

## **Context**

This submission must be framed in the context of the Northern Territory and its primary industries.

The Northern Territory has a population of around 200,000<sup>1</sup>. Approximately 46% of Territory land is pastoral leases and approximately 44% is Indigenous-owned land of various tenures. Indigenous people comprise around 25% of the Northern Territory population<sup>1</sup>. By area, the Northern Territory is approximately one-sixth of Australia; therefore the Northern Territory's pastoral and/or Indigenous-owned lands are not insignificant on an Australian scale.

Beef, fisheries (including aquaculture), horticulture and field crops are the major primary industry sectors in the Northern Territory. Agriculture (rural industries and fisheries) is 2.9% of the Northern Territory GSP of around \$9 billion<sup>2</sup>, in line with the national proportion. The value of production from rural industries is forecast to increase by 7 per cent to \$524 million in 2005-06<sup>3</sup>.

While the beef industry is the most mature (but still expanding), other industry sectors such as fisheries, horticulture and field crops are in growth phases. The processing of local produce for food and beverages is limited to small, niche producers. ABS data for 2002-03 showed \$30.2 million value adding for the Territory food, beverage and tobacco manufacturing sector.

The overriding challenge in all primary industry sectors in the Northern Territory is to generate the capacity to consistently supply consumer requirements for quantity, quality, safety and price. The Fisheries sector has the added requirement to harvest and produce a clean green product within the constraints of demonstrable ecological sustainability.

## **SPECIFIC COMMENTS AGAINST THE ISSUES PAPER**

### **2. Future Operating Environment**

The Issues Paper states that global production is growing faster than global demand. This is a very general statement, which does not apply to all industry sectors; fisheries and aquaculture are particular examples of this. Similarly, it does not necessarily follow that smaller producers and manufacturers cannot take advantage of market differentiation opportunities or proximity to particular markets, such as those in south-east Asia. There is increasing demand for quality seafood from sustainable fisheries and aquaculture.

Consumers are becoming more sophisticated, so meeting their demand is also about participants in the value chain having the flexibility to respond to these changes.

<sup>1</sup> ABS Cat. No. 1304.7: *Northern Territory at a Glance*

<sup>2</sup> ABS Cat. No. 5220.0: *Australian National Accounts: State Accounts*

<sup>3</sup> *Northern Territory Budget 2005-06: The Economy. Chapter 10 Rural Industries and Fisheries*

Available from: [http://www.nt.gov.au/ntt/budget/nt\\_economy.shtml](http://www.nt.gov.au/ntt/budget/nt_economy.shtml)

While the wider community is increasingly recognising that primary producers also provide numerous “environmental services”, there is considerable work to be done until alternative income streams from such services are the norm rather than the exception.

## **B. Markets for Agriculture and Food**

### **3. International Markets**

In order that Australia as a whole can identify and respond to emerging trade trends, knowledge needs to be better available to decision-makers at all levels, from policy makers to individual farm businesses. Resources should be directed to centralising and making market and local industry trend analysis accessible (both in terms of cost and appropriateness). Arrangements must accommodate the lead times industry needs to meet emerging and shifting trends. Additionally, there are benefits in a multi-sectoral approach that identifies trends, undertakes research to enable industry to best meet those trends in an appropriate timeframe and delivers technology to industry through extension.

#### ***Multilateral Trade Negotiations and Bilateral Trade Agreements***

New bilateral and multilateral trade agreements are valuable but must be underpinned by detailed negotiations. For example, Biosecurity Australia succeeded in negotiating new protocols for the importing of live cattle into Indonesia. Similar negotiations are proceeding to allow better access for live buffalo. Such arrangements also form part of the process of clarifying, confirming and meeting consumers’ requirements.

The *Australian Agriculture and Food Stocktake*<sup>4</sup> reports that the northern Australian beef industry lifted production by an average 3.3 per cent per year between 1988-89 and 2001-02 as the emergence of a substantial live cattle trade encouraged the turn-off of smaller and younger animals (p. 29). However, continuing to increase turn-off of livestock from both Indigenous and non-Indigenous lands and enterprises will require the development and securing of additional markets, both domestic and export. As an example, earlier assumptions about potential markets for live exports in the Philippines, which now face competition from beef imports from Brazil, are no longer valid.

The Northern Territory will continue to provide client markets with practical training in the management of Territory cattle, feedlots, slaughtering and marketing to try to assist success along the value chain and continue the demand for Territory live cattle.

