

2018 South Australian Election

**Five keys to unlocking increased
profitability in the grain industry for
the benefit of all South Australians**

15 January 2018



**Grain
Producers SA**

**Grower-driven advocacy for
a profitable grains industry**

Grain producers are GROWING SA

A successful South Australian grain industry can further grow its contribution to the economy, the environment and city and country communities.



\$2.5 BILLION

the export value of SA's grain production to the state



600

people are fed by an Australian farmer every day – 150 here and 450 overseas



20%

the percentage that SA contributes to Australia's total grain production



7 MILLION

the number of tonnes SA grain producers grow in an average year



11 MILLION

the number of tonnes SA producers grew in 2016-17



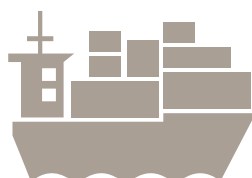
\$40 BILLION

the sum of money grain producers have invested in farm capital



180,000

the number of people the grain industry employs directly and in the food sector



85%

of SA's grain is exported



60

countries around the world receive SA grain

The SA grain industry ... an engine room for growth

ONE of the values that all proud South Australians share is for our state to be productive, prosperous and positioned for growth.

This is a value that is of the highest importance to grain producers because ours is an industry that can play an integral role in helping SA achieve increased growth and profitability.

Already, the grain industry is a significant employer and generates \$2.5 billion for the state's economy – excluding all the other commodities that comprise primary production in this state. Continued investment in our industry will unlock future growth for SA, jobs and a raft of opportunities in technology and market development.

Grain Producers SA is a non-political organisation representing its producer-members to government, the community and industry including grain marketers, exporters, transporters, storage and handlers, researchers and farm input suppliers.

This policy statement represents an invitation for all political parties and all candidates to learn more about the grain industry and the capacity for growth we have in this state if the right environment is created. In identifying the 'right environment', GPSA has developed five keys to unlock increased profitability in the grain industry for the benefit of all South Australians. GPSA seeks all political parties and candidates to commit to:

1. Create infrastructure efficiencies for lowest-cost delivery to markets
2. Increase market access to boost returns to SA's economy
3. Invest in plant science research, technologies and biosecurity
4. Build a stronger workforce with new entrants and skills development for current participants
5. Balance agriculture with competing land uses

The benefits of the changes detailed in the following statement will flow to all South Australians. The grain industry is the engine room for many regional towns, and rural communities and businesses will benefit as farmers use their profits to purchase farm inputs, machinery and infrastructure or pay off debt.

This has huge flow-on effects for Adelaide too because farmers will shop, renovate, holiday, fund children's education and seek professional advice and services in the city.

While the industry has significant capacity to support SA's growth and development, our industry is relied upon by hundreds of thousands of consumers overseas. Every Australian farmer feeds 450 people internationally and the Food and Agriculture Organization of the United Nations projects this to increase, particularly in Asia and Africa – two continents close to us.

With the capacity for influence both here and overseas, the grain industry is an industry worth government investment. We welcome discussing how this partnership may occur with all parties and candidates contesting the March 2018 State Election.

Wade Dabinett
Chairman
Grain Producers SA



5 keys to increased contribution to the state's economy by SA's grain industry ...

The South Australian grain industry is large and diverse, making a significant contribution to the economy. With an estimated farm gate value of more than \$1.8 billion and export value of \$2.5 billion, the grain industry is not only a major contributor to the economy, it is a significant export earner for the state.

Grain Producers SA's objective is to improve the profitability and sustainability of its producer-members. GPSA has identified five priority areas that must be addressed in the next term of government to enable them to further this contribution.

1. Create infrastructure efficiencies for lowest-cost delivery to markets

Grain producers need access to higher productivity vehicle combinations for grain transport across the state. They would also benefit from implementation of the measures recommended by the Essential Services Commission of SA in its report regarding supply chain inefficiencies.

The industry needs an economic impact study on the benefits of moving to a demand-pull marketing system for the grain industry as well as a transport study for Eyre Peninsula to address the region's critical transport and supply chain issues.



