. Difficulty attracting workers to rural and regional areas has dire consequences for the industry, which is already impacted by an ageing demographic. Dairy’s future depends on attracting, training and retaining the next generation of farmers, food scientists, processing workers, and industry service providers. While the industry invests heavily in programs to recruit, train and retain skilled workers within Australia, at present this is not enough to fill the labour gap. To keep the Victorian dairy industry progressing and growing, recruitment of foreign workers is necessary when there is no domestic labour available.

Currently dairy farmers face an uphill battle with current immigration requirements which limit farmers’ access to a productive, flexible and skilled workforce. The dairy industry is calling upon DEDJTR to support a multicultural workforce by:

* Continuing to recognise the plight of New Zealanders now dairy farming in Victoria to have access to permanent residency.
* Securing a robust industry-wide labour agreement that will give dairy farmers greater access to suitable overseas workers to help overcome the industry’s chronic skilled labour shortage.
* Streamlining and fast-tracking the application and approvals process for 457 visas for skilled dairy workers, and reverse the restrictions on 457 visas introduced by the former Government.
* Reinstating the Department of Immigration and Border Protection Outreach officer Programme to assist farmers with immigration matters.
* Extend the duration of 417 and 462 visas from six to 12 months.
* Include dairy on the list of eligible industries for the Seasonal Worker Scheme and on Schedule 1 of the Skilled Occupation List.

To encourage new entrants into the industry, the VFF is also calling upon DEDJTR to include dairy farming on the National Skills Needs List.

### Young farmers stamp duty

There are major barriers to young people entering farming in Victoria. Most notably the upfront investment required to purchase farm properties, stock, machinery, and other capital. The Young Farmer Stamp Duty Exemption has reduced these barriers and is a valuable tool to encourage the involvement of young farmers in agriculture. The cost of continuing the Young Farmer Stamp Duty exemption is modest and the benefits to young farmers are substantial.

### Young Agribusiness Professionals funding

Young Agribusiness Professionals (YAPs) is the division of the VFF focused on people aged between 18 and 35 with an interest or involvement in agriculture or agribusiness. YAPs is a network for the next generation of food and fibre leaders, providing members with personal development, career growth and network development opportunities, with the overarching aim of securing the future of Victoria’s agricultural sustainability and profitability.

Following parliamentary evidence of an agriculture skills shortage restricting Victoria’s ability to capitalise on global demand for food and fibre, YAPs developed their *Future Harvest Project*. This project highlights how YAPs will continue to build an extensive network of young people to share ideas, knowledge and overcome industry barriers; develop the skills and abilities of young people, so they are able to meet the extensive demands of modern agriculture; and facilitate employment within industry, commercial and government sectors to provide youth with clear pathways and job opportunities. Further information on the Future Harvest Project is attached to this document. The YAPs welcome the opportunity to discuss the project further with Government.

### First Farm Grant

The development of proper business plans is extremely important for new entrants to farming, not only for assisting in obtaining finance but also to help focus a farmer’s mind on the practicalities of the business. The First Farm Grant previously offered through Rural Finance was seen as a useful tool to support this process. An evaluation report conducted by DPI in 2012 found the First Farm Grant was highly successful, with one Rural Finance representative estimating the financial benefit was five to ten times the $3 million allocated to the grants. The report found considerable merit in continuing the First Farm Grant and concluded the grant would result in greater retention rates and improved business skills for new entrants and their peers. The First Farm Grant was up to $3,000 for business planning and additional grants for development projects to enhance the productivity and sustainability of young farmers, with the combined total not exceeding $10,000. Young farmers who already have a business plan that meets the standards required for this scheme would be eligible for a Development Grant of up to $10,000.

## Trade

Given the size of the food & fibre export industries in Victoria, the government has an opportunity to use international ministerial visits, and its network of international offices to drive action on priority issues.

The VFF is encouraging the Victorian Government to continue to work with each agricultural sector and the Australian Government to address technical market access issues and regulatory coherence with trading partners.

The Victorian government should actively promote our food regulatory system so that regulatory authorities and customers understand the high standard of our systems that underpin our food’s clean, safe image.