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<sup>4</sup> *The Australian Agriculture and Food Stocktake*. Available from:  
<http://www.agfoodgroup.gov.au/publications/stocktake.html>

#### 4. Domestic Markets

The potential benefits of trend analysis information are not confined to the export market. Media and corporate retailers influence consumer trends in the domestic market. Education of product to corporate retailers and consumers is necessary. Assurances about quantity, quality and safety must be backed up by auditable and audited trace-back mechanisms that are practical and acceptable throughout the value chain.

Initiatives such as the *National Livestock Identification Scheme* (NLIS) cannot be introduced by government fiat alone. Northern Territory pastoral industry understands and accepts the commercial realities of the NLIS. Any resistance to the scheme has been based on practical difficulties with field implementation for large numbers of cattle. Government and industry are cooperatively addressing these technical matters.

Aside from legal requirements to produce safe food, most quality and safety standards are driven by major retailers which seek to deal directly with producers and to promote these connections as a consumer advantage. Direct connections between producers and consumers are emerging through farmers' markets in which standards of quality and safety are implied rather than stipulated. For the Northern Territory, direct producer-retailer relationships are limited by a small capacity to supply nationally. The relatively small population limits direct producer-consumer connections. Should "clean, green, organic" produce become the norm, then any price premiums are likely to disappear or reduce considerably.

One attraction of the Northern Territory in the horticulture sector is the potential for early or late/out-of-season production (eg. mangoes and table grapes) and for out-of-season production (eg. melons). These seasonal niches can offer price premiums if seasonal weather conditions do not expose the industry to competition by extending the production season into the main seasons in other parts of Australia. Seasonality also creates peaks in demand for labour, transport and other infrastructure which have not as yet been easily met.

Industry and government-funded trials have sought to develop seasonal value chains. Building on the lessons from these and further trials, effort is being directed to putting relevant industry sectors on a firmer footing.

The short (annual), medium (5-10 years) and long term (intergenerational) trends in consumer expectations and preferences should drive the decision-making of producers, wholesalers and retail sector. While it is accepted that this knowledge poses a competitive advantage for individual businesses, it may be argued that, the information is not being effectively acted upon due to capitalisation and economy of scale issues.

Improvements in market feedback directly up the supply chain and an increased investment in rigorous 'end point' market research are required.

## **C. Competitiveness of Australian agriculture and food businesses**

### **5. Supply Chains**

The Northern Territory horticulture industry is gradually moving towards vertical integration within larger businesses; however the vast majority of enterprises continue to be 'growers' of produce, not members of a food supply chain.

The development of a mandatory Northern Territory *Horticulture Industry Code of Conduct* provides an example of a strategy that can be used to redress dysfunctional supply chains.

Increasing competitive advantage through the reduction of barriers in regulation and legislation must be balanced with the necessary biosecurity measures required to protect our natural resources and related industries.

### **6. Education, skills and labour supply**

Many people become primary producers through a general interest in producing animals and plants or in aquaculture and fishing. Commercial success in the sector demands more than technological improvements in productivity and management of the resource base. The application and continuous improvement of complementary business skills are also essential.

In the Northern Territory *FarmBis* has proven to be an important and valuable program for primary producers (as well as commercial fishers and aquaculturalists). Similar programs benefit others in value chains.

Gaps exist between the demands of primary industry (including fisheries) in terms of labour and skills and their supply. The various industry sectors need to identify skills gaps, the value of those skills (what they are prepared to pay for) and communicate this information to the suppliers of those resources. The suppliers (universities, trainers, labour supply firms) must also do market research and 'truth' that information back through the supply chain.

Short and long term strategies are needed to address labour supply shortfalls. The composition of stock camps in the Northern Territory pastoral industry is expected to change over the next ten years towards greater Indigenous employment. To facilitate this trend, measures need to be put in place now to overcome the significant hurdles that will take time and resources to address. Employment programs must also provide the mentoring that is required for young Indigenous employees. It is envisaged that the demand for employment of Indigenous people will rise slowly over the next seven years with a rapid increase after that. Northern Territory pastoral businesses have used unskilled labour in the form of international visitors on working holiday visas to redress the short-term labour gap. Commercial fisheries are suffering from a shortage of suitably qualified mariners and marine engineers as well as experienced and qualified crew. Additionally, it is increasingly difficult to attract fisheries scientists, aquaculturalists and managers able to undertake the monitoring and management required to ensure sustainability of our fisheries resources.

