



QUEENSLAND
FARMERS'
FEDERATION



SUBMISSION TO
QCA- DRAFT REPORT INTO INDUSTRY
ASSISTANCE IN QUEENSLAND

June 2015

The united voice of intensive agriculture



Queensland Farmers' Federation

The Queensland Farmers' Federation (QFF) is the united voice of our state's intensive agriculture industries. We are a federation that represents the interests of 16 of Queensland's peak rural industry organisations, which in turn collectively represent more than 13,000 primary producers across Queensland. Our member organisations are:

- CANEGROWERS,
- Cotton Australia,
- Growcom,
- Nursery & Garden Industry Queensland,
- Queensland Chicken Growers Association,
- Queensland Dairyfarmers' Organisation,
- Burdekin River Irrigators Area Committee,
- Central Downs Irrigators Limited,
- Fitzroy Basin Food & Fibre,
- Flower Association of Queensland Inc,
- Pioneer Valley Water Co-operative Limited,
- Pork Queensland Inc,
- Queensland Chicken Meat Council,
- Queensland United Egg Producers,
- Australian Organic; and
- Queensland Aquaculture Industries Federation,

Our agricultural sector is critical to the success of the Queensland economy making up around 5.1% of the State's GDP, or \$14.5 billion. Agriculture in Queensland has bright future and is well placed to take advantage of the expanding population in key Asian markets.

QFF engages in a broad range of economic, social, environmental and regional issues of strategic importance to the growth, profitability and sustainability of the agricultural sector. Our aim is to achieve a strong and sustainable agricultural industry that can capitalise on future opportunities.

QCA Draft Report into Industry Assistance in Queensland

QFF has previously provided two submissions to the Queensland Competition Authority through their investigation into the Queensland Government's industry assistance measures. Our first submission, provided in response to the *Issues Paper*, gave initial feedback and highlighted key principles regarding industry assistance measures in the agricultural sector.

Our second submission, in response to QCA's draft *Catalogue of Assistance Measures*, reiterated the reality that industry assistance measures afforded to the agricultural sector are few and small in quantum.

In this submission to QCA's Draft Report, QFF provides comment on two main issues addressed by the report focused on agriculture:

- **Defining industry assistance**
QFF challenges the proposition that all the initiatives identified in the catalogue of assistance measures are in fact 'industry assistance measures'.
- **Response to draft recommendations**
QFF responds directly to the draft recommendations presented by QCA.

Defining industry assistance

The draft report asserts that the agriculture, fisheries and forestry sector will receive \$1.49 billion in "direct assistance" from 27 State Government programs over the period 2013-14 to 2017-18. Several of

the listed programs cannot be fairly categorised as direct assistance and many of them are not categorised as industry assistance by respected national authorities such as the Productivity Commission.

The Inquiry's terms of reference defines industry assistance measures as programs that were established with the intention of assisting industry. If a program operates with the intention of benefiting the community as a whole, rather than any particular industry or industries, it would be inaccurate to attribute it as an 'industry assistance measure.' QFF would invite QCA to reassess all the programs outlined in the *catalogue* and examine the suitability of their classification as industry-specific assistance measures. Examples of misclassified programs include:

- **Biosecurity Response and Recovery** – The Government's commitment to biosecurity prevention, preparedness and eradication measures does not have an exclusively agricultural focus. Reducing the threat of pests and diseases has benefits for the community a whole, including reducing risks to human health and damage to the built and natural environment. As such, the classification of biosecurity investment as exclusively an (agricultural) industry assistance measure is inaccurate.
- **Agricultural Land Audit** – This program was undertaken by the State Government to process data and to deliver information to support better policy decision making. Just as the Federal Government's Census may inadvertently benefit entities seeking to undertake market research, the Land Audit program is a clear example of a program undertaken primarily for the broader public good rather than to assist industry. It would be erroneous to classify the undertaking as exclusively intended to assist the agriculture industry.

For programs determined to be 'industry assistance', QCA should provide a clear definition of what are 'direct' and 'indirect' measures. It is imprecise to describe the total of the 27 agriculture specific measures identified by QCA as 'direct assistance', many of these programs are clearly 'indirect assistance'.

Any assessments of industry assistance must take a holistic view of agricultural productivity, profitability, and competitiveness. Assessments must also consider the broader benefits of industry assistance and consider outcomes that are difficult to measure. Environmental or societal benefits are often tougher to measure than pure profit outcomes.

Although the terms of reference instruct QCA to consider all the Queensland Government's industry assistance programs, regardless of their funding source, there is a need for QCA to acknowledge that not all of the programs delivered by the State Government are funded by the State Government and its involvement may be limited to administration. The source of funding for each program should be articulated in the final report.

Response to draft recommendations

The QCA draft report contains a series of draft recommendations on identified industry-specific assistance programs, as well a recommended framework for future consideration of the design and provision of prospective industry assistance.

