

SUBMISSION

By

Poppy Growers Tasmania Inc

in respect of a

**Discussion Paper which will inform
the final White Paper**

on the

**Competitiveness of
Tasmanian Agriculture for 2050**

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Introduction

Poppy Growers Tasmania Inc (PGT) is pleased to provide this submission in response to the discussion paper released on the 30th January 2020 to help inform the final White Paper on the *Competitiveness of Tasmanian Agriculture for 2050*. As poppy growers, our membership is vitally interested in not just a viable but a thriving future for all farming in Tasmania.

Viability alone is no longer good enough to keep heart and minds engaged. There has to be the opportunity to have a good return.

When it gets to the sharp end, given the changes in our particular sector in the last 15 years with ups and then prolonged downs, the central theme of productivity and profit emerges.

What is the opportunity for profit and profitability in farming? The answer(s) and spreading the good news and good ideas amongst the farming cohort about how to get there and stay there is going to be the fundamental driver of overall growth in agricultural production and value.

This submission will examine some widely held and yet often unspoken issues that face all farming entities in Tasmania, large and small and family owned or corporate.

About Poppy Growers Tasmania Inc (PGT)

PGT was established on an informal basis in 1964 to assist growers as the poppy industry was in early establishment phase in Tasmania.

It was formally established in 1971 along with the poppy industry's first commercial production in Australia, at that time based solely in Tasmania.

Poppy growing remained solely in Tasmania until approximately 2015 when some production was undertaken on mainland Australia.

Today Australia produces approximately 50% of the global demand for opiate based pain management material for the world pharmaceutical industry. Tasmania produces approximately 95% of that demand.

PGT is a voluntary, not-for-profit grower association with a Committee of Management consisting of 14 poppy growers drawn from each growing area of the State. Approximately 93% of poppy growers are members of PGT.

There are approximately 500 poppy growers spread across the entire growing area on the North West Coast, North East Coast, Northern Midlands, Midlands, Southern Midlands, Central Highlands and Derwent Valley.

In fact Poppies are grown in all of Tasmania's nationally acclaimed irrigation areas.

PGT is the peak industry organisation charged with representing the interests of Tasmanian poppy growers in respect of security, governance and commercial matters at all levels of Government, State, National and International, including ongoing liaison and negotiation with the three licensed and approved Australian poppy companies.

What is the worth of Tasmanian Agricultural value – if Agriculture is not Profitable?

The background paper about competitiveness of Tasmanian agriculture sets out on page 6 at figure one a graphical interpretation of gross farm gate value of Tasmanian agriculture. The 20 year trend rate is established from 2013 onwards. The statistical basis for the incline is not well established and it is certainly a long way short of the Agri vision 2050 target growth rate.

It is almost trite to say that agricultural competition is about advantage in markets. Much is said about the *“extraordinary food and beverages being sold into discerning markets with the quality of the state’s product recognised and valued and (they) therefore command superior price”*

This view which is widely held is not so easily supported by simple description or an item just for being **Tasmanian grown**. There is no clear market research set out in the paper to demonstrate if or why a cherry from Tasmania would command a superior price to an identical cherry grown in Chile or South Africa if presented at a supermarket in Shanghai, for instance.

It does have to be said that the paper is open to the recognition that a significant proportion of Tasmanian agricultural output is produced under contract and sold into commodity markets.

It is the view of Poppy Growers Tasmania that the poppy industry is a very clear example of constrained production. Opportunity to diversify is restricted where there are bottlenecks. Narcotic laws are a stark example of red tape, for good reason. By law, farmers cannot grow poppy material unless they hold a contract with a licensed processor. No material can be grain stored or processed by a farmer. There is no opportunity to hold onto material for future sale at a time when market prices have shifted.

What we grow is not edible but most other Tasmanian crops usually are. The statistics for Tasmanian vegetable growing farms are easily identified within figures drawn from ABARE and set out in the Commonwealth website agriculture.gov.au

The reality shown in recent figures is that farm cash income for Tasmanian vegetable growing farms declined by 31% to \$111,900 per farm in 2017/18. Total vegetable receipts decreased by 7% as a result of lower vegetable prices. Lower potato tomato and onion receipts were the main contributors to decline.

There was a significant turnaround for the year 2018/19 with total vegetable receipts up about 25% primarily because of increases in potato receipts due to improved yields and prices. At the same time however total cash costs have increased by about 4%.

A review of the **rate of farm inflation** for costs is important to understanding the expense constraints that hamper farm productivity. Operational costs continue to ratchet up with fuel, electricity, wages, insurances, water, local government to name a few of the major costs.

The graphical depiction of farm cash income for vegetable growing farms from 2007 to 2018 19 shows that Tasmanian farms are still well below the levels of farm cash income of the



national average and they started at a very low base. In contrast to non-farm businesses there are dramatic fluctuations in income from year to year.

Fluctuations in income of the in range referred to in previous paragraphs and as shown in figure 7 from the Australian vegetable growing farm survey indicate that there will be ongoing and frequent management changes in any given year to establish reliable profitability and cash flow.

The provision of readily available working capital at low cost and high-level business acumen is not something that can be gifted but has to be developed and acquired through skill experience and learning. It also requires a banking and funding system that is sympathetic to farm variability.

How savvy are we Tasmanian farmers as a collective?

How business savvy are Tasmanian vegetable growers? One has to say that based upon the statistics of the last decade those who remain vegetable growing are very savvy survivors indeed.

The question of business acumen and is highlighted by the business model of mixed livestock and crops.

The indicators that Farm cash income for Tasmanian mixed livestock and cropping farms increased from a low \$72,620 in 2016–17 to \$306,000 in 2017 18. This was because of increased crop and wool production and higher grain and lamb prices. Probably those with lamb mostly! These are dramatic figures, from bust to boom.

In the most recent financial year reported increased cereal crop production and again high grain and lamb prices are projected to result in further increases in farm cash income. It is acknowledged that lower planting of poppies is projected to result in lower overall crop receipts for some farms but expect to be offset by livestock receipts. If achieved it would be the highest in over 20 years and 273% higher than the 10 year average, refer to figure 2 (*From the ABARES Australian agricultural and grazing industry survey.*)

Of particular interest is the lower value in cash income for Tasmanian vegetable farms. This compels a management decision to maintain focus on farms being mixed and bringing in other activities. In some areas the climate and soils do not permit this. If not, there are even higher level management requirements, for instance to establish grapes as a vineyard is a big shift from sheep for wool. Again as with the variability in incomes this requires higher levels of business functioning as it will see different skills and different infrastructure required for differing farming pursuits. The skills required to grow cauliflowers will obviously be very different to the skills required to successfully grow grapes and sheep. There can be connections and synergy but this requires adroit management, persistence and access to funding.

How are Tasmanian farmers getting the skills to adapt?

The traditional pathway to corporate knowledge is through family influence as predominantly Tasmanian farms remain family owned even when corporate there are family structures at the centre of corporate farming.



A state which