## Information Technology and Communication

Farmers increasingly need ready access to technical information and interactive tools to gain access to market information and manage increasingly sophisticated equipment on their properties. As it stands many Victorian farmers must pay relatively high prices to gain access to poor quality broadband and mobile services. Enhancing communications in regional Victoria is vital to agriculture’s growth and farmers’ adoption of new technologies and training.

## Energy

### Electricity - Widening Price Gap

Regional Victorian consumers are paying more for energy than their city counterparts, and the price gap is widening. Government has a critical role to play in regulating the energy sector to ensure that Victorian regional industries can access reliable, secure energy supplies at prices that enable them to remain internationally competitive. VFF discussions with the ESC, AER and energy brokers have confirmed the cost of maintaining and upgrading SP AusNet’s and Powercor’s 50,7000 km of powerlines, poles, transformers and other network infrastructure is being distributed across an ever smaller pool of consumption. The net result is the network cost per kilowatt of power consumed is rising in regional Victoria. State-based schemes such as the Victorian Energy Efficiency Target and the Federal Renewable Energy Target, simply exacerbate the high cost of electricity to farm businesses. The rising cost of electricity is crippling many farm businesses. Regional areas are faced with a disproportionately higher cost for electricity. In 2012-13 regional business customers were paying over $1000 more in network tariff costs than urban distributors’ customers. This is of particular concern to energy intensive operations such as dairy, horticulture, and chicken meat where electricity costs are a high proportion of business costs.

Farmers are further disadvantaged when it comes to cutting energy costs, due to:

* Lack of access to alternatives, such as reticulated gas.
* Only have access to single-wire earth return lines.
* Distance from urban centers
* Limits on access to the capital needed to invest in power saving technologies
* Poorly designed energy saving scheme that fail to cater for agriculture’s specialist needs and low market volumes.

### The VEET – inaccessible to farmers

The VFF has opposed the VEET, but if the Victorian Government insists on continuing the scheme the VFF seeks department support for greater farmer access to the VEET (See Appendix 2, VFF Submission to the Review of the Energy Saver Incentive: Issues Paper – June 2013).

### On-farm Energy Efficiency Grants

The VFF is calling on the government to establish a $9 million on-farm energy efficiency infrastructure scheme, whereby farmers co-invest with government in energy-saving technologies, ranging from variable speed drive vacuum pumps and heat exchangers in dairies to VSD irrigation pumps, induction fans in chicken sheds and a raft of other technologies in horticulture.

Sustainability Victoria’s *Smarter Resources Smarter Business* program, has in the past offered energy efficiency co-contribution grants to small and medium-sized businesses. However the program came to an end in May 2014, with few farmers unable to access the program, due to:

* The tight timeline provided;
* The online nature of rollout;
* The extensive and detailed application process; and
* Clarity issues around eligibility requirements.
* The majority of grants were given to businesses in metropolitan areas, leaving rural communities at a disadvantage.

The dairy industry is primed to further embrace renewable energy technologies, with 40% of farms in 2012 having installed some form of renewable energy installation (such as heat pumps or solar water heating). In many cases, federal and state rebate programs assisted farmers with the upfront capital costs, and thereby increased their participation.

The emerging question is how to finance large, up-front capital costs for equipment upgrades and renewable energy options in tight economic conditions. For example, installing heat recovery pre-heaters and variable speed drives on vacuum and milk pumps on dairy farms have an estimated capital cost of $5000-$17,000, with a 4 – 20 year payback period. Similarly, for a dairy manufacturer to upgrade to new energy efficient refrigeration or to switch to solar power could require a capital cost of several hundred thousand dollars with a payback period of 3 – 20 years.

## Water infrastructure

Water is critical for agricultural production and rural communities. With an increasing population and increasing demand for food and fibre products there will also be more demand for water. Modernising the infrastructure for delivering water to the farm gate and from the farm gate to the paddock saves water that is currently lost to seepage and evaporation. These water savings can be put back into production helping farmers to meet the increased demand for food and fibre. Construction of major modernisation projects is underway in the Goulburn-Murray Irrigation District, Sunraysia and Macalister. As it takes time to develop, design and build water infrastructure we need to have a queue of projects at different stages of readiness. The next generation of water infrastructure projects are under development – the Southern Tinamba Pipeline, storage at Lindenow, the Bunyip pipeline.

