

Mareeba District Fruit and Vegetable Growers Association Inc.

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Dr Terry Sheales
Head of the Secretariat
Agriculture and Food Policy Reference Group
GPO Box 858
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Dear Dr Sheales

We make this submission to you on behalf of the fruit and vegetable industry on the Atherton Tablelands to highlight the issues the rural communities are facing.

The Rural Policy Principles we are submitting have been drafted by Mr Pat Byrne. Should you require further information on this issue please contact Mr Byrne on 0438 501 119.

First, Australian agricultural policy should be based on the fact that the primary market for most agricultural products is the domestic market not the export market, with modifications for those industries that do depend heavily on exports.

Economist Dr Mark McGovern (Queensland University of Technology) has shown that governments have wrongly identified the export market as the primary market for most agricultural products. In fact, the bulk of agricultural product is sold into the domestic market.

On the false assumption that the export market was the most important, successive governments and many farm peak bodies have backed free trade policies, including slashing of tariffs, and deregulation of rural industries. They argued that this would reduce the cost of imported farm inputs, drive competition between farmers, improve productivity, and so make farmers more competitive on export markets.

The result has been that subsidised imports, from highly corrupt world agricultural markets, have been allowed to erode the all important domestic food and fibre markets. This has affected both farmers and processors. While politicians argue in favour of more "downstream value adding" (i.e. manufacturing), imports are eroding both agriculture and the manufacturing industry. The processing of food and fibre off the farm makes up the largest section of Australia's manufacturing industries.

Ironically, while some farm sectors may have become more "integrated into the world economy", often this has meant that the value adding to their product has shifted offshore.

Second, Trade Policy must be reformed by:

- **distinguishing between the majority of Australian agricultural industries that depend primarily on the domestic market and those few that depend on the export market;**
- **recognizing that the EU, Japan and US are not going to substantially open up their markets to our agricultural exports;**

- **strengthening the anti-dumping authority to prevent dumped imports undermining domestic producers;**
- **using the WTO Safeguard rules to stop domestic rural industries from being seriously affected by a flood of food or fibre imports;**
- **ensuring China remains classified as an economy in transition, and not a market economy.;**
- **applying to imported food products the same strict food standards regulations that are applied to our domestically produced food products; and**
- **carefully and cautiously ensuring that trade agreements are in the national interest, i.e. provide Australian farmers access to foreign markets without disadvantaging them in the domestic market. One industry must not be traded off against another in trade agreements.**

Instead of the WTO adopting "free market" agricultural policies, in 1995 the developed nations set in concrete their well entrenched post-war system of subsidies and other supports for their agricultural industries with the signing of the WTO Agreement on Agriculture (AoA). Post war, the EU and Japan regarded agriculture as strategic industries and farming an essential part of their culture. When President Bush announced his \$200bn farm bill in 2002, he declared US agriculture "a strategic industry." Also, as *News Weekly* has pointed out, the French heavily subsidise their farmers, but their manicured countryside attracts 70 million farm tourists a year, which is worth more than the subsidies paid to farmers.

The underlying reason why the GATT (1947) and now the WTO AoA (1995) rules were set to encourage orderly market and support for agriculture was because it was recognised that farmers have a fundamental problem that is faced by few other, if any other, industries. Farmers are price takers when they sell their product to supermarkets and when they buy their farm inputs; i.e. 10,000 Aussie dairy farmers have no market power when they sell their products to Coles and Woolies, or when they buy their tractors from just two tractor companies. They are price takers on both fronts.

With this understanding about agriculture, the 1995 WTO AoA saw the three dominant agricultural trading nations - US, EU and Japan - set the WTO agricultural trading rules not to liberalise trade, but to restrict trade and support their rural industries. To suit their domestic farm industries, they set the trade rules in five areas - market access, food security, domestic support, export subsidies and notification of technical support. As McGovern and Rees comment: "The rules based system in effect thumbs its nose at the concept of agricultural trade based on theoretical free trade."

Reductions in agricultural trade barriers are unlikely as the EU expands its membership; ASEAN is forming into a free trade area that is expected to expand to include China and then India within a decade; and the US is pursuing free trade agreements with its Latin American neighbours.

The two realities that should underpin Australia's agricultural trade policy are that:

- the bulk of our agricultural product is sold into the domestic market; and
- the probability of Australian farmers gaining substantially increased access to US, EU and Japanese markets are negligible.

Some farm groups heavily depend on the export market and therefore believe that they have to support free trade policies. However, their support for Australia adopting such policies will not have the slightest effect on the agricultural policies of our major competitors. Australia's unilateral adoption of free trade policies will not see the US, EU or Japan further open up their markets to our products.

