



# **Tasmanian Farmers and Graziers Association**

## **Submission to: Growing Tasmania's Economy**

**Legislative Council Select Committee**

**May 2015**



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The TFGA welcomes the opportunity to make submission to the Legislative Council Select Committee enquiry into Growing Tasmania's Economy. We have attempted in this submission to provide general commentary as well as identify key areas that we believe Government must focus on to enable the growth of agribusinesses within Tasmania.

### **About TFGA**

The TFGA is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

Operationally, the TFGA is divided into separate councils that deal with each of the major commodity areas. As well, we have a number of standing committees that deal with cross-commodity issues such as climate change, biosecurity, forestry, water and weeds. This structure ensures that we are constantly in contact with farmers and other related service providers across the state. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

With our purpose being to promote the sustainable development of Tasmanian primary industries, the TFGA is committed to ensuring that the agriculture sector in Tasmania is profitable and sustainable. We are also committed to promoting the vital contribution the agricultural sector makes to the environmental, social and economic fabric of the Tasmanian community.

### **General commentary**

Tasmania has traditionally had agriculture as one of the key pillars of its economy and, with the current level of support from government, are well positioned to further capitalise on the stature of Tasmania agriculture.

Our industry has grown year on year, even during tough times like drought, which is a performance not matched by any other sector. Farming has kept not only Tasmania, but also Australia, out of recession since the global financial crisis.

Agriculture has an enormous uptake of new technology, we employ thousands of people, we keep many rural communities alive, and we produce the clean, healthy, fresh food that Tasmanian families take for granted, and indeed that families across the country and world enjoy.

Professor Jonathan West has identified agriculture as one of the key opportunities for growth in the state economy. In the Innovations Strategy he prepared for the Government, he identified that our sector could generate another \$5 billion pa.

Agriculture is also one of the key targets for growth in the state's Economic Development Plan, which includes a vision for Tasmania to substantially increase its food and agriculture production and become a major supplier of the nation's premium food products.

These findings have been supported by the recently released Deloitte's report entitled *Positioning for Prosperity? Catching the next wave*, which focuses on business imperatives for a prosperous Australia. The report identified that the next set of super-growth waves we need to ride as agribusiness, gas, tourism, international education and wealth management.

Deloitte says that the first place to look for sectoral growth is in markets that can be expected to grow faster than the global economy as a whole. Their analysis shows that Tasmania has a 16.2%

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comparative advantage in agriculture. The Australian average is 5.2%; and the next nearest sector is mining at 13.3%.

Tasmanian agriculture is already an extremely diverse business however we must be prepared and able to 'shift with the times', that is we must be responsive to changes in demand and take on new opportunities as they arise. We need government to be willing to assess what is required to enable the sector and move quickly to implement any changes necessary – particularly if those changes are merely enabling legislation.

An example of this is the industrial hemp industry – there existed producers willing to grow; a market demand for product; limited competition in the market place; and even end processors interested in establishing local processing. Yet this opportunity has largely passed us by as government placed bureaucratic demands upon the fledgling industry that choked its ability to get established and grow.

Business growth in the agrisector can only happen if the agricultural sector is confident enough to invest in their sector. They must have faith in governments not limiting their ability to do business through bureaucratic demands that are unreasonable and which far too often do not achieve their stated objective.

Given the level of government investment in agriculture through major projects such as the irrigation schemes and Sense-T program it would be disappointing to see other hurdles, both small and large, hold back further expansion and investment in the sector.

Indeed, we must be careful to ensure that we are enabling the entrepreneurial farmer to forge into new and prosperous areas as opposed to corralling them into a direction that our bureaucracy believes they should head. It is fraught with danger to promote one sector or place too much of our limited resources behind one sector ahead of another.

TFGA has welcomed the government's real commitment to the removal of red and green impediments to the agriculture sector 'getting on with business' but at the same acknowledge that we still have some way to go before we achieve all that we can in this area.

The strength of Tasmanian agriculture lies in delivering produce that is of pristine quality into high end markets. While we will never be the "food bowl of Asia" but we can certainly capitalise on the demand for product to meet a growing middle class Asia.

As a part of this submission, we would also respectfully direct the Legislative Council Select Committee to the TFGA 2014 submission to the Agriculture Competitiveness White Paper commissioned by the Federal Department of Prime Minister and Cabinet. (Attachment A)

### **Freight and Logistics**

Freight and logistics is one of the biggest challenges currently impeding Tasmanian agriculture, both nationally and internationally. It adds a challenging layer to the cost of doing business here – both the inward and outward costs. We face a large challenge in identifying a solution that addresses our needs. We must look at it from the holistic logistics view rather than particular issues, such as international shipping access, in isolation.