#### Invest in on-farm irrigation works

When irrigators are connected to a modernised supply system there are opportunities to install high flow irrigation, soil moisture monitoring and automatic irrigation. Providing funding to upgrade on-farm irrigation at the same time as major infrastructure projects delivers enhanced value for farmers and a greater return on investment. Farmers who divert directly from rivers and waterways are not eligible for current funding for on-farm irrigation efficiency programs. There are benefits for all farmers using water more efficiently. With more efficient use of water farmers can expand production or sell unused water to other irrigators. Expanding production delivers direct benefits to the farmer. Selling the water enables other irrigators to make use of a scarce resource. For example, potato growers in the Ballarat region are looking to invest in centre pivot irrigation to more efficiently and effectively water their crops. This new technology will generate water and energy savings and increase production. The increased tonnage would contribute to securing and expanding local employment opportunities in the supply chain.

## Research, development and extension

## Importance of research and development

Research, development and extension (RD&E) is essential to achieve a sustainable and profitable agricultural sector. However agriculture’s rate of productivity growth has slowed in the past 15 years. Much of this decline can be attributed to the wind-down of federal and state research funding. But the VFF believes DEDJTR needs to focus on greater adoption of research findings in particular farm sectors, such as the livestock industries.

#### Extension

Effective extension is a function of Government, industry and service providers collaborating to make the best possible use of the available funding and resources. In recent years, there has been a decreasing contribution from state governments to agricultural sector RD&E activity. The government should consider more funding for agricultural education and training, the increased use of industry and vocational education and training sector resources to build capability in the private sector, and exploring opportunities to grow capability through professional development and accreditation of advisers.

#### Continued support for Horticulture Industry Network (HIN)

The Horticulture Industry Network is vital to the horticulture industry as a mechanism for providing on the ground extension services to growers.  There is significant co-contribution involved from industry showing the program has widespread support.  The Network also has also shown to provide direct productivity benefits to growers from the extension work being carried out. Another key benefit of the Network is that it allows the sharing of information between extension providers so there is no reinventing of the wheel.  It provides an opportunity for shared learnings that then translates to better knowledge transfer to growers.

## Natural disasters and drought

Victorian farmers face highly unpredictable seasonal conditions. While all farmers make allowances for a poor season in business planning, from time-to-time conditions arise that cannot reasonably be prepared for. The ability for farmers to manage these risks is also different for different industries. For some industries the ability to rebound from a drought might be limited because of structural issues, such as the cost and time involved in reducing and increasing stock numbers.

Without in-drought support farmers may be forced to make short-term business decisions such as selling productive capital or stock, which is to the detriment of their long-term viability. It is critical appropriate support mechanisms are in place, both from the State Government and the Commonwealth, to ensure continued viability of the farm sector when the next drought hits.

## Biosecurity

Maintaining biosecurity and being prepared for outbreaks is vital to maintain regional industries and jobs. For Victorian agricultural commodities, a favourable animal and plant health status and production environment in Victoria contributes to profitable production and benefits in trade and market access for Victorian produce. It is vital that Australia maintains a strong quarantine policy that provides reasonable protection against diseases and pests which could destroy our livelihood. An outbreak of an animal disease such as foot and mouth disease would be a real disaster for the dairy industry. This must be supported with a proactive, strong biosecurity system, including activities at, pre and post border, which is appropriately resourced by all jurisdictions under an integrated national framework.

