



James Jackson  
President

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10 May 2021

Vulnerable Supply Chains Inquiry  
Australian Government Productivity Commission  
GPO Box 1428  
Canberra City  
ACT 2601

**Re: Vulnerable Supply Chains Interim Report**

NSW Farmers welcomes the opportunity to comment on the Productivity Commission's Interim Report on Australia's supply chain vulnerabilities.

NSW Farmers is Australia's largest State farming organisation representing primary producers across all agricultural commodities. Farmers across New South Wales contribute significantly to the State and national economies with the State's food and fibre production representing around one quarter of Australia's annual total agricultural output. It is our aim that the value of primary production in NSW reaches \$30 billion by 2030.

Our members rely on efficient supply chains to receive inputs such as fertiliser and fuel, and to transport their produce to domestic and global markets. An uncertain or unstable supply chain can significantly impact upon the ability of a farm business to operate efficiently and effectively. This will also influence major decisions such as what commodity to produce, when to produce it and where it can be sold. Both direct and indirect disruption to the primary production supply chains are a cause for concern.

While it is a usual assumption to focus on the international implications of supply chain inefficiencies and/or barriers, it is also critical that a light be shone on the internal supply chain inefficiencies of inter- and intra-state transport.

The inconsistencies in road connections and access, coupled with challenges of connecting to rail infrastructure (e.g. last mile access for the Inland Rail to Brisbane's bulk terminal due to different rail gauge) adds cost, reduces productivity and results in lost opportunities to sell into international markets. For example, grain growers in northern NSW are predominantly using road transport to send produce to Newcastle and Brisbane ports.

With projected increase of bulk transport there will be greater costs and increased road safety challenges. It would appear that Australia's freight system is not designed to scale up to meet increasing primary production outputs or to improve the essential interface between roads, rail and port facilities (air and sea). While national focus appears to be on enhancing north/south connectivity, the critical west/east links are under capitalised. Our concern is further exemplified by the lack of commitment to improve the road connections between the NSW central west and the new Western Sydney Airport and associated agri-food precinct by a timely commitment by the Federal Government to the Great Western Highway Upgrade.

**NSW Farmers' Association**

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As an island, supply chain interruption can have significant consequences due to Australia's heavy reliance on imports and exports. The mere suggestion that the supply chain could experience delays led to significant concern and in some cases panic buying of products such as chemicals and fuel as farmers feared that they would lose access to these essential supplies as they tried to capitalise on a good season following many years of drought.

It is critical that Australia honours its legislated commitment to house onshore fuel supplies, as if access to fuel is lost or severely delayed, the impacts will be significant and widespread across consumers and industries. For example, if farmers cannot access fuel this will impact their ability to plant and harvest crops, and their ability to provide a stable supply of food to consumers. A lack of fuel could also impede travel for farmers and those living in regional communities, who often need to travel long distances to access essential services, and would negatively impact farmers' mental health.

Australian farmers are also heavily reliant on imported ag-vet chemicals for use as herbicides, pesticides and fungicides. There is potential for the supply of ag-vet chemicals to be disrupted at the manufacturer or distribution level, preventing access to these essential products. The active ingredients for ag-vet chemicals are mostly only available from one country, so any disruption could impede access, as experienced by the grains industry's difficulty in accessing glyphosate in 2020.

An additional concern is that other countries would also likely experience difficulty in accessing these chemicals if there was a disruption to the supply chain, which would impede the ability of Australia to import chemicals or commodities from alternate sources to smooth over adverse impacts.

Australian agricultural produce is exported around the world, with around 70% of Australia's produce exported at a value of \$40 billion to \$60 billion. To continue to benefit from these strong trade relationships, it is critical that export orders are met, making outbound freight shipments essential. NSW primary industry exports accounted for 10% of NSW total exports in 2019-20 and earned \$5.1 billion. This was up 2% on the previous year and achieved by large annual increases in the value of beef, sheep-meat and wood exports. Due to state level data restrictions on cotton exports imposed in 2018 the adjusted estimated total export value is \$5.5 billion<sup>1</sup>.