Tasmania is an island state so, unlike the other members of the Australian federation, we are largely reliant on coastal shipping for inbound and outbound services. There are thus specific circumstances unique to Tasmania that are highly relevant to this review.

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Tasmania has a relatively small population of just on 500,000 permanent residents; and a Gross State Product (GSP) of c\$24 billion. The state has been hit hard by the increase in the value of the Australian dollar (\$A). In the farm sector alone, this has been conservatively estimated to have reduced state export income by \$430 million a year.

We have the challenge of shifting product that varies considerably both in volume and in its shelf life and as such it is evident that any sustainable long term solution will need to be multi-faceted. The solution must cover the small volume cherry grower as well as the bulk onion grower. The state economy bears the costs of a modern service economy but is struggling to generate the growth and economies of scale to absorb these costs. Achieving this outcome is unlikely without an increase in the level of economic activity.

TFGA believes that it is vital for the future economic viability of the state to ensure that there is a cost structure for Tasmania that approaches 'equivalence' to that enjoyed for freight moved between capital cities in Australian mainland states. This will enable more competitive movement of goods, services and people to and from Tasmania to domestic and export markets, as well as help attract investment capital. In turn, this will raise the private enterprise incentive to broaden the state's economic base and help reduce unemployment to the national average.

What we require is a Tasmanian Logistics Plan. A plan to detail how we are going to cope with the increased agriculture output from the irrigation schemes and the demand from supplying Asia; a holistic plan that delivers a total freight system (intrastate, interstate and international) that puts Tasmanian business at least on an equal footing with other Australian states with regard to cost and efficiency.

The TFGA does not profess to have the answer to this very large problem however it is by continuing to work closely with all stakeholders that we will be able to identify and implement a long term solution.

The TFGA will, at its upcoming 2015 Policy Forum, in June take this issue to its membership seeking suggestions and guidance. We will look at the vexatious question of TFES and seek to address its shortcomings and sustainable alternatives. The TFGA intends to share the outcomes arrived at through this forum with government for further consideration.

## **Energy**

Rising fuel and electricity costs over the past decade have seen energy shift from a minor input cost to a substantial input cost for the agricultural sector.

Whilst we have little control over the national price of fuel we can demand not just an account via the ACCC as to why the price of fuel in Tasmania is often comparative to that of remote inland areas of mainland Australia but also action that will deliver equity in pricing now and into the future.

The soaring energy prices in Tasmania over the past decade have been well documented. This is at a time when the roll out of irrigation schemes has resulted in producers ha and more conversions to dairy resulting in growing consumption by the sector.

Tasmania is now a part of the national energy market and under those rules TasNetworks, and its predecessors, are required to use a "full cost recovery" model for infrastructure installation and maintenance charges to customers. Whilst the state government has special rules for new irrigation

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installations, this ruling has had produced costs that are prohibitive for agribusinesses seeking to expand, value add or even implement business efficiencies. Some of the charges for works under the new pricing regime have almost doubled.

TFGA is aware of examples where farmers have had to rethink value add plans or changes to on farm changes that would improve efficiencies because of the layer of cost that would be added through the cost in installing, redesigning or relocation of energy infrastructure.

Tasmania once had an energy market that made it attractive for big business to set up shop here

Market competition has been held out for some time as the panacea for curtailing spiralling energy costs. The Tasmanian energy market is relatively small and attracting participation from mainland energy companies has been largely a failure to date. Without a dramatic change in the structure of the energy industry here it is unlikely that the bypass of Tasmania by any new players in our market.

Recognising that there have been recent reductions in consumption charges and that there are recommendations yet to be actioned or resolved coming out of the Energy Review Panel, it remains imperative that downward pressure be placed upon the cost of supplying and using energy for primary production businesses.

## **Technology**

The business efficiencies and improvements that can be gained through the uptake of technology cannot be understated. The efficiencies that can be gained through the implementation of technology through projects such as Sense-T will help Tasmania grow and compete in international markets.

If we fail to keep pace with technology and take advantage of the advantages that it offers then we will fall behind other states and countries. If we remain pro-active and try to position ourselves at the front of the pack through early adoption then we may be able to offset some of our challenges such as freight through efficiency gains delivered by technology such as robotic dairies and sensory technology.

Currently many Tasmanian farmers have an internet and mobile phone service that is patchy at best or non-existent. This is not just in remoter areas such as Royal George or Nowhere; but even just outside of Campbell Town internet coverage is a challenge.