#### Animal disease

Farming and food production in Australia faces growing threats from 'emergency animal disease' (EAD), defined as any exotic or endemic disease which if an outbreak occurred would have a national impact and/or affect market access. Government agencies and farming organisations play a crucial role in communicating information to farmers about how emergency disease threats should be recognised, reported and managed. Yet, little is currently known about how farmers obtain information on EAD, the ways in which they understand and manage disease risks, and whether current communication strategies are effective in improving farmer understanding and knowledge of how to deal with disease threats. A foot and mouth disease (FMD) outbreak in Australia is a very real threat. The direct and indirect economic impact along with the social impacts, have been estimated to cost Australia between $5.6 billion for a small outbreak, to $51billion over 10 years for a large outbreak (ABARES). These figures take into consideration the closure of export markets and the implications to our ‘clean’ image on future trade.

#### Area Wide Management (AWM) Plan to manage QFF in the Goulburn Valley

Pome and stone fruit growers in the Goulburn Valley (through Fruit Growers Victoria ***(***and other key stakeholders) are seeking initial seed funding to develop an AWM plan for QFF in the Goulburn Valley.  This plan will develop management protocols and accountability structures to drive exports of pome and stone fruit as well as other host crops from the region. Further funding would be required to implement and sustain the program, it will be in three parts that would include workshops and education of growers and the wider community, implementation of a plan of surveillance for data collection and co-contribution towards the duties and tasks and the ongoing long term management of the program.

## Region specific strategies

There are some specific infrastructure works and projects which will assist in boosting the productivity and profitability of specific regional areas. Where these investments are regionally specific, details of the projects are contained within this section.

### Loddon Mallee

#### Water infrastructure -Complete the business case for the Mitiamo stock and domestic pipeline network

Coliban Water and Goulburn-Murray Water are working collaboratively on a revised stock and domestic water scheme for the Mitiamo region. The Mitiamo reticulated water supply system will cover more than 50,000 hectares and approximately 200 farms that are currently serviced by 10 existing stock and domestic dam fill schemes. It runs from Dingee in the south to Bald Rock in the north, and from Terrick Terrick East in the east to Bullock Creek in the west, including the township of Mitiamo. Scoping is currently underway to ascertain the demand and potential size of the project, which will generate some water savings through operational efficiencies.

#### Water infrastructure -Funding to expand the Sunraysia Modernisation Project

Sunraysia growers attended information session in April 2013 and helped shape the final proposals. Four different packages to spend the Commonwealth funding of $103 million were presented to growers, three with specific regional focuses and a fourth “all districts” package. The shared all districts focus package was elected for progression.

While providing some equity for all irrigators within Sunraysia, a number of works which had been individually proposed in each of the regional focus proposals (for each of Merbein, Red Cliffs and Mildura) have not been included in the “all districts” package, such as the 200ML off river storage for Mildura. Additional State government funding would provide for many of these additional works to be achieved.

### Barwon South West

The Dairy industry has developed a comprehensive Western Victorian Dairy Industry Strategic Plan (attached). This work has assessed the current capacity of the industry, barriers and opportunities for the future.

### Grampians

#### Water infrastructure- Develop the business case for extending the Wimmera Mallee stock and domestic pipeline.

After three years with little rain, many farmers are carting emergency water for stock and domestic needs. This is costly and time consuming. Grampians Wimmera Mallee Water is working with Goulburn-Murray Water, Coliban Water, Loddon Shire Council, North Central Catchment Management Authority to undertake a feasibility study of the options for extending the Wimmera Mallee pipeline to Wedderburn and surrounding communities. There is potential to pipe west from the Waranga Channel and east from the Wimmera Mallee pipeline. Work is underway to understand the level of demand from farmers, the community and industry. Funding will be needed to develop the business case.

### Hume

#### Water Infrastructure- Mitiamo Stock and Domestic scheme

Coliban Water and Goulburn-Murray Water are working collaboratively on a revised stock and domestic water scheme for the Mitiamo region. The Mitiamo region is in need of improved access to stock and domestic water supply. The current supply arrangements are inefficient and inequitable. Scoping is currently underway to ascertain the demand and potential size of the project, which will generate some water savings through operational efficiencies.