2. Increase market access to boost returns to SA's economy

Producers need greater capacity to be able to export grain in containers. An investigation into barriers to entry should be conducted and a chronic shortage of 20-foot containers addressed.

For bulk grain exports, the Australian Competition and Consumer Commission has made recommendations regarding cost-effective third-party access to export ports – these must be expedited to unlock immediate profitability gains. In addition, producers need access to stocks information of grain held at port terminals to make competitive on-farm decisions.



3. Invest in plant science research, technologies and biosecurity

Primary production needs a stand-alone department and so PIRSA must be retained and be closely linked to SARDI. Investment in both organisations must increase to assist the industry meet its huge export potential and to stimulate investigation of public/private co-investment opportunities.

Grain producers should have the freedom to grow whatever crops best suit their business. The current moratorium on genetically modified crops is constraining business growth, and hence growth of the industry and its contribution to SA. An independent review into the marketing advantage or premium purported to result from SA's GM free status must be conducted within 12 months of the March 2018 election. In the meantime, the exemption to grow GM canola seed must be extended to allow commercial production and if higher value markets do exist, producers should be assisted to gain access to them.

The significant public good outcomes of biosecurity must be recognised and the fact that the general public, particularly travellers and importers, create the greatest risks. As a result, government investment must be increased to better support biosecurity as the primary line of defence in maintaining our premium marketing edge.



4. Build a stronger workforce with new entrants and skills development for current participants

There is a raft of careers and job opportunities in the grain industry that are currently not filled. GPSA seeks support in promoting the opportunities in agriculture, including through the Department for Education and Child Development and other industry-based programs.

The industry needs to develop leaders and deliver labour levels necessary to meet the industry's current and future demands.

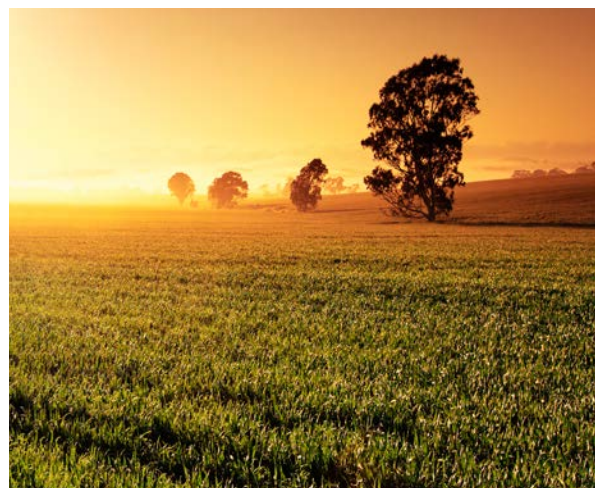
In addition, GPSA seeks a government-led review into the relevance and value of tools to help farmers to self-manage for times of risk as a key way to ensure jobs and opportunities continue.

5. Balance agriculture with competing land uses

An independent review of the *Mining Act 1971* is required to ensure the needs of farmers are adequately considered and interruptions to their businesses adequately compensated for.

When producers are faced with a mining company wanting to explore on their property, it can be a very stressful and emotional time and they are unsure of their options or rights. All farmers need access to a government-funded mining industry information resource within Primary Producers SA for help.

In addition, effective land use planning is crucial to protect grain production's capacity to generate income for the state. Existing land uses and resources should be protected by establishing buffer zones on new land uses.



Policies ... in detail

GPSA's highest priority leading up to the March 2018 State Election is to ensure that the state's primary industries and, in particular the grain industry, are high on the agenda for all political parties. The importance of primary industries to this state in terms of value of production and employment is considerable and therefore should not be overlooked in the lead up to an election.

GPSA requests all parties and candidates ensure the value of agriculture to SA's economy, community and environment is recognised through sound, strategic policies.

GPSA supports the policy platform of Primary Producers SA and has an additional five key priority policy areas that if supported would unlock increased profitability from the grain industry, with direct benefit to the SA economy.



1. Create infrastructure efficiencies for lowest-cost delivery to markets

The efficiency of and cost to use SA's grain supply chain infrastructure is consistently identified by our grower-members as the number one issue impacting their profitability.

