# AGRICULTURE – ADVANCING AUSTRALIA

STATEMENT BY
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# Overview

Australia's rural sector is critical to our national prosperity. As well as earning around \$24 billion in export income each year, the sector makes a vital contribution to national employment and economic growth. In rural and regional Australia, agriculture, fisheries and forest industries are the life-blood of communities. Agriculture alone employs between 30 to 50 per cent of the workforce in most parts of rural and regional Australia. Fishery and forestry industries are also major employers.

Our largest manufacturing sector — the processed food sector — is built on access to quality Australian produce. The sector has a turnover of \$46.6 billion and employs about 170,000 people, many in regional and rural Australia.

Our rural industries are the catalysts for growth and innovation in regional Australia. For example:

- productivity has risen steadily in the grains industry over the last two decades. Record wheat and canola crops were grown in 1999-2000;
- Australian dairy producers are world leaders in innovation;
- wine has grown rapidly into a major industry, employing more than 16,000 people across the country and producing exports worth more than \$1.25 billion a year;
- exports of fresh horticultural produce have increased by more than 30 per cent over the last five years, reflecting strong growth in the sector as a whole;
- Australia's forest plantations will triple in area by 2020, through the Plantations 2020 Vision; and
- aquaculture is the fastest growing emerging rural industry.

All Australians can be justly proud of the enterprise and achievements of Australian farmers in what is an increasingly competitive world. International competition and other pressures will continue to challenge Australian farmers but will also present new opportunities for innovation, diversification and growth. To support Australian farmers in this environment, the Government has a strategy based on three key elements.

First, at the national level, the Government has restored Australia's economic fundamentals through sound economic management and making long overdue reforms in key areas such as the labour market and the taxation system.

The result is that our rural industries are benefiting from low interest rates, low inflation and a competitive exchange rate. Without such secure foundations, the Australian economy would have been badly affected by the recent Asian economic crisis.

The Government will continue to maintain this strong pro-growth environment.

Reform of our tax system, for example, will improve both the efficiency of the wider economy as well as the businesses of individual farmers. Farmers will see their input costs reduced by \$1 billion a year through tax reform. Exports and basic foods will be GST-free. Diesel fuel grants and GST input tax credits will lower transport costs. The new pay-as-you-go system will simplify tax payments for people in small business, including farmers.

Second, the Government has been working closely with specific industries, such as dairy, meat, wheat, wool and timber industries, to give farmers and regional Australians far greater control over the future of their industries.

Following approaches from industry, the Government facilitated the dairy industry's \$1.78 billion assistance package to help farmers adjust to State deregulation of the market. Wool growers will decide the future shape of their industry; they have already determined the level of their wool tax.

Third, the Government has assisted farmers to enhance their skills in such key areas as risk management, business planning and natural resource management. The modern farmer must be part producer, part market analyst and part natural resource manager.

In 1997, the Government introduced the *Agriculture — Advancing Australia* package to deliver a comprehensive set of programs to support the farming sector. The AAA package has helped farmers to improve their business and risk management skills and to become more self-reliant. At the same time, the package introduced an effective safety net for farmers in financial difficulties.

Over its first three years the *Agriculture — Advancing Australia* package has made a major contribution to Australian agriculture. In this Budget, the Government will commit a further \$309.4 million over the next four years to maintain funding levels for the AAA package. Successful AAA programs will be improved. New programs will be introduced to focus on other key areas.

The new AAA package includes a range of initiatives to enhance farmer skills and training, encourage innovation, improve market access for our agricultural and food exports and enhance support to farm families in financial difficulty.

The Budget also provides \$43.6 million over the next four years for a range of other initiatives, including improving our system to protect animal and plant health.

All these measures are in addition to specific industry assistance provided by the Government, including the generous support given for industry research and development. This year, for example, the Government will provide more than \$170 million to match levies paid by industry to support research and development activities in the agricultural sector.

There is also the support delivered through the \$1.5 billion Natural Heritage Trust — the largest financial commitment made by any government to restoring and protecting

our natural environment. In 2000-01 \$400 million dollars will be provided for Natural Heritage Trust and related natural resource management initiatives. The Commonwealth is providing \$11 million dollars to support the activities of the Murray Darling Basin Commission.

The Coalition Government is determined to provide Australian farmers with a pro-growth business environment and the right mix of government programs to ensure a prosperous and sustainable agricultural sector. With this support, and their own skills and resources, Australian farmers can look forward to the future with confidence.

# **Budget Measures**

# **AGRICULTURE — ADVANCING AUSTRALIA**

The Agriculture – Advancing Australia (AAA) package was announced by the Government in September 1997. The package reflected both the Government's confidence in the capacity of our farmers to master change and recognition that government has a role in supporting farmers to make the most of changing market conditions.

The scope and scale of the AAA package was unprecedented.

The AAA package was designed to boost the competitiveness, sustainability and profitability of the rural sector, focusing on four key objectives to:

- help individual farmers profit from change;
- ensure farmers have access to an effective welfare safety net;
- · provide positive incentives for ongoing farm adjustment; and
- encourage social and economic development in rural areas.

While many of the AAA programs will continue during the 2000-01 financial year, the benefits delivered by these programs are already obvious:

- More than 30,000 farmers have improved their skills and training through the FarmBis Program.
- Around 80 per cent of depositors in the former Income Equalisation Deposit and Farm Management Bond Schemes have transferred their deposits to Farm Management Deposits, taking advantage of this attractive, tax-effective risk management tool.
- More than 4,000 farmers in financial difficulty have been assisted through the Farm Family Restart Scheme.
- The Retirement Assistance for Farmers Scheme has allowed more than 1,400 retiring farmers to pass on their farms to a younger generation while remaining eligible for the Age Pension.