### Gippsland

#### Water infrastructure - $20 million for the Macalister Irrigation District 2030 Stage 1B Southern Tinamba Pipeline

The Southern Tinamba Pipeline is the next stage of the Macalister Irrigation District 2030 modernisation project. An investment from the Victorian Government of $20 million for the project will support matching contributions from irrigators and the Federal Government. Replacing 85kms of old channels with 38km of pressurised pipes and 26km of automated channel will mean quicker, more efficient delivery of water to farms. Currently irrigators need to give 3-days lead time to order water, with the new pipeline this would be cut to 24 hours. The pipeline is anticipated to deliver water savings of 9,700ML for the district’s dairy farmers and vegetable growers. These savings are expected to generate a further $45 – 50 million annually in regional economic growth through expansion of farm production. This project will enable farmers to expand with confidence and help to secure long term food production in the region.

#### Water infrastructure- Fund a business case for water infrastructure in the Lindenow Valley

The Victorian Government provided $1 million for a Ministerial Committee to investigate options for how to best improve water reliability whilst protecting environmental flows in the Mitchell River. They considered how winter-fill extractions can be most effectively stored, identifying two potential off-stream sites and a preferred site at Stony Creek for a 17GL dam providing approximately 10,500ML yield per annum. This dam would provide water for agriculture, urban and industrial uses, as well as help to secure water for the environment to use in dry seasons. Improving water security will secure 1,000 jobs in agriculture and is also expected to create 100-150 on-farm jobs in addition to employment in associated industries. Funding is required to develop a business case for the project.

#### Water infrastructure- Fund stage 1 of the Bunyip Irrigated Agriculture project

The Eastern Treatment Plant was upgraded in 2012 to produce Class A recycled water in order to reduce the environmental impact at the outfall at Boags Rocks. Approximately 100GL is available for irrigation. Stage 1 would extend the pipeline from Baxter to the South Gippsland Highway. The VFF believes there are many local farmers who are willing to commit to a “take or pay model”, where they pay for a water allocation whether they use it or not. It is similar to the contract growers currently have under the Eastern Irrigation Scheme. This pipeline extension will support more local jobs. An increase of 5GL of water would enable a further 2,500 hectares to be brought into production. It is estimated that for every 10-15 ML of water that is sold in the vegetable industry this would create one full time job. This would mean 330 new jobs on farm.

## Appendix 1

**Food Source Victoria Proposal**

*“Invest $20 million in Food Source Victoria, a new program to build alliances of producers – hailing from the same region and home to the same specialty. The regional alliances will focus on high-quality goods and collectively market their produce for export.”*

**Three tier strategy plan to boost exports and invigorate Victorian agriculture**

1. **Food and Fibre Quality Assurance Branding System**

To develop a set of standards that cover food safety, animal welfare, and environmental protection on agricultural products, recognisable through a brand logo.

An industry wide branding program will underpin the quality of production stemming from a producer alliance without the need for each alliance to develop its own standards and brand. This would enable a three tier branding approach; Brand Australia; Quality Brand; Provenance Brand. All three aspects are increasing in importance in consumer markets. This will boost the visibility and reliability of Australian products on a domestic and international market.

1. **Farmer skills training**

To create a training program to up-skill farmers in business and marketing.

Quite often it is not an alliance of farmers that is at the formation of a business driving into new markets and/or creating new products; it is the drive and skills of one or a small number that start the business and as demand grows alliances with other farmers form in order to obtain the necessary supply.

This training program will increase the skills and knowledge in the area of business management (not farm management). Whilst farmers utilise a high number of skills daily, many have not had exposure to the marketing and supply chain business end of agriculture. Providing training to farmers in these areas creates opportunities for innovation and growth in both the domestic and export supply chain.

The second tier is to provide a program that equips farmers to understand the strategies necessary to open and develop export markets.

1. **Facilitating exports**

To undertake a business case study for a state-wide co-operative that will link farmers with overseas buyers.