GPSA acknowledges the work the current State Government and organisations such as the Australian Competition and Consumer Commission (ACCC), the Essential Services Commission of SA (ESCOSA), and the Australian Export Grains Innovation Centre (AEGIC) have undertaken in the past 12 months to support GPSA's position in gaining greater market share for South Australia's grain producers.

This work is outlined in the following reports:

- [ACCC's bulk wheat ports monitoring report 2016-17](#)
- [Final Report of the Economic and Finance Committee's Inquiry into issues facing Primary Producers](#)
- AEGIC's report into supply chain costs across Australia, due for release in 2018
- ESCOSA's part 1 inquiry into the South Australian bulk grain export supply chain costs, expected mid-2018.

With many recommendations for improvement already released, options need to be identified and introduced to address supply chain inefficiencies and how new entrants can sustain and improve their current market.

What's needed ... efficient transport and supply chain infrastructure

- The road and rail infrastructure that supports grain production is depreciating and lacking the investment required to improve services. This is of immediate concern to Eyre Peninsula producers.

- GPSA welcomes the work undertaken via the *90-Day Change @ SA Improving Road Transport for the Agriculture Industry Project* in opening up access to higher productivity vehicle combinations. There are still many 'first mile' issues to address across the state allowing access from farm gate to the supply chain in an efficient manner.
- There has been an increase in activity from vendors and proponents for multi-user port terminal options on Eyre Peninsula primarily to support the mineral exploration and mining industry. There is potential for these to lead to infrastructure-sharing deals with innovative agreements to export grain using iron ore port terminals and logistics.
- GPSA acknowledges the Eyre Peninsula Transport Study currently under way by the Department of Planning, Transport and Infrastructure. This study should provide a way forward for the grain industry on Eyre Peninsula to have a fit-for-purpose and efficient grain supply chain taking into consideration future development and existing infrastructure to remain competitive.

Recommendations

GPSA seeks all parties to commit to:

- A government-led Eyre Peninsula Transport Study to identify the best new multi-user port terminal location for the region. In addition to GPSA, this must be identified in consultation with proposal proponents, state and local governments, exporters and other relevant stakeholders.
- Facilitate the use of higher productivity vehicle combinations off-farm to grain transport pathways. This includes working with relevant authorities to grant higher mass combinations, such as road trains and A-B double access, on the most efficient routes to South Australian port terminals.

What's needed ... delivery to global markets at lowest cost

- The vertical integration of dominant port terminal service providers, and the degree of regional monopolisation, results in a lack of competitive constraint of port terminal services. ACCC acknowledged this issue in its recent monitoring report. For example, storage and handling fees from the state's largest provider increased in 2017 by 2% above CPI in Adelaide. This increase would not be accepted under a competitive model.
- In the review currently being undertaken by ESCOSA it was noted that there have been cost increases above CPI of essential maritime services at port terminals. Specifically, the difference in port services charges compared with CPI were +0.2% for cargo and harbour services, +1.3% for navigational services and +2.1% for pilotage.
- ESCOSA also noted that no concerns relating to these increasing prices were raised with Flinders Ports or with the Commission. In a competitive model these increases would more likely be challenged.
- For such price increases to be accepted for up-country storage and handling fees and port terminal services brings into question whether SA is accessing global markets for the lowest cost, and therefore remaining competitive globally.

Recommendations

GPSA seeks all parties to commit to:

- Urgently consider the findings of the ESCOSA inquiry that bulk grain supply chain costs are inefficient, and implement measures to address those inefficiencies. These measures will establish a basis for pricing of and access to grain storage and bulk handling facilities (including up-country services) consistent with the requirements of a competitive and deregulated grain export market.
- Conduct an economic impact study to examine the effect of moving to a demand-pull versus supply-push marketing system on the SA economy.

2. Increase market access to boost returns to SA's economy

GPSA is seeking greater market access for SA's grain producers. To achieve this, industry stakeholders require increased export market opportunities and the ability for all exporters to have port access to secure global markets for the lowest cost. SA's grain supply chain network is well equipped to store, transport and ship the state's production, as evidenced during the 2016 harvest where current facilities adequately handled exporting a 11 million tonne record crop.