Hence, Australia should be seeking to strengthen its anti-dumping rules and its anti-dumping authority so that Australian farmers are not disadvantaged by subsidised, dumped imports undermining them in their domestic market. It should also be prepared to use the WTO Safeguard rules to prevent a flood of imports undermining domestic rural industries.

Australia is considering classifying China as a "market economy", even though only about 13% of the Chinese economy is free enterprise. Already, cheap Chinese food imports are undermining farmers in our domestic market.

China is also an example of a country where food health standards are poor, where farmers and processors use chemicals banned in Australia, and food is produced with levels of heavy metals not acceptable in Australia. China has no food testing facilities, yet untested Chinese foods are given easy access to Australian supermarket shelves. Hence the need to have the same health standards applied to food imports as to foods produced by Australian farmers.

Third, Australia's necessarily strong quarantine standards and food safety standards must be maintained and not compromised, and should never be used as bargaining chips in trade agreements.

Australia's high quarantine bar has been threatened by decisions on apple, grape, pork, banana, and pineapple imports. Under WTO rules, a nation is entitled to have as high or as low a quarantine bar as it chooses, so long as the rules are applied consistently to all imports. They cannot be used as a protective trade barrier, i.e. by selectively excluding some food products and not others. Australia's lowering of the quarantine bar on some imports risks having the bar lowered on all products, e.g. on beef imports. In particular, Australia must not succumb to lower quarantine standards as it pursues free trade agreements with countries like the US.

Further, the same food safety standards should apply to food imports as to food produced domestically.

So important are Australia's quarantine standards, Biosecurity Australia and AQIS employees must receive the same level security clearance as those seeking employment in any of Australia's security agencies.

Fourth, recognizing that farmers are price takers not price makers, National Competition Policy must urgently be revised to protect farmers from processors and retailers abusing their market power, as a vital step towards farmers receiving a fair price for their product.

The deregulation process has taken place under National Competition Policy, where the states are offered financial carrots to deregulate industries, and are penalized if deregulation is not pursued. Supposedly, competition was to make our farmers more efficient so as to boost exports.

The problem is that farmers are price takers, not price makers. Deregulation leaves them open to exploitation. In the face of deregulation and falling prices, the natural reaction of farmers is to produce more. But producing more only floods the market and forces down prices.

NCP Principles must be reformed to take into account differences in market power at different stages in the production and distribution chain.

Where deregulation has disadvantaged farmers and regions, States should be encouraged to pursue appropriate regulation policies to restore a measure of market power to rural industries so that they can obtain a fair price for the product in their domestic market, and compensation and restoration of services made to regions.

Fifth, the ACCC must be urgently strengthened to curb the excessive power of supermarkets and ensure that farmers can collectively organise to bargain a fair price for their product.

The Australian Competition and Consumer Commission, which administers the Trade Practices Act, has failed to curb the excessive power of the supermarkets, leaving retailers with the power to bargain down prices to farm industries. Many industries now suffer from over production in a deregulated environment.

The ACCC must be given teeth to curb the excessive market power of dominant processors, retail organisations and oil companies, and allow for farmers to collectively bargain with retailers to receive a fair price for their product. Small to medium sized enterprises should be allowed to compete on a fair basis.

Sixth, farmers water rights must be defined and protected. The cost of water should be based on water delivery costs, not on market forces. Water trading must be limited and allocations to agriculture be guaranteed, lest competition force up the price of water and seriously affect farmers input costs, domestic food supplies, and our ability to maintain exports. Where increased water supplies are needed for cities and industries, or where sound sciences shows it is needed for environmental flows, then savings should be sought that do not reduce farmers irrigation rights and new sources of water should be sought. Trading should limited to sub-catchments and limited to users of water.

Farmers' water rights are under threat from:

- some states wanting to regularly review farmers' water rights;
- proposals for a national water trading system that threatens to create a water market where water barons could buy and sell water, and urban users can compete for farm irrigation water, both of which will force up the price of irrigation water;
- proposals to increase environmental flows down rivers by reducing farmer's water entitlements, which would put farmers into "permanent drought".

There is a need for a national water audit and a national water conservation process to make best use of water and infrastructure.

Seventh, curbs must be placed on excessive environmental regulations that are strangling many primary producers, threatening the viability of their industries.

The key environmental battle grounds are the dispute over environmental water flows down rivers; highly restrictive land clearing laws; the relentless closures of forest logging areas; the virtual closure of the Great Barrier Reef and other coastal areas to commercial fishing.