A simple structure that assists growth in trade by:

* Creating a reliable access point for companies looking to purchase products directly from farmers/grower alliances
* Assisting farmers access to markets
* Providing a simple process that allows farmers to maintain highest return on their products
* Assuring high quality products (with QA branding)
* Assuring reliable supply

**Additional projects to boost Victorian agriculture**

**$100,000 contribution to a Victorian Chicken Meat Industry Growth Plan**

Annual growth of the $5.6 billion chicken meat sector is trending at 5 per cent. However, Victoria’s share of the industry has dropped from 28 per cent to 23 per cent in the past eight years – with the majority of this share lost to South Australia. The South Australian Government has offered its local chicken meat industry a strategic plan, which entices processors to set-up a new broiler industry within SA.

Victoria’s chicken meat industry is already clustered in regions on the basis of proximity to processors. These regional grower groups collectively negotiate with processors to get a better price for producing birds. This structure works well for the industry, but to continue to build these processor-based regional clusters a strategic plan similar to that of South Australia is required.

The VFF is calling on the Victorian Government to match an industry contribution of $100,000 towards a Chicken Meat Industry Growth Plan in Victoria that:

* Identifies growth areas,
* Cuts through planning red tape,
* Delivers access to water, and
* Provides power infrastructure.

## Appendix 2

**Review of the Energy Saver Incentive: Issues Paper – June 2013**

**July 8, 2013**

David Blowers

Energy Sector Development Division

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**Victorian Farmers Federation submission**

Thank you for the opportunity to comment on the Energy Saver Incentive (ESI) scheme, with a focus on:

* Barriers to the uptake of energy efficiency measures;
* The performance of the ESI’s VEET scheme to date; and
* Looking forward: the future of the scheme from 1 January 2015.

**VFF Policy Position**

The Victorian Farmers Federation has adopted a policy opposing the ESI’s VEET scheme. This policy is based on the simple fact that our members, along with all other electricity consumers, are paying a higher price for electricity to subsidise those that can access the VEET scheme. Analysis of VFF customers’ electricity bills shows many are paying 3-4 per cent more for their electricity to fund the VEET. It should be remembered this 3-4 per cent charge is in addition to three Federal Government charges:

* The carbon tax
* SRES (Small-scale Renewable Energy Scheme)
* LRET (Large-scale Renewable Energy Target)

As you can see from the VFF member’s bill (below) these charges, along with the VEET charge, make up 26 per cent of the VFF member’s electricity bill ($2778.69). As a consequence the VFF opposes the ESI VEET scheme, along with the carbon tax and other carbon charges.



**Price of electricity**

The ESI issues paper states: “*A number of stakeholders have suggested that the operation of the scheme to date has required energy retailers to pass on additional costs in the form of higher energy prices as a direct consequence of the scheme. Yet the authors of the issues paper attempt to counter this argument by stating: ”Previous modelling undertaken by Government in 2011 suggested that there would be downward pressure on overall energy prices due to the cost reductions associated with energy savings achieved through the ESI, such as reduced energy generation costs*”.

However the VFF would contend that government’s modelling is flawed, given ESC pricing data shows electricity prices have continued to climb since 2011. One of the crucial issues such modeling fails to recognise is the perverse impacts lower electricity demand has on networks costs, especially in regional Victoria. National Electricity Market data issued in January this year (which includes Queensland, NSW/ACT combined, Victoria, South Australia and Tasmania) shows electricity consumption has declined for the fourth consecutive year.

VFF discussions with the ESC, AER and energy brokers have confirmed the cost of maintaining and upgrading SP AusNet’s and Powercor’s 50,7000 km of powerlines, poles, transformers and other network infrastructure is being distributed across an ever smaller pool of consumption. The net result is the network cost per kilowatt of power consumed is rising in regional Victoria.

Ironically the VEET further exacerbates the issue of rising network costs, by further reducing demand. The VFF contends the VEET no longer has relevance or value in an environment of declining electricity demand, driven by a decline in manufacturing demand and the investment in renewables driven by the SRES and LRET. (It’s worth noting that both the Federal Labor Government and Coalition have committed to retaining the SRES and LRET).

**VEET Wastage**

It seems clear there has been significant wastage in the VEET scheme. One of the prime examples is the uptake of Standby Power Controllers (SPCs). We saw a massive uptake of SPCs in 2011-12, which led to a slump in VEEC pricing. This surge has been followed by a slump in SPC uptake. Why?