However, while the current system is supply-push to move the volume of grain produced, there is scope to increase export market opportunities and ensure port access is available to all exporters for the lowest cost to ensure SA producers are competitive. This scope includes not only the management of costs in the supply chain, flexibility in market access, and the efficiency of the state's supply chain infrastructure, but moves towards greater demand-pull markets.

What's needed ... producer participation in the benefits of markets

- ACCC's bulk wheat ports monitoring report found the domination of the supply chain in SA is limiting market access options for growers and other exporters. By comparison, grain producers in eastern Australia have access to alternative and competing markets for their grain, such as domestic markets or significant export container markets.

- ACCC states less than 1% of SA wheat exported is done so in containers, compared with NSW at 23%. Exporters which are the first to trade in containers then leverage existing commercial relationships to expand operations into bulk exports.
- A shortage in suitable 20-foot food grade containers is exacerbating SA's inability to compete in the container trade market.
- ACCC draws attention to the lack of information about whole of supply chain pricing and stocks information. Grain producers need access to more information on grain in storage to be able to make informed on-farm decisions about sowing, when marketing grain and for greater incentive to invest in on-farm storage.

Recommendations

GPSA seeks all parties in this election to commit to:

- Commission an investigation on the barriers to entry for our grower-members entering the container grain market. The investigation should comprise analysis of how to compete, enter high-growth and profitable markets and create low barriers to entry, consider competition or regulated models and explain a lack of 20-foot containers and, internationally, reposition those currently available.
- Facilitate improved, efficient and cost-effective third-party access to export ports through expediting the key observations about the shipping year contained in the recent [ACCC bulk wheat ports monitoring report 2016-17](#).
- Research and analyse the costs and benefits of the publication of stocks information held at port terminals and in up-country storage facilities and its usefulness in providing all participants with a level playing field.

3. Invest in plant science research, technologies and biosecurity

Grain producers must have access to the latest science and technology to be productive and competitive. GPSA believes increased government investment in agricultural research, development and extension (R,D&E) and other initiatives facilitates and encourages private sector investment. In addition, government investment in biosecurity supports producers to protect the existing industry and its markets.

Use of plant science technologies in SA

The current State Government has declared a moratorium on growing genetically modified crops in SA until 2026. This is despite the fact they are grown in every other mainland state of Australia.

GPSA is yet to see any evidence that SA farmers are getting paid more for their grain or have any other market advantage because of the moratorium. SA canola is consistently selling at a lower price than Victorian canola where GMs are grown, showing there is no financial benefit to grain producers being GM free.

SA farmers are falling behind those in other states by not having access to GM technology and the moratorium is impacting SA's ability to attract investment from plant breeding companies to carry out research and release new grain varieties. GPSA believes the benefits to a farming system of using GM crops include:

- Increased weed control options and reduced reliance on chemicals for weed control.
- Increased crop rotation options.
- Increased production per hectare.
- Increased competitiveness nationally and globally.
- Increased profitability for individual grain growing enterprises, which contributes to higher employment and jobs growth.

SA grain producers have a long history of innovation and adopting new technology to improve productivity which is being impeded because of the moratorium.

What's needed ... greater government partnership and investment in R,D&E

- Evidence from the Australian Bureau of Agricultural and Resource Economics and Sciences¹ suggests that agricultural productivity growth has been slowing in recent years, and critically, that stagnating government investment in research and development has been a key contributor to that slowing. This decline in productivity highlights the need for even greater investment by the public and private sectors in Australia's agricultural research, development and extension.
- Attracting large scale investment into agriculture has proved difficult because of the incorrect perception that the risks are high and returns relatively low. Factors such as climate change and reliance on the weather, particularly in broadacre cropping, has reinforced this view. Investment in research, development and extension is critical to increasing productivity, reducing risk and hence increasing investment in agriculture.