For example, COVID-19 disruption to port activities including quarantine measures for staff, travel bans and importing country protocols has the potential to impact transportation of a variety of agricultural inputs and outputs, from glyphosate to the export of live cattle. Additionally, disruption to fuel supply could lead to key diesel shipping ports being shut down.

The export of those commodities that are exported in a fresh state rather than in a processed or value added form presents further issues. These commodities cannot be exposed to unexpected delays in transportation as this would likely cause the produce to spoil.

Some commodities require access to air freight due to their perishable nature and need for time-sensitive transport. Prior to COVID-19, there were approximately 2,000 flights per week with freight carrying capacity. Freight rates for these flights were subsidised by passenger and inbound freight, on average 45c/kilo. Earlier this year, outbound flights had reduced down to approximately 465 per week, and on current indications this will not return to pre-COVID levels until at least 2023.

Depending upon the destination, freight prices are currently 1.87 to 6 times higher than pre-COVID levels. The International Freight Assistance Measure (IFAM), established by the Australian Government in 2020 to aid in the consignment and shipping costs resulting from COVID-19 border closures and the subsequent significant reduction in passenger flights and cargo loading for international destinations, significantly helped a number of industries with highly perishable products. It is critical that this program continues until at least

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<sup>1</sup> IHS Global Trade Atlas (GTA) (2020). Source: NSW Primary Industries Performance, Data & Insights 2020

June 2022 to continue to assist producers to export their produce following the significant increase in the cost of international freight.

At a domestic level, different farms require different types of labour, in terms of both quantity and specialisation. It has been well documented that the COVID-19 pandemic caused a massive labour shortage for industries such as horticulture and shearing, as they rely on travelling workforces to complete harvest or shear at certain times each year. Reduced access to New Zealand and interstate shearers increased costs due to increased demand, delays and regulations, and a lack of backpackers and seasonal workers to assist with harvest resulted in labour shortages and food wastage as produce was left to rot. If this continues, supply will be impacted resulting in reduced availability of fresh produce and increased prices. It may also cause some producers to shut down due to a lack of viable labour options.

In addition to the issues experienced in accessing labour for harvest and farm work, issues have also arisen in relation to access to specialised labour for certain equipment, as well as access to parts. Some equipment technicians are based overseas and will service certain equipment every few months. Not only are the technicians based overseas, but many replacement parts are also sourced and produced overseas. If key items of equipment break down there will be issues surrounding the local availability of technicians and/or parts, which has the potential to cause significant delays and supply issues.

Most agricultural machinery requires specialised parts exclusive to that particular brand. These parts may need to be transported from the other side of Australia, or from overseas where the manufacturer is based. Inability to have machinery repaired in a timely manner can cause significant problems impeding harvest and costing the farmer both financially and in terms of time wasted.

#### **The exclusion of agricultural supply chains from the analysis**

NSW Farmers raises our significant concern that the Productivity Commission omitted analysis of the agricultural sector, despite the importance of food as a basic need. Food security is of high importance to consumers, as highlighted during the panic buying and food hoarding during the COVID-19 pandemic in 2020. This occurred based on perceived disruptions in food supply chains, but indicates what could happen should there be a significant disruption to supply chains in the future.

As food is an essential good, any potential impacts to food access and security should be examined. Due to the nature of agriculture, any supply chain interruptions have the potential to cause short and long term impacts.

NSW Farmers urges the Productivity Commission to consider the many direct and indirect impacts on agricultural supply chains that came to the fore in 2020, and in many cases continue to cause concern. These impacts will have consequences not only for farmers, but also for rural and regional communities, and consumers more broadly. If agricultural supply chains are affected, as demonstrated, food security diminishes leading to adverse social and economic impacts for the entire community.

Should you wish to discuss these issues in further detail, please contact Kathy Rankin, Policy Director.

Yours sincerely

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**President**

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