The changes announced in this year's Budget inject another \$309.4 million into agriculture over the next four financial years. The enhanced AAA 2000 package includes funding for a range of initiatives:

 amalgamating and widening the FarmBis and Property Management Planning Programs;

- a new, two-year pilot program to encourage innovation and diversification;
- Farm Growth through Export Growth to boost market access initiatives;
- enhancing the Farm Family Restart Scheme; and
- maintaining the Retirement Assistance for Farmers Scheme until June 2001.

# Program Elements of the Agriculture – Advancing Australia Package

#### Skilling Farmers for the Future

The FarmBis and Property Management Planning (PMP) programs will be amalgamated and extended to continue the advances made in business and land management training. FarmBis and PMP have been very successful in encouraging farmers to update their business and natural resource management skills.

- An additional \$167.5 million will be provided over four years.
- The national component of FarmBis will address major national issues such as industry adjustment, creating national and international supply networks, product quality and safety. It will also encourage increased recognition and participation of women and young people in our rural industries.

#### Farm Innovation

The Government will introduce a new, two-year pilot program to promote on-farm innovation and industry diversification. The program will support and encourage farmers and farmer groups to adopt new, innovative production techniques and to explore the potential for diversification into new farming activities.

- \$18.2 million will be provided over the next two years.
- The pilot program will be reviewed to assess its effectiveness.

### Farm Growth through Export Growth

Funding will be provided to extend Australia's ongoing agriculture and food trade liberalisation efforts through multilateral, regional and bilateral negotiations, particularly in the Asia Pacific region. Progress to date has created significant opportunities for trade growth (for example, the \$69 million live cattle trade to Indonesia) but substantial regulatory and other technical barriers remain. The Budget funding will allow a more intensive effort in key Asia Pacific markets, such as China and Indonesia. Other key markets in the region will also be targeted, with Thailand an early priority.

• \$6.5 million will be provided for this purpose.

#### Farm Help

The successful Farm Family Restart Scheme will be enhanced and extended to provide extra welfare support to farm families in financial difficulty. The new program will continue to deliver welfare support for farm families, with a number of possible improvements being considered.

• \$111.2 million will be provided to the Farm Family Restart Scheme to extend it to 30 November 2003.

#### Retirement Assistance for Farmers

The Retirement Assistance for Farmers Scheme was introduced to enable low income and pension-aged farmers to transfer their farms to a younger generation and gain immediate access to the Age Pension.

• The scheme is to be continued until June 2001.

# Farm Management Deposits

The successful Farm Management Deposit (FMD) Scheme, which was introduced in the current AAA package, will be continued under the new AAA package.

- It was estimated that this scheme would provide farmers with \$60 million of benefits over the four years of the original AAA package.
- Around 80 per cent of depositors in the former Income Equalisation Deposit and Farm Management Bond Schemes have transferred their deposits to FMDs.

# Other Agriculture Measures

#### BUILDING A NATIONAL APPROACH TO ANIMAL AND PLANT HEALTH

In order to enhance Australia's enviable reputation as a supplier of high quality, clean and green agricultural produce, the Government will improve current animal and plant health infrastructure. It will strengthen surveillance, disease prevention and awareness and improve Australia's emergency response capacity.

- \$22.3 million will be provided over the next four years.
- This will be used to support animal and plant health policies and programs in partnership with the community, industry and State governments.

#### **New Technologies**

New technologies, such as biotechnology, offer great promise to reduce farm costs and improve the natural environment. At the same time, some consumers have concerns about the use of such technologies which may require that the origin of produce is identified before it can be sold in certain markets.

- The Government will provide \$30.5 million over four years to implement a national strategy for biotechnology.
- This will include funding of \$3.65 million for the agriculture portfolio to identify the
  requirements and costs of systems to trace the origin of Australia's major
  agriculture and food products. An industry based committee will be established to
  guide the implementation of the program and to disseminate the results and market
  information.

# **QUARANTINE**

The Government has already committed \$76 million over the period 1 July 1997 to 30 June 2001 to reinvigorate and strengthen Australian quarantine. This Budget includes an additional \$8.5 million for quarantine border and risk analysis work in 2001-02 to ensure that recent gains are consolidated and extended.

Extra staff, detector dog teams and x-ray units at Australia's airports, international mail centres, wharves and container terminals are all paying dividends. In 1998-99, seizures of prohibited goods and materials at the border were running at an annual rate of about 227,000. In the nine months to March 2000 improved techniques had increased seizures to 442,000. Surveys show that public awareness of Australia's quarantine laws is increasing.

The additional \$8.5 million also guarantees that the resources for the necessary level of scientific rigour on import risk assessments will continue to be available.

Of the import risk assessments completed between 1993 and 2000, 73 per cent were to allow Australian industry to obtain overseas products or genetic material. In the majority of other cases, the imports did not compete directly with Australian production due to seasonal differences or other factors.

#### **East Timor**

\$1.9 million a year has been allocated to maintain quarantine integrity in northern Australia under the vastly increased traffic to and from East Timor.

Extra quarantine inspectors are based in Darwin and East Timor to clear military and aid agency vehicles and equipment prior to return to Australia and to monitor pest and disease risks.

# **Olympic Games**

An extra \$1.55 million in 2000-01 has been allocated for the Sydney 2000 Games to help the Australian Quarantine and Inspection Service deal with:

- up to 360,000 extra international passengers;
- .<u>•</u> 11 major cruise ships;
- 200 super yachts; and
- a significant increase in both air and sea cargo.

#### **O**THER

The Budget provides support to farmers experiencing particular difficulties in the Western division of New South Wales and North-Eastern Region of South Australia.

\* The way that the GST affects Budget estimates, accounting statements and appropriations is described in Budget Paper No 4.