QFF considers QCA's draft principles for government industry assistance (**Recommendation 6.1**) to be a sound structure for the government to utilise. In practice, the State Government has largely operated within these proposed guidelines, however, a formal adoption of this framework would create greater transparency around the Government's decision making process.

In relation to the QCA's specific agriculture industry recommendations (**Recommendation 7.1, 7.2, 7.3, and 7.4**), QFF provides the following comments:

7.1(a) The Queensland Government should remove drought assistance provided through input or transaction based subsidies, with appropriate transitional arrangements

With 80% of the State currently drought declared, it is an inopportune time to consider major changes to the Queensland Government's drought assistance initiatives.

Long term drought conditions present a significant, ongoing policy challenge on which the community expects government action to address. Greater evidence needs to be presented to support QCA's claim that input or transaction based subsidies detrimentally alter farmer behaviour. There is little contemporary evidence to support the assertion that farmers are positioning their businesses to maximise government financial assistance during drought.

QCA have outlined that the Queensland Government's water infrastructure program is the only industry assistance program that aims to improve the drought preparedness of the Queensland agriculture industry. QFF acknowledges the lack of government programs focusing on preparedness and would welcome greater attention in this area.

QCA have not acknowledged that the focus of many government drought assistance programs, such as freight subsidies, are largely aimed at animal welfare, as opposed to artificially sustaining agricultural enterprises. Programs aimed at facilitating agistment at times of severe drought for animal welfare reasons, although welcomed by industry, need to be recognised as achieving a societal benefit rather than direct industry assistance.

As previously outlined in QFF submissions, drought assistance measures will be necessary until satisfactory progress is achieved in a permanent national drought assistance scheme, with a focus on preparedness. QFF continues to support a repositioning of relief and recovery assistance measures to improved emphasis on mitigation i.e. measures taken in advance to reduce impacts.

7.1(b) The Queensland Government should abolish the Drought Carry-on Finance and Recovery Scheme.

QFF acknowledges that this initiative is now inactive, with no new loans approved in the last five years despite widespread drought across Queensland. The Queensland scheme has essentially been replaced with a national one that is now under review. A winding down of this State Government program would not represent a change in the Government's commitment to other drought assistance measures.

7.2 Ensure that any drought support provided by the Queensland Government is consistent with the National Drought Policy and:

- (a) encourages farmers to improve self-reliance and resilience to climate variability*
- (b) avoids distortionary impacts among farm businesses, and between farm and non-farm businesses*
- (c) complements Australian Government programs so that the joint implementation of these measures results in effective policy*
- (d) ensures that farm and rural households can access welfare support payments that are commensurate with assistance afforded to all Australians.*

QFF acknowledges these principles are a sound basis for the Queensland Government to develop future drought assistance measures. QFF would welcome the opportunity to work with the Queensland Government to develop future drought assistance measures, with a focus on preparedness.

7.3 The Queensland Government should abolish the Primary Industry Productivity Enhancement Scheme.

As QFF has previously outlined in submissions to this Inquiry, not all industry programs fit neatly within the assessment parameters that QCA is proposing. Outcomes of programs – while their

benefits can be substantial – can also be difficult to quantify into a formulaic assessment tool. Environmental benefits, enhanced productive capacity and greater industry resilience are benefits of industry assistance that are considerably harder to measure, yet equally valuable.

The QCA draft report has provided no sound reasoning for this recommendation. Given that both the scheme and its administration were the subject of reviews in 2009 and 2010, and found to be sound arrangements widely supported by the community, QFF rejects this recommendation and refers QCA to the:

- 2009 Review of Primary Industries Productively Enhancements Scheme, and
- 2010 Review of the Rural and Regional Adjustments Act 1994 (QRAA).

7.4 The Queensland Government should abolish the Hendra Virus Personal Protective Equipment Rebate Scheme.

QCA have estimated the budgetary outlay for the Hendra Virus Personal Protective Equipment Rebate Scheme is only \$76,000 over the 2013 to 2018 period. QFF concedes that this rebate scheme is a very small program and has completed its purpose. This acknowledgment is not a reflection on the very real need for targeted State Government assistance to fund responses to rapidly developing biosecurity threats. Emerging biosecurity risks represent a genuine market failure and fit within the QCA's suggested guidelines for government industry assistance.

Conclusion

The reality of the Queensland Government's industry assistance measures for agriculture is that these initiatives are few, often of indirect benefit and extremely small in financial quantum. These measures are established to correct significant market failures and have been developed through processes which reflect QCA's new proposed framework for the design and provision of future industry assistance measures.

Whilst QFF accepts a number of the recommendations developed by QCA in their interim report, it cannot endorse major changes to the Government's drought assistance measures while 80% of the State is currently drought declared. The development of a permanent drought assistance scheme, with a strong focus on preparedness, will need to be adopted as a long term objective of the Government.

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