Recommendations

GPSA seeks all parties to commit to:

- Retain Primary Industries and Regions SA as a stand-alone department, incorporating the SA Research and Development Institute as a unit. Government reinvestment of industry funds back into PIRSA and SARDI must be in line with the value of the grain industry to the state and its huge potential to grow productivity and exports.
- Increase government funding allocations to dedicated research for periods longer than the government's term, ensuring the long-term needs of the industry are put first.
- Use an increase in government investment to stimulate private sector confidence in investing and investigate public/private co-investment opportunities.

What's needed ... evidence and research at the centre of policy on plant science technology

- GPSA's policy is that growers should have the freedom of choice to grow the cereal, legume and oilseed varieties that best fit their farming system, which means having access to GM crops. Growing GM crops should be a business decision for individual growers and not a philosophical debate. Many SA grain producers have seen benefits in other states of growing GM crops and want to see those benefits delivered in SA.
- Exemptions already exist to grow GM canola seed in SA.
- Australia has an enviable regulatory system governing food safety through Food Standards Australia New Zealand which assesses each new genetic modification for its potential impact on food safety and does not approve a food unless it is safe to eat.
- FSANZ compares GM food with a similar, commonly eaten conventional food from a molecular, toxicological, nutritional and compositional point of view to find out if there are any differences between GM food and its conventional counterpart, which is already known to be safe to eat.
- FSANZ states that if the genetic modification caused an unexpected effect in the food, such as increasing its allergenicity or toxicity, it would not be approved. To date, FSANZ has identified no safety concerns with any of the GM foods assessed. Other national regulators who have independently assessed the same GM foods have reached the same conclusions.²

Recommendations

GPSA seeks all parties to commit to:

- An independent review into the marketing advantage or premium purported to result from SA's GM free status, conducted within 12 months of the March 2018 election.
- Until findings from the independent review are received:
 - Extend the exemption to grow GM canola seed to allow commercial production.
 - Invest in the research and market access requirements

for SA grain producers to secure the higher value markets that it proposes exist from SA's GM free status. If those markets do exist, the government must ensure SA's grain producers have access to those premiums as well.

- Work with other jurisdictions by allowing sealed GM seed to be safely transported rather than to detour through the Northern Territory, when crossing from one side of the country to the other.

What's needed ... increased awareness and support of biosecurity as our primary line of defence

- Biosecurity is important to all industry sectors but increasingly the cost of biosecurity has been put back onto grain producers and not recognised as a shared public good issue with the general public contributing to the risk.
- SA's biosecurity system should be more than mounting a response to an incursion, such as the stored grain pest khapra beetle in 2016. Detection must be improved at SA borders, particularly the challenge of deciding which import consignments that arrive should be inspected. The objective of these inspections must be to minimise the risk of invasive non-indigenous species that are the greatest threats to the grain industry.
- GPSA encourages a risk targeted inspection approach. Random sampling must continue to manage any changes in risk factors that will help update targeting as necessary. GPSA advocates for the continual proposing, measuring and recording of all potential risk factors not considered and to improve the quality of agent reports so that more inspections can be linked to any agent involved in the importation of invasive non-indigenous species.

Recommendation

GPSA seeks all parties to commit to recognising that biosecurity is a shared public good issue and to increase government investment in biosecurity. There needs to be a strong recognition of the public good and also that the public, particularly travellers and importers, create the greatest risks.

¹ <http://www.agriculture.gov.au/abares/research-topics/productivity/productivity-introduction#productivity-matters-for-farm-profit>

² http://www.foodstandards.gov.au/consumer/gmfood/safety/documents/GM%20Foods_text_pp_final.pdf

4. Build a stronger workforce by attracting new entrants and developing skills of current participants

University of Adelaide statistics show that for every agricultural graduate there are five jobs³. With this kind of demand, the grain industry has jobs³... only lacks people to fill them. In the past, many South Australians have had some connection to agriculture usually through family and friends who farm. Research commissioned by the National Farmers Federation has revealed that Australians have grown disconnected from the source of their food and fibre, with 83% describing their connection with farming as 'distant' or 'non-existent'.

As society becomes more urbanised, the city-country link has weakened until the perception of a career in agriculture does not match reality. All involved in agriculture know there are many rewarding and challenging career options where leading technology is used. For many more common careers, such as accounting or engineering, there is capacity to specialise in agriculture.