Despite its small size Tasmania's terrain proves a challenge in ensuring adequate coverage is achieved as most current technology in this area works on 'a line of sight' rule for implementation and there is little commercial impetus for private (or quasi private) companies to ensure service coverage in the sparsely populated areas.

We must ensure that it has adequate coverage for both internet and mobile phone across Tasmania to ensure that producers are able to take up the technology to its fullest capacity. Tasmania may need to look beyond private Telco's and the Federal NBN program to ensure that this challenge is overcome.

## **Investing in a Skilled Workforce**

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There is a well-used expression that invariably is expressed along the lines of “a business is only as good as its staff”. We must continue to invest in improving the availability of skilled workers in the agricultural sector and increasing the capacity of the industry to be good employers.

There is a well-documented shortage of labour in the agricultural sector; and this is at a time when unemployment in many rural areas is very high. This shortage is only set to increase over the next decade as baby boomers seek retirement and generations ‘X’, ‘Y’ and beyond are unable to fill the gap.

The demand for skilled labour in the agricultural industry is, not surprisingly, mostly in the intensive farming areas. There is also a shortage of middle management personnel – an area that appears to attract little attention in most discussions around the agricultural labour shortage.

While automation and technology will continue to develop at a pace that will help fill the gap it will also bring with it a whole new demand for a new skill-set within the industry so is not in itself a cure; other measures will need to be adopted.

In light of these circumstances, it is disappointing to note that there has been a reduction in funding in real terms in training and skills development in the agriculture sector over recent years by both state and federal tiers of government.

This is exacerbated by the shift to full cost recovery for course fees by government deliverers, which is placing access to courses beyond the reach of many individuals and employers. A lack of demand for specialised industry studies has led to a corresponding challenge to the viability of traditional agricultural training facilities.

There is a need to review the model which is being used to deliver agricultural training in Australia to bring it into line with contemporary farming practices. The model under which most of the current facilities operate is unsustainable and dated.

Most farm facilities in educational institutions are not being kept updated due to the financial challenges of operating in an environment where commercial realities are not the driving factor for the farm’s existence.

This has resulted in teaching being delivered in an environment that often has not kept pace with current technology and best practice. Rather than continuing a losing battle to make struggling farm education facilities viable and relevant, there needs to be a shift in focus to developing strong partnerships with industry to deliver the practical side of programs. This has dual benefits: education is delivered in a ‘real world’ environment; and stronger partnerships with industry are forged.

Farmers have traditionally been very poor in promoting training and education in their existing workforce. Whilst this trend is slowly changing, there needs to be a much quicker acknowledgment that an investment in skilled labour is an investment in their business. Farmers need to be much more proactive in helping to develop their own skilled workforce.

If the future demand for education and skills training is to meet industry expectations, then any model adopted must not just reflect the needs of a successful modern farming enterprise but also be proactive in looking at future needs.

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Finally, agriculture in general needs an image makeover. There needs to be a shift in the focus of training from the limited and narrow traditional image of farming to a more relevant and contemporary image. We need to broaden this view to reflect the need for other skills within the industry. Agricultural knowledge could be adopted as a specialised area within another field – for example accountants, lawyers, marketers, HR people, ICT experts, irrigation experts, dam engineers, genetic researchers etc. This can largely be achieved by using agriculture examples in the training structures of those other specialised programs and qualifications.

### **Referral of Tasmania's Industrial Relations Powers.**

Our industrial relations system adds a layer of expense to any business that is labour intensive, making us uncompetitive with other countries, such as New Zealand, that have less proscriptive regimes. There are real challenges for Tasmanian agriculture with the Fairwork regime however many of these challenges also existed under the state based award system as well.

We have a complicated structure and mandates around aspects of the employment relationship such as allowances, penalty rates and minimum engagement for casuals all combine to limit the ability of the sector to employ at full capacity.

The current industrial relations regime is inflexible and places compliance demands on small business that they do not have the skills, knowledge or time to address. The answer can be that they elect not to employ where, given an easier and more flexible system, they would otherwise have chosen to do so.

#### *Complicated award structure.*

The one opportunity that was sadly missed when the federal based modern award system was the simplification of awards. An award system that used simple language, was clear, concise and able to be understood by the average employer (i.e. those that did not have the resources to ready access to human resource specialists).

Quite to the contrary employers have, in many cases, a much more complicated award to deal with. The Pastoral award was an attempt to roll several different awards into one but instead produced a complicated award that consists of sub-awards and uses language that was the basis of award development decades ago.

Employers are forced to spend time trying to interpret and award or pay for professional advice in order to pay employees. In the case of casual engagement this can equate to wasting a great deal of valuable resources every year.

