

Opening Address to the NFF National Congress 2014

Hon Barnaby Joyce MP, Minister for Agriculture

Monday, 20 October 2014

It is a pleasure to join you today for the National Farmers' Federation Congress for 2014 and to represent the Prime Minister, Tony Abbott.

The Prime Minister has asked me to extend his apologies for not joining you this morning, but he has the very important job of representing our country at the inauguration of the new Indonesian President Joko Widodo.

Only last week at another event, the Prime Minister referred to five industries where Australia was internationally competitive and where we needed, as a nation, to concentrate our efforts.

It was no coincidence that food and agribusiness has re-emerged in the nation's psyche, and that agriculture is one of the top of the five pillars of the Australian economy. Agriculture for a variety of serendipitous reasons, has re-emerged in public policy thinking and is now recognised as a fundamental plank of our economy.

All of us here today know we have a great potential in agriculture if we can continue to build on the foundations of the past and get the policy settings right for the future.

The land is an inherently noble and good occupation. Your endeavours feed and clothe people. You are on the land if you farm, if you work in an abattoir, if you transport produce in logistics, if you are a vet or a farm worker and if you are the family that owns the farm. There is no way to measure good, it just is.

Why is it good for a family to own their house on their street when it is cheaper to stack them in multi storey units? Why is it good to tend the elderly when you can save money by not?

Why is it good to have the Australian people as the primary and overwhelming owner of the primary asset, because that is what makes a nation and that is why I left accountancy and risked all, twice, to do this job.

As I noted in my second maiden speech the notion of nobility in the pursuit of agriculture is not new.

Cicero said, about 100 years before Christ:

"... of all the occupations by which gain is secured, none is better than agriculture, none more profitable, none more delightful, none more becoming to a free man."

A people that bind together around intangible principles, but emphatic as to who they are, is deeper and wider than a group who hold to quantifiable tangibles that are guided merely by pecuniary value. When the pressure descends on a nation the call is made to those who love this land, and what value do we put on love?

Now that the government owes well in excess of \$350 billion and mining is slipping, it is not just farming families that need this trend reversed. What New Zealand has done is of some guidance of how the fortunes of government and the farming sector can and must work together.

So where do our opportunities and impediments lie, and do we have the comprehension to realise what we need to do and the commitment at all levels to do it? These are the questions I hope the Green Paper starts the process of answering.

Do we think that a nation built on the deliberate actions of Lachlan Macquarie, John Curtin, Ben Chifley, Robert Menzies and John McEwen will now live on and thrive by some miraculous accident of random purposes, a national experiment of chaos theory? As I believe this is what the previous Government left us in agriculture.

The land has so often been the home of the soldier/farmer/statesmen whose formative experience is the vessel from which guidance through the time of challenge is rooted.

Noted historical figures such as the Roman statesmen, Lucius Quinctius Cincinnatus and the first American President George Washington had their characters so indelibly etched in the land they came from they preferred to go back to the land than become king and this quality of being part of the land, rather than the head for a crown, has carried people's admiration of them through the years.

Lachlan Macquarie, apart from his acceptance of 300 merino rams from John Macarthur while the fifth Governor of New South Wales, left as his greatest achievement of our future agricultural purpose, the construction of the first road to the Western Districts and the establishment of the city of Bathurst. He knew our future lay on the other side of the Great Dividing Range.

In commerce Kerry Packer, Rupert Murdoch and Gina Rinehart all had the formative experience of the land as part of their DNA.

Whilst in China recently I had dinner with the then richest individual, Zong Qing Hou, Chair of Wahaha Group. And where did he come from, the land. Twiggy Forest and Liu Yonghao, Chairman of New Hope Group, are also from the land.

It is the human experience from, and the product grown on, the land that are essential for the growth and sustenance of the nation.

Combined with this, the purpose of any nation is defined by the benefaction of ownership being inextricably linked to the people who live there. For this reason farming families are the cornerstone of not only the rural community, but are also the litmus test of our political system.