It seems consumer dissatisfaction with SPCs has led many to remove them, eroding the value of the VEECs they created and damaging the reputation of not only the SPCs, but also the VEET scheme.

The focus of the VEET scheme on such low-hanging residential power savings, based on imports of quick fix solutions, risks delivering very little long-term value to Australian households and the wider economy.

The ESI’s focus on mass market energy-saving solutions continues to risk the creation of short-term and unsustainable energy savings.

The VFF believes the ESI is failing to meet one of its three key objectives – “*to encourage investment, employment and technology development in industries that supply goods and services which reduce the use of electricity and gas by consumers*”.

We would argue a significant proportion of this investment and employment is of a short-term and unsustainable nature and exemplified with the SPC uptake.

**Barriers to entry**

Victorian farmers, along with other businesses have been paying higher electricity prices to fund the VEET scheme, since January 2009. Given the VEET scheme was only opened up to businesses last year, very few technologies have been registered that are of value to farmers. Farmers have been able to take advantage of the VEECs in regard to lighting. However, farmers still face major barriers in gaining access to one of the most valuable technologies to reduce their energy costs – variable speed drives.

The VFF has already identified VSD could deliver savings of up to 45 per cent when used on:

* Dairy vacuum pumps (used for milking – See DPI paper attached to submission email, titled *Economic analysis of technologies to reduce dairy energy consumption* April 2012)
* Chickenmeat, egg and piggery ventilation fans
* Horticultural cool store fans
* Irrigation pumps

However, the VFF is all too aware that deeming of VSD is not a simple task, especially when the technology can be used across a variety of applications. Deeming VSDs on dairy vacuum pumps is possible, given they are used during predictable periods each day. However, deeming VSD on irrigation pumps is problematic, given usage can vary dramatically with seasonal conditions.

The VFF has also been frustrated with the DPI VEET team staff’s inability to respond to repeated requests for information and assistance on how VSD and other agricultural energy saving technologies could be brought under the scheme (See Attachment A).

**What happens if ESI is extended beyond 2014?**

If the Victorian Government insists on continuing the VEET scheme, the VFF would seek DSDBI support for deeming and registration of agricultural machinery & products. At present the full deeming and ESC registration costs are estimated at $10,000 or more a product.

The VFF believes agriculture, as Victoria’s biggest export sector, needs greater support in boosting on-farm energy efficiency. Such support is crucial if the Victorian Government is to deliver on its commitment to double the state’s food and fibre exports by 2030. Farmers are price takers, whose only means of remaining viable is to boost productivity, via more efficient use of inputs, innovation and through economies of scale.

Many farmers are already disadvantaged when it comes to cutting energy costs, due to:

* Lack of access to alternatives, such as reticulated gas.
* Only have access to single-wire earth return lines.
* Distance from urban centres that can offer advice
* Limits on access to the capital needed to invest in power saving technologies.

The surge in energy prices over the past five years has, along with other rising input costs, eroded farm profitability.

The VFF notes DPI (now DEPI) has proposed a deemed Project Based Assessment methodology, similar to NSW, as well as awarding certificates periodically based on a metered baseline approach to the adoption of energy saving measures.

However, the VFF is concerned both approaches would incur large transaction costs – consultants fees and or metering costs – which would act as a further barrier to farmers and farm technologies being brought under the VEET scheme.

While these methodologies may be of value to larger industrial energy users the VFF is not convinced they are of value for small to medium-sized farm businesses.

The ESI discussion paper clearly states the ESI is designed to address a number of market failures or barriers that prevent the optimal uptake of energy efficiency measures in Victorian households and businesses.

To this end the VFF believes the ESI’s VEET scheme has failed to deliver significant benefits to agriculture and our support for the continuation of the scheme would be reliant on a strong commitment from DSDBI and the government on assisting the farm sector to bring more agricultural energy-saving products under the ESI.

However the VFF reiterates its position that the VEET no longer has relevance or purpose in an environment of declining electricity demand.

Kind regards,



**Peter Tuohey**

President

Victorian Farmers Federation