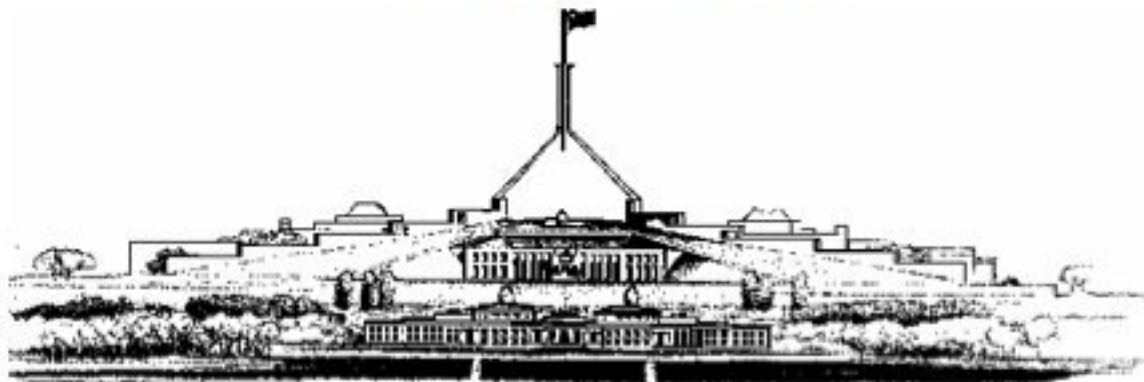




COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**BILLS**

**Farm Household Support Bill 2014,  
Farm Household Support (Consequential  
and Transitional Provisions) Bill 2014**

**Second Reading**

**SPEECH**

**Tuesday, 18 March 2014**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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# SPEECH

**Date** Tuesday, 18 March 2014  
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**Questioner**  
**Speaker** Taylor, Angus, MP

**Source** House  
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**Mr TAYLOR** (Hume) (18:06): It is a great privilege to speak on the Farm Household Support (Consequential and Transitional Provisions) Bill 2014 today. Almost 10 per cent of my electorate work directly in agriculture, and many more work indirectly in the sector, so any legislation impacting on agriculture is of great interest to me. It is also of interest to me as a fifth-generation farmer myself.

A traditional feature of agriculture, and indeed small business more generally, is that the household and the business are often one and the same. To understand how we might best help farm households we need to talk first about farm businesses and how we might support them in the coming years.

It is unfortunate that the last government never understood agriculture, the opportunities it presents and the policy framework we need to put in place to make it succeed. We saw a raft of policy failures, and more about that in a moment. On this side of the House we understand—and many other speakers who have come before me have said the same thing—that agriculture stands on the edge of the greatest opportunity we have seen in decades and perhaps even centuries. Many seem to not understand this point. Yes, this opportunity is not getting through to the bottom line for many farmers for reasons that I will explain, but some other members, like the member for Kennedy, need to get out a bit more into our export markets to see what is really happening out there. These are strong words, but let me explain.

In 2005 I began work on a project in Western Australia. I was working with the largest iron ore producer in Australia trying to understand the impact that Asian demand was having and was going to have on its business. The results of the work were absolutely staggering. China had suddenly realised that self-sufficiency in iron ore was no longer realistic. Its thirst for our exports that followed was growing by the day and prices began their extraordinary journey from \$20 a tonne to \$200 a tonne. We talk now about how terrible it is that the iron ore price has got to \$100 a tonne, but it is still five times higher than it was before the Chinese surge began. Meanwhile it became clear in this case that a business producing just over 100 million tonnes a year could be producing over 300 million tonnes in 10 years time. Most of the management team of

this organisation fell over laughing, but the prediction proved correct.

Then in 2008 many, including me, began to apply the same approach to understand agricultural demand. The results were similarly staggering. Not only would population drive growth in demand for our food and fibre but far more importantly rising income would change diets in the most fundamental ways. As people get wealthier their calorie consumption rises—sometimes to their great regret—and, more importantly, the make-up of those calories changes too. As we get wealthier we eat fewer carbohydrates and more proteins, fruit, vegetables, oils and sugars. That in itself is interesting, but the story gets better for our farmers.

The land and water required for those calories is increasing at a remarkable pace as more and more people enter the global middle class and as the land and water requirements for more intensive proteins increase. To put this in perspective: two-thirds of the growth in the world is now in poorer, developing countries, as against just one-third a decade ago. So where is that land and water coming from to meet this need? The clear answer is: nowhere. For all practical purposes there is no new land and water to access and we will probably lose a lot of it to agriculture in the coming years. So the problem can be solved only by producing more with less—higher productivity—and not just more of anything but more of the right foods and the right fibre. Oilseeds, fresh fruit and veg, proteins and even sugar are the foods that will see the greatest gains.

Already this is having a big impact on global prices for many products. In the summer season just passed we saw extraordinary prices for fresh fruit and veg in countries to our north. They are prices that we are not yet accessing but they are extraordinary prices and markets nonetheless. Global dairy prices, not local ones, have reached new highs in recent years and oilseeds are being imported into China at unprecedented rates. The global markets for lamb and even beef have never looked so good, despite what is happening locally. Despite all this good news, only last week I hosted a forum for farmers in Goulburn and heard about the continuing cost-price squeeze that our farmers face.