The Agricultural Competitiveness White Paper that this current government has carriage of is seminal to who we are, where we came from, and is a vital part of the puzzle of how we get out of our current financial bind.

This puzzle piece relies on expanding the profitability of agricultural output by Australian farming families.

We have a choice here.

If we tone down all ideas to politically correct, economically neutered, nationally agnostic terms, then we will have the perfect serum for an inoffensive and useless motherhood statement - a frosted windscreen to guide us on a foggy road.

So to go from the esoteric to the mundane – what is the price we offer those who tend the land?

In today's value a 450 kg beast was worth 350 cents a kg in 1970 - that is over \$1500/ head. If you sent in 200 of those today you could buy a reasonable house in a reasonable regional town.

Of course a 450 kg beast today is not worth \$1,500, but we should make it our goal that it is. We have expanded the live cattle trade and we are opening markets to put upward pressure on prices.

And for the purpose of this speech let me state that the aspiration for a better price in cattle is the metaphor for a better price in all agricultural products, but for the purpose of brevity I won't mention every agricultural product we produce in this nation, otherwise this speech will evolve into merely a rather long list.

We are inquiring of processors in the Senate as to what is a fair price. A farmer that gets between 10-15 percent of the final price when they've done the majority of the work is inherently unfair.

There is still a lot of money in agriculture today; it's just that different people get it. The farmer gets far less, and to be honest, so does the taxation department.

In Asia we have in excess of 4 billion people and they are making their way by the hundreds of millions into the middle class. We have China that still holds to a variant form of the one child policy. What does this mean for agriculture?

It means that if you have one child and that child is your future social security policy then you are going to be exceptionally careful with what that child eats.

If you live in a country where the density of the population inherently engenders a hierarchal system that proclaims itself in a myriad of ways including what you wear and what you eat, then quality counts in how you are placed in that hierarchy.

If we were to just produce food then we must remember that India is a net food exporter and China has four times as many cattle as us. The political ramifications of threatening the livelihoods of hundreds of millions of farmers is politically untenable for these respective countries and impossible for us as we only produce about one percent of global agricultural production.

So we need to produce a premium product for a premium price and that premium must flow back through the farm gate if we are to get a reinvestment in our farm land by entities most likely to give the best tax return to the treasury to assist in paying our bills from elsewhere.

The greater the reach down the production chain, the greater the prospective return.

The beast that is sold lightweight returns less than the beast finished on grain.

Further greater return is there if you can process the beast into the particular cuts of meat and the world is your oyster if you can effectively retail it.

It is reality that few individual landholders can secure the capital required to do this so cooperatives are a great mechanism of combining the capital to access the benefits of reaching down this production chain. It is little wonder that our two biggest rural Australian owned organisations are CBH and Murray Goulburn – both cooperatives.

Government lives more on the cost side of enterprises in both creating costs through such things as water pricing and tree clearing regulations and building the capital for external costs such as rail and road.

Canada's rail freight for grain is already half the price of Australia's. It takes 16 trains in Australia to haul 60,000 tonnes to port, compared to Canada's six trains.

In Canada you can move a tonne of grain from Central Alberta to Vancouver for \$9 per tonne, a distance of 688km. In Australia the cost is \$46 to move grain from Walgett to Newcastle, a distance of 594km, but only \$20 to move it from there to Egypt.

We have to build a vastly more efficient intermodal rail platform and I congratulate Warren Truss for allocating \$300 million to start the inland rail between Melbourne and Brisbane and hopefully later to Gladstone.

We must work with the mining industry to see the transport capital and water capital built that is in both our interests as bulk commodity producers and movers.

In the last month we have started the construction of the Chaffey Dam upgrade and allocated \$15.9 million for the continuation of the piping and capping of the Great Artesian Basin bores. Water is wealth and stored water is a bank.

If we are to be honest what are the biggest impediments to us returning to the vision and purpose that built the Snowy Mountains Scheme? The answer is our self-imposed caveats not least of which are the sacred invertebrates, amphibians and molluscs.