A key factor in attracting new entrants is the skills development opportunities within the industry. Building the overall attractiveness of agriculture as a career depends on providing development opportunities and career progression through the industry. At a practical level, farmers need to be able to manage production and environmental risks continues to grow but there is a lack of activity in upskilling the farm workforce to meet these challenges.

What's needed ... partnership in promoting careers and opportunities in agriculture

- In recent times, agriculture has not been a profession of choice for young people. However, the industry is putting significant effort and resources into programs targeting students, in particular high school students at the point of making decisions on future careers, as well as their teachers and career advisers. For 2018, GPSA has invested \$20,000 in Food and Fibre Education SA to deliver curriculum-linked activities that promote innovation and opportunities in the grains sector to SA school students. This program uses best practice teaching methodology to engage students from years 5 to 12 in agricultural science, technology, engineering and mathematics.

Recommendations

GPSA seeks all parties to commit to:

- Promote the development and implementation of programs that encourage a better understanding of the opportunities in agriculture. In particular, GPSA recommends long-term co-investment in Food and Fibre Education SA by the SA Government to improve its effectiveness in attracting students into a career in agriculture.
- Encourage the Department for Education and Child Development and other relevant stakeholders to recognise the opportunities and careers in agriculture, and grain production, and promote them accordingly.

What's needed ... develop industry participants and provide policy settings to help them succeed

Capacity building of industry participants who will take the industry into the future is a priority and requires co-investment by industry and government. Further to this is the need to develop a strong industry-led network of young leaders with access to mentoring and networks within government and industry.

In addition, positioning policy decisions in the best interest of producers will help them succeed and grow their businesses, creating demand for more employees and growing the industry. Helping them to identify and manage risk is a key component of this.

Recommendations

GPSA seeks all parties to commit to:

- Work with the industry to develop leaders and deliver labour levels necessary to meet the industry's current and future demands.
- GPSA seeks a government review into the relevance and value of tools to help farmers to self-manage for times of risk, such as multi-peril crop insurance. GPSA seeks commitments that stamp duty and other government charges for the uptake of such risk management tools be waived.

³ The University of Adelaide, Graduate Recruitment information, viewed online at https://www.adelaide.edu.au/degree-finder/bags_bagricsci.html

5. Balance agriculture with competing land uses

Grain producers need policies and programs that protect broadacre land from competing land uses such as mining, gas, wind farms, solar farms and other incursions that take land out of production. Grain is grown on some of the state's most valuable and productive agricultural land. However, alternate land uses threaten producers' right to farm and should not occur without the consent of the landowner and protection of the interests of the surrounding community.

What's needed ... a land access system that is fairer for all

- There is a lack of clarity on land and water use priorities between competing users which leads to confusion for producers and negatively impacts their investment decisions.
- Land use planning conflicts at the rural/urban interface are going to increasingly occur and appropriate systems and processes need to be put in place to resolve such conflicts. Development of the Multiple Land Use Framework and similar land use planning policies have the potential to increase conflict between farmers as landowners and other land users.
- There is little recognition of the importance of farming tenure and heritage when the use of land adjacent to farmers changes. The downstream benefits of primary production in value generation and social cohesion of local and state communities is not recognised.

Recommendations

GPSA seeks all parties to commit to:

- An independent review of the Mining Act 1971. While the current government has commenced with the Leading Practice Mining Acts Review, GPSA is concerned the rights of producers are being eroded. Until an independent review is established, GPSA will continue to engage with the government and key stakeholders while seeking improved clarity and outcomes when dealing with explorers or miners on their properties.
- A dedicated, government-funded resource to be situated in Primary Producers SA to help farmers access information on their rights when faced with a mining company wanting to explore on their property. This will help lessen the conflict between landowners, explorers and miners by providing information and support to farmers as well as a direct link to the Department of State Development and other relevant experts.
- Effective land use planning that protects existing uses and resources. This will be achieved through establishing buffer zones between areas hosting grain production and areas of development for other land uses. GPSA seeks commitment that a reasonable buffer be imposed on the new land use and not on the existing broadacre farm.



**Grower-driven advocacy for
a profitable grains industry**

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