Eighth, a new development bank to provide long-term loans at reasonable interest rates, with repayments tailored to cash flows, for farmers, small to medium business, home buyers, and infrastructure expansion.

When fees and charges are taken into account, many farmers are paying exorbitant interest rates. A new Development Banks is needed to provide long term, low interest loans, with repayments geared to cash flows. The commercial banks are bound to serve shareholders and are not geared to provide the sort of credit needed by farmers and other groups. Regional infrastructure expansion should favour local businesses over large commercial chains and franchises that drain funds out of the regions.

Nine, key principles must govern Federal and State regional development principles:

- **Infrastructure expenditure in the regions should be in proportion to the contribution (and potential contribution) of regions to the economy;**
- **To ensure equitable access to infrastructure, regional power, water, transport and communications must remain in public hands;**
- **Regional areas deserve the same quality of health, education and other social services as provided in the major cities.**

Governments have cut services to regional areas in violation of these basic principles. Further, governments must be made to realize that their role in regional development becomes all the more important as corporations close their branch offices in the regions, and as major retail chains and franchises drain profits out of the regions.

Ten, speculation on agricultural land needs to be curbed as it is forcing up the price of farm land to the point where new farmers cannot gain a reasonable return on investment.

Eleven, policy recognition must be given to the family farm as the economic way to produce many agricultural products and is an ideal environment for raising families.

Twelve, policy recognition should be given to the need for cooperative principles to be applied to many rural organisations and regional communities, rather than free market competitive principles.

Cooperative principles used to underpin local farm communities. As one farmer put it, twenty years ago if a neighbour was in trouble, locals would chip in and help. Now the sit back and wait for him to go under so that other can cash on the spoils - his equipment, land, water, stock. The result has been a breakdown in community, a loss of values, family disintegration. In some cases, farmers have been manipulated by processors and suppliers to make them compete against each other to the point where it disadvantages farmers rather than helping them. This competition can be in the form of misleading market information, private access roads being blocked off to neighbours; building flood and levy banks regardless of the flooding it causes neighbours or the denial of water to neighbours; misrepresentation of ownership status; creation of exclusive clubs that create social tension in the area.

Thirteen, it is now apparent that Australia's major competitors - the US, EU and Japan - own and supply the majority of enabling farm technology for farm production in Australia, covering inputs such as machinery, vehicles, fertilizers, pesticides, seed, genetic plant modification and satellite technology and general componentry and/or raw materials for most of these essential production input items. The high-pricing of these enabling technologies to Australian farmers can be used as a non-tariff trade barrier.

This leaves our major trading competitors with mechanisms to disadvantage Australian farmers in world trade by pricing these essential machines and technology to favour their own particular countries, e.g. much of those covered by patents, plant variety rights, or registered designs.

Australia has no way to effectively manage this problem or to have such trade distorting measures rectified under any existing World Trade organisation guidelines or rules covering countervailing measures.

Also, many patented products come with accompanying products - fertilizers, pesticides, machinery. These often substantially increase the input costs of farming. The result can be that the net benefit goes to the owner of these technologies, while the farmer's profit stagnates or declines.

Fourteen, there is an urgent need to democratize major rural peak bodies.

For example, the beef and livestock industry umbrella structure created in 1997 by the Federal Government must be corrected. The Red Meat Advisory Council (RMAC) and the related Meat and Livestock Australia (MLA) are hopelessly flawed structures. Producers pay a compulsory levy to fund these bodies, but there are no proper democratic elections for these governing peak structures. These are effectively Federal Government appointed bodies with self-perpetuating boards.

They receive \$70-\$75 million from the compulsory levy farmers pay on each head sold; another \$10 million from processors; and another \$25 million from government research grants.

This is compulsory unionism, with producers compelled to pay a levy they never voted for. In 2002, a Senate Select Committee recognised this and recommended democratic elections, but the responsible Minister ignored these recommendations.

The MLA Board was set up in 1997 effectively by the Federal Nationals. It is not accountable to the levy-payers, as boards are effectively appointed by an "in-house" panel. Only 4% of beef producers nominate to vote at the AMGs, and a mere 25 entities control the organisation. They have refused to accept motions from members that have been correctly presented with over 200 signatures to MLA annual general meetings. They have become a law unto themselves.

The RMAC/MLA master-servant arrangement is not working. The Cattle Council now represents less than 10% of producers. It has a dreadful record of judgment.

A handwritten signature in black ink, consisting of a long horizontal stroke followed by a large, loopy flourish.

Your sincerely

Moro
resident
Mareeba District Fruit and Vegetable Growers Association Inc.

Cc Pat Byrne
Jan Davis - Growcom
Chairman - Horticulture Australia Council