Chaffey Dam was almost stopped by the Booroolong frog, Nathan Dam was stopped by the Boggomoss snail, yet Lake Argyle created two RAMSAR wetlands that would prevent us getting rid of that dam - not that we want to.

My previous experience at St George showed how a piece of water infrastructure built for one industry can quickly morph to underpin new industries. A district of around 5,000 people, producing over half a billion dollars in agricultural production. If

this was replicated across the nation would by theory make us the richest nation on earth.

Prudence, is to invest where you make money and spend less where there is no return. It is a very worthwhile approach to those considering staying in business.

The Department of Agriculture's budget is 0.47 of one percent of the federal government spend and with the removal of levies, that are merely collected and paid straight back out on behalf of RDCs, it is only 0.12 of one percent. So there is no fat in our department.

But more important is the investment and protection of the vital assets of land and water. If a forest is cut down it will grow back, but when the land is lost or its productive capacity is irreparably changed, then the world is made permanently poorer.

If we need more gold then we can dig deeper and refine better, but all the prime agricultural land that is known in the universe is known to us now. It is the ultimate finite resource. Likewise, aquifers and waterways, once destroyed cannot be made good.

Agriculture can work with mining, but mining's call must be subordinate to the protection of these vital assets. The cash flow of a 40-year lifespan of a mine will never match the 40,000 years of the land if the agricultural asset is compromised.

Reckless inattention must not be the signature of the government. Likewise the property rights of the land owner must be respected or the fundamentals of a free enterprise society become a cynical hypocrisy, a word bandied around for tribal effect, but not alive in the actions and legislation of the government.

But no one makes a return at the farm gate if the mechanisms of commerce downstream are controlled in monopolies or oligopolies that can detect and absorb all margins beyond the basic one required to motivate supply, otherwise known as survival.

Competition law may be the clumsy mimic of market conditions, but it is better than none and essential where excessive market power is present.

It is always in the interest of any entity to strive for the position where you can pay less than a product is worth and sell it for more than it should genuinely retail.

There are far more stringent controls of this monopolistic problem in other countries - countries who celebrate a greater heritage in market conditions than those that exist in our nation.

Ultimately the greatest threat to Australian agriculture is not excesses in market power but biosecurity. The recent issue pertaining to Ebola is the perfect example of this.

Ebola, if it was unfortunately to spread to our shores and become rampant would not, despite its zoonotic nature, cause problems to animals or plants.

At the marketplace however, where people mix, there would be concerns serious enough to affect how business is conducted, and in some instances, whether it is conducted.

Australia has an enviable track record in ridding us of diseases such as brucellosis and tuberculosis in cattle, papaya fruit fly in northern Australian fruit and keeping foot and mouth, screw fly and rabies out.

This investment in our biosecurity should never be compromised as the cost of incursion of certain diseases would be in the tens of billions and our main marketing advantage would be lost.

As land is the essence of what designates a nation on a map then it's ownership is a highly sensitive issue. This sensitivity is not unique to Australia as we remain the most liberal in allowing others to buy it.

An area nearly 2.5 times the size of Victoria is now foreign owned and the question has to be asked what proportion of the better land is now foreign owned.

Other nations cannot take the land with them, but they don't have to be the benefactor of it to the exclusion of Australia. The Aboriginals would have clear views on the benefits of foreign ownership for them.

So it is back to the Australian people for their further response to this Green Paper.

We have received close to 700 submissions, making this one the highest responses to a Green Paper in the history of our nation, and I hope that by the end of the year we have one of the most formative documents that can be handed on to future ministers and future governments to assist the policy settings for Agriculture in Australia.

My desire may be to be agriculture minister for as long as possible. However, a more realistic goal is to be part of a process that removes the wilder oscillations for agriculture policy because the term of planning for any serious business reaches beyond the three year term of Parliament.

If Australians want younger farmers then we need farms that attract the human capital away from the accountancy office, from the solicitor's office and the tradesman and back onto the land.

If we are to create the market signals to put Australian farms in a more formidable position for future years then we must be prepared to make the changes to do it.

Ends