So with all this good news why aren't we seeing greater farm profitability and greater farm prosperity? The answer is sobering. For a start, our competitiveness has suffered badly from a high dollar that has been exacerbated by extraordinary public spending in recent years. Any resource economist will tell you that the first thing you should do when you have a resources boom is save government money to take pressure off interest rates and take pressure off the currency, but our Treasurer at the time, the member for Lilley, decided to run a grand experiment by doing the exact opposite and spending money as fast as he could. At the end of the day who can stand between the Labor Party and a wasteful public spending agenda?

But the problem was worse. When a great opportunity in the marketplace presents itself, the key is to get access to new markets. So the government did the opposite again. They started shutting down export markets. The most successful agricultural market in the last 20 years was the live export market. The former government, in its infinite wisdom, decided to shut the market down. We have to remember that, despite what the member for Kennedy would have us believe, the bulk of our agricultural sectors are export focused and have been for almost 200 years. To make matters worse the last government made no progress on accessing new valuable markets. While the Kiwis managed to get a free trade agreement with China, which is now powering their economy through dairy exports, we got nothing. That is why we announced within months of getting into government an agreement with Korea and why we will continue to work hard on Japan and, perhaps most importantly, China.

But agriculture needs more than just markets; it needs secure access to water and land. The Labor Party got to work on this one with its appalling Murray-Darling Basin Plan. Instead of looking at innovations to save water and use it better for environmental purposes, the ALP went for the lazy answer of taking water from agriculture. Meanwhile, agricultural education and R&D have suffered badly. We saw a reallocation of money to green research and education. The focus was taken away from productivity. But I guess when you are married to the Greens that is what you do. Farm extension services, the lifeblood of farm productivity, have gone the same way, with a shift from a productivity focus to an environmental focus. All farmers understand sustainability and understand that profitability is a prerequisite for sustainability. Throughout all of this, our supply chains had suffered from a policy vacuum. We stepped in to deal with the proposed Archer Daniels Midland purchase because there is limited competition in our grain ports and an ineffective regulatory framework. Grain is not the only industry where this is true. We know there are problems

to solve in the sugar industry and in parts of the meat and dairy industries.

Farm finance has also suffered from a policy vacuum. As farm debt levels climbed from \$30 billion to over \$70 billion, there was no debate in this country about how we would finance the next generation of farmers into this wonderful industry. These younger farmers should not just be the sons and daughters of current landowners. Instead, we want to follow the New Zealand example of finding ways to bring new blood into our industries. At the end of the day, the owner-operator, the family farm, will remain the heart of our farming industries; but that owner-operator will need to have its business partners to succeed.

Into this context, the coalition is determined to take advantage of the extraordinary opportunities we currently face in agriculture, opportunities that others dismiss. We are re-establishing the live export trade. We are opening up new markets in Asia, both through increased market access and also through enhanced biosecurity. We are focusing on delivering more water in the Murray-Darling Basin for both agriculture and the environment. We are putting more money into R&D. We are focused on helping farmers to reduce their costs through reduced energy prices, reduced red tape and less government borrowings to take pressure off interest rates and our currency. Our agricultural white paper is the first serious look at the broader policy framework for agriculture for many years. The paper will look hard at many of the issues I have already talked about, including agricultural finance, education, R&D and supply chains.

But we also need to support those suffering from the ravages of years of poor policy combined with harsh seasons. Coalition policy will never focus on propping up failing businesses, but it will focus on helping out households facing impossible circumstances. My first significant memories of drought were in the early 1980s. When lying on the ground, I could shoot rabbits hundreds of metres away without a blade of grass between me and the rabbit. That was bad news for the rabbit but worse news for us as farmers. The stress on families in these periods of drought is enormous, and I saw it in my own family. I prayed for rain constantly, if only to relieve those family pressures, let alone the business pressures.

I am pleased that both sides of the House support this legislation. I acknowledge the commitment of the member for Hunter for supporting many of our agricultural policies. He understands the flaws of past policies, and the serious need to move away from the mistakes of recent years. There are many aspects of this legislation before the House that show a deep insight into modern agriculture, farming businesses and farm

households. We understand that the asset threshold that would trigger this assistance needs to be relatively high, and exclude the family home. That is why we have set the asset trigger at over \$2.5 million and rising with the CPI. Selling down a farm business in a drought is a disastrous financial outcome, and a policy that forces such a sale would be poor policy indeed. We also recognise that off-farm income is often used to keep farm businesses going, but we should not discriminate against those who are earning that off-farm income. The legislation recognises this.

While my electorate is not suffering from drought in the way that many other regions are, there are areas of great hardship. This legislation recognises that farmers can face this hardship, even in areas that are not in what we might traditionally call drought-declared. Our agricultural policy is focused on helping farmers to be self-reliant, including in drought. Farmers want their businesses to succeed without government support. That is our focus, and the focus of this legislation. Only when self-reliance is impossible should the government step in. That is also the focus of this legislation.

This is an extraordinary time for agriculture. In 1788, when Europeans first arrived in Australia, they could not have known that in a few short decades this new country would become an agricultural powerhouse, building enormous prosperity on the back of exports to England. We currently face an opportunity of similar magnitude. We will not get there unless we provide the right policy framework and the right support to our farmers, in their times of greatest need. I commend this legislation to the House.