

Regulation of Agriculture

Productivity Commission Public Inquiry



Regional Development Australia – South West

Feedback provided by:
Charles Jenkinson
Executive Officer, RDA-South West
eo@rdasouthwest.com.au

**Regulations on agriculture are either designed for agriculture
or to protect other parts of the economy or society from
harmful effects of agriculture**

Deloitte Access Economics

Introduction

This brief submission will highlight several findings in a report commissioned by Regional Development Australia-South West and the South West Development Commission with the support of the Department of Agriculture and Food WA.

The report was prepared by Deloitte Access Economics and published in February in February 2015. It is titled *Action plan for transforming agriculture in South West*.¹

South West findings

The Deloitte report found five areas that require attention if South West WA is to rise to meet opportunities. Of these five, three are relevant to regulation.

1 Market structures

Current market structures impede the ability of the agribusiness sector to respond to export-orientated opportunities. Co-operative business models, reduced information asymmetry, and specialisation are required to transition the sector.

- Action: Facilitate the introduction of alternative business models (much that exists elsewhere) with government agencies playing an active role to support market intelligence).

2 Skills and technology

There are problems around the lack of capital attraction due to an ageing workforce, declining talent attraction, high debt levels and limited innovation. These impact on upscaling the sector. A completely new approach is required to attract new sources of capital and talent to the sector

¹ The report can be downloaded in full from:
http://www.rdasouthwest.com.au/uploads/3/8/0/4/38040777/swactionplan_deloitte_2015.pdf

- Action: Develop the WA Agricultural Hub and facilitate the WA Agribusiness Accelerator.

3 Biosecurity

WA may not be capturing full value from existing biosecurity controls in their current form. In a competitive market it is crucial to extract maximum value and ensure any protectionism from biosecurity does not impede market development.

- Action: Undertake a cost benefit analysis of biosecurity measures and growth models (e.g. enabling the movement of animals within Australia).

4 Red tape

The red tape burden on the agriculture sector is not as significant, relative to other sectors, however is a hidden cost. Australia needs to be prepared for rapid growth in export markets requiring the compliance burden to be appropriate for large scale export growth.

- Action: Reduce unnecessary red tape and streamline regulatory processes.

5 Water issues

The South West faces significant groundwater challenges, as reduced rainfall reduces surface water availability and the water recharge to the superficial and confined groundwater aquifers. The present regulatory environment is administratively onerous and inhibits the allocation of water to its most efficient use.

- Action: Improve the water market framework including review of market mechanisms.

Biosecurity

While biosecurity regulations are generally welcomed, we have seen regulations reduced in some areas where they should remain robust and maintained in some where mitigating actions could achieve the same goal.

South West horticulturalists have been angered by a reduction in regulation that has led to some disease entering WA at the same time as overseas competition. The two can come hand in hand.

The Deloitte reference is to the movement of animals within Australia and limit responses to investment opportunities.

It is suggested that less controls would enable the movement of herds to respond to market demand and opportunity. To mitigate against the spread of disease, a quarantine zone or farm could be established on the WA/SA border. Timeframes for communicable disease could then be put in place following scientific study.

Red tape

It is noted that red tape burden on agriculture was \$31,364 per farm per annum for the period 2007-13². This amounts to 20.6 days of time spent. To some extent there are too many (employment) vested interests in streamlining processes.

Issues raised in the South West study include:

- Fire safety regulations limiting construction of farm sheds (including steel buildings);
- Limited ability to react to markets due to cross-Departmental compliance;
- Excessive OHS requirements;
- Inconsistent biosecurity regulations;
- Inconsistent labelling requirements; and
- Lack of consistent compliance with trading partners.

Water market

The changing climate has seen reduced rainfall in the South West and the WA Department of Water is notes that 77% of groundwater allocations have already been made.

Water is the most constraining single issue in South West agriculture but there is no market mechanism for water use that would support growth and economic efficiency.

Economic development

It is useful to note that among COAG's key determinants of long term regional economic growth the regulation issue impairs Australian access to markets, limits the gains it could enjoy through competitive advantage and fails to provide effective cross-governmental collaboration.

An overhaul and review of the current environment is a consistent discussion point but it appears that there is little genuine appetite to progress positive change.

² Holmes and Sackett (2014) A snapshot of the red tape costs on farm in Australia

Summary

This summary raises key points and messages:

- Regulation is ad hoc – we might regulate some internal activities while at the same time lowering biosecurity protections.
 - While it is accepted that some regulation is necessary, red tape/compliance in agriculture is often a hidden cost and can stifle growth.
 - There is a lack of consistency in labelling and disclosure requirement when value adding product.
 - Water regulation needs a major overhaul.
 - Red tape impacts the sector from growing produce, building a shed and labelling a jar to growing herds and on-farm decisions.
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