The average employer should, in this day of 'instant information' be able to ascertain the correct wage rate for an employee with little fuss or expense to their business.

#### *Penalty Rates*

While admittedly the two agricultural based awards, the Pastoral Award and the Horticultural Award, contain some of the more generous provisions for what constitutes "normal hours of work" they are still restrictive for an industry where for the most part work ebbs and flows with the seasons.

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At the height of harvesting many farmers and agricultural contractors are faced with paying penalty provisions that add a substantial layer of production cost generally not borne by those countries that Tasmanian agriculture seeks to compete with in global markets.

The penalty system also adds to the casualised nature of employment within the industry as employers are not able to 'smooth' a full time employees hours between the seasonal highs and lows of labour demand. Instead they are forced to maintain an employee's casual status so that they can meet the fluctuating demand without crippling penalty.

#### *Flexible agreements and the 'Better of Overall' Test (BOOT)*

The Fairwork legislation allows for individual flexible agreements for a limited number of aspects of the employment relationship to be negotiated between an employer and an employee. However this semblance of flexibility is greatly curtailed by the vague notion of BOOT; i.e. an employee must be better off overall under the flexible agreement than they were under the original award terms.

There needs to be greater ability of employers and employees to negotiate an arrangement that suits both parties. BOOT is a highly subjective and unsatisfactory test that is counterproductive and does not deliver on flexibility.

#### *Casual employees*

Employment in the agricultural industry is largely casualised and it is difficult to see how this will change in the near future. This is largely because it is difficult for primary producers across most sectors to be able to commit to employing someone long term when their forecast income is subject to so many variables that are beyond their control.

The amount of compliance for a short term casual employee is the same as that required for permanent employees, this is an unreasonable expectation particularly at times of high turnover such as harvest season.

Currently there is a minimum engagement of three hours for casual workers under the Pastoral Award. This proves extremely challenging for the dairy industry as all but the larger enterprises do not need an employee to cover a milking that may only last 1 to 2 hours. This prevents many from engaging someone on a casual basis to cover milkings. Often the person that would otherwise be engaged in this type of role may be a mother or young person who is only seeking an hour or two of work.

The TFGA believes that the minimum engagement is an unnecessary mandate as the market has the ability to dictate what an acceptable period of engagement for an employee is.

#### *Workplace Health and Safety*

The adoption by Tasmania of the National Workplace Health and Safety code has ensured that all farm businesses are now under this regime – whether they are direct employers or not. The new system sought to make WHS simpler and more streamlined however for many employers it has added more grey to the plethora of regulation that controls them daily.

The new regime increased the burden of compliance upon many Tasmanian farm businesses but without giving them the tools to actually achieve improved farm safety. It adds yet another layer of



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expense as farmer's direct resources toward trying to address compliance rather than improving safety.

There are a large number of private industry quality assurance programs that farmers must comply with in order to sell their produce, e.g. MSA (meat standards) or Freshcare. Many of these systems have an element of WHS or could be adapted to include a WHS so that it is incorporated into an already existing compliance program and compliance with the private system then accepted as meeting a standard of care required under legislation. This would help streamline the number of programs that a producer has to heed and keep documentation for.

Facilitating the adoption of safe work practices is always better than investing in a regime designed to punish for contravention. TFGA notes the current government's commitment to rectify this through the recently implemented Farm Safe Program and will strive to see the program deliver actual outcomes through improved safety and decreased compliance costs for the sector.

It is unfortunate that alongside of this increased demand for WHS compliance is a ballooning worker's compensation liability. TFGA has anecdotal evidence of farmers being quoted workers compensation premiums in excess of 22% of payroll for 2015. This is leading some producers to review their capacity to employ workers.

If we are going to invest in improving farm safety then we have to ensure that the workers compensation insurance companies meet the industry through improved premiums.

## **Summary**

Tasmanian agriculture needs policies and programs that drive growth and boost on-farm profitability and competitiveness if it is to fully capitalise on its potential. We must make sure that we are not placing bureaucratic impediments in the way of 'getting on with business'.

In the industrial relations arena TFGA is not advocating for the removal of protections for workers from unscrupulous employers but we need to find better balance between protection for employees and affordability employers. If we cannot achieve this under the national system then we must look at removing this referral and reverting back to a state based system.

If Tasmanian agriculture is to continue to grow then it must have reliable and cost competitive access to external markets, both national and international. While we understand that the Government is trying to find a solution to our freight problem we must be wary of trying to find quick fixes that are not sustainable into the future.



## **Tasmanian Farmers and Graziers Association**

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