## **7. Research, development, innovation and technology**

Whilst the move toward national programs is prudent from an efficiency perspective, on the appropriateness and effectiveness scales significant challenges remain – particularly in ‘immature’ industries by way of new products and regional distribution.

The assertion that adoption and adaptation are more likely under an “open access” approach needs to be challenged and discussed. The move towards commercial or co-investment in innovation is well entrenched and any reversal/questioning of that policy will create significant uncertainty.

Industry research and development providers are seen to promote ideas that fall within their own skill sets eg. genetic research is widely promoted by geneticists as a necessary form of research and development. While there is certainly a contribution to be made, questions should be asked about what research is going to provide the largest benefits to the producer (eg. the benefits of a 0.5% increase in breeder weaning rates will be totally lost if there are no staff to muster and wean those animals) and whether there should be a greater investment in more fundamental and less purely scientific areas in the production, business and organisational matrix.

One area that deserves greater recognition by Government and growers in the Northern Territory is a potential role in both horticulture and agriculture for crops with industrial applications eg. Kakadu Plum.

Substantial research and development are required in the fisheries and aquaculture areas to meet demand and opportunities to maximise benefit from sustainable and “clean green” wild fisheries and aquaculture. The Northern Territory has a unique opportunity to lead the world in tropical fisheries and aquaculture management.

## **8. Infrastructure in the agriculture and food sector**

The Territory’s primary industries are widely dispersed, but key contributors to social, economic and environmental sustainability in their local regions. This dispersion enhances the challenges for the provision of regional and remote infrastructure and services (eg. communications, health) which are taken for granted elsewhere in Australia.

Primary industries rely on communications for market analysis and business management and transport for purchases and delivery. From a regional development perspective, sustainable production from rangelands and other productive environments within the NT must be supported by an appropriate investment in infrastructure, research and development and social capacity building.

Regional and isolated communities provide a good proving ground for new technology and as such should have access to leading edge development and not be at a disadvantage to coastal centres.

In looking at infrastructure investment, consideration needs to be given to the local/territory – state/federal areas of responsibility and the ongoing cost-shifting debates. Once needs are identified and prioritised, infrastructure investments must be made quickly and not be subject to jurisdictional debate.

## **9. Biosecurity and Quarantine**

Effective biosecurity measures for plants, animals and aquatic ecosystems are critical to the continued health and productivity of the Northern Territory's primary industry and fisheries sectors. Northern Australia will continue to play a critical role in maintaining domestic biosecurity for the whole Australian agricultural and food sector and in responding to biosecurity threats.

Any investment and expansion in infrastructure for primary industries will have spin-off benefits for northern Australia's role in Australian biosecurity.
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A risk management approach to biosecurity must be underpinned by accountability and transparency so that both the consumer and producer understand the variations in biosecurity measures dependent on the risk they impose to Australia.

## **D. Using and managing natural resources**

### **10. Natural resource management**

There is no question that the development of primary industries must occur within sustainable boundaries. Undeniably, degradation has occurred in many places and in many ways. However, the adverse impacts of land development for primary industries are too easily targeted for criticism within the largely urban Australian population that relies on them in many ways.

The Northern Territory considers itself to be in a position to develop its primary industries while avoiding many of the problems and mistakes that have occurred elsewhere. The Territory's *Pastoral Land Act* imposes a duty of care on pastoralists to prevent degradation of the land and the Pastoral Land Board reports annually to the relevant Minister on the condition of the pastoral estate. However, more powerful than legislative frameworks is a market demand that foods be produced in environmentally sustainable ways. Industry needs to be able to present information to consumers about its production methods (eg. the ongoing adoption of environmental management systems) and their outcomes (eg. sustainable production).

By definition, sustainability involves managing across the full range of seasonal conditions that prevail. It involves the economic aspects of production, marketing and finances, the social aspects of farm and station households and maintaining the integrity of land and water resources. Some resources have important roles in the provision of "ecosystem services" for which it is argued that primary producers should be paid. Payment for the provision of ecosystem services will bring with requirement for transparent regular reporting of results and follow-on questions about the types of primary industries across regions. In all cases, for primary production and "ecosystem services", additional and continued research is essential and must be

considered seriously as a priority in the development of the *National Research, Development and Extension Framework*.

The Ti-Tree Water Advisory Committee in central Australia provides an insight into the benefits and challenges of co-responsibility in the management of a finite resource between Government and Industry without the overlay of emotive public debate.

There is a current trend towards embracing an adaptive management approach to natural resource utilisation. Such an approach requires an ongoing investment in monitoring and evaluation and the establishment of agreed management responses which could include windbacks in the allocation of resources. Both the initial outlay and any responses to agreed management action targets can involve a significant capital investment, which is not easily quantified. An adaptive management approach does take into account the costs of doing nothing, which is not often appreciated by the wider community, some sectors of which advocate a “precautionary approach” as being a “do nothing” approach. Similarly, the ecological/environmental aspects of sustainability are often given precedence over economic and social considerations.

To ensure sustainability, fisheries in the Northern Territory have been contained at precautionary small sizes. Consequently, developmental research and adaptive management is required to realise the full sustainable potential of the sector. Industry involvement and partnerships are paramount. The assessment of Northern Territory fisheries and their subsequent approval for export under the *Environment Protection and Biodiversity Conservation Act* has taken into consideration the economic and social benefits and costs in addition to purely environmental considerations.

## **E. Rural and Regional Communities**

### **11. Rural Businesses and Communities**

#### ***Changing Nature of Farming***

Many communities in the Territory are Indigenous and located remotely for traditional cultural reasons. In many cases the populations of these communities are increasing. However, a lack of local economic activity, combined with an income derived from social welfare payments is a contributor to social degradation in Indigenous communities. In this context, continued support for and expansion of Indigenous economic development through pastoral, fisheries, aquaculture and horticultural activities offer social as well as economic benefits for individuals, regions, the Northern Territory and Australia.

The Northern Territory has small, specifically targeted programs oriented to achieving successful enterprise and employment outcomes for Indigenous peoples and communities who seek them. Employment prospects are not confined to the immediate communities or Indigenous enterprises but can include progress towards careers in mainstream sectors.

Much of the Northern Territory's Indigenous-owned land has untapped potential for pastoralism, subject to the aspirations of Indigenous people. Increasingly, Indigenous people are seeking to realise this potential to improve their economic base. However, converting aspirations and potential (in all industry) sectors to profitable operating enterprises takes considerable time and commitment by Indigenous people and others.

In the Northern Territory, development of Indigenous-owned land is occurring in numerous ways, most often through agreements with members of the mainstream industry to install infrastructure and provide training and employment over agreed timeframes. Indigenous engagement in commercial wild fisheries and aquaculture is also increasing to bring economic and social benefits to coastal communities. By comparison, Indigenous participation in horticulture, including wild foods, is in its infancy, but interest is expanding as awareness about its potential grows. These initiatives in engagement of Indigenous people are enabling access to these natural resources by primary industries.

In conjunction with the Indigenous Land Corporation and land councils, the Northern Territory Department of Primary Industry, Fisheries and Mines runs specific Indigenous economic development programs. The success that has been achieved so far is significant for the individuals who are involved. On a broader scale, it is limited but promising and arouses considerable interest which, in turn places, increased demands on these programs and their resources. Similarly, in conjunction with Indigenous communities, the Fisheries Group is developing mud crab farming and fishing ventures.

For many years the prospects for the development of Ord Stage 2 have been considered. An approach that is based on regional economic development could be more beneficial and successful than one that is based on agriculture, although agriculture will be a major component.

Many of the Northern Territory's natural resources are underutilised in terms of sustainable use. A priority is to encourage more intensive use of natural resources through investment in existing properties or new (eg. subdivided) areas by current or new participants in primary industries and fisheries. In addition, as discussed above, a specific aim is to increase the utilisation of Indigenous-owned natural resources.

An exception is that some "part-time" mango producers are being encouraged to leave the industry by the industry which is aiming to market a product which consistently meets consumers' requirements of quantity, quality, safety and price. Larger commercial producers are investing more in mangoes and smaller producers are being advised of other options eg. high value hardwoods for furniture that require less intensive annual husbandry.

### ***Governments and adjustment to change***

The appropriate role for Government in facilitating adjustment in the agricultural sector might be the provision of quality, timely and challenging information to allow businesses to make evidence-based decisions about their own futures. There would also appear to be a role in providing a historical perspective in that the trends of the past may inform and help forecast likely outcomes in the future.

In a practical sense, this could translate into the advantages of contracting versus internal provision of services, or a leasing scenario by a family landholding body to a corporate enterprise that enjoys economies of scale. The possible benefits are that the land owning family enjoys a more stable income (lease payments) while the industry achieves increased production through a corporation financially able to invest in the appropriate technology etc. needed to maximise production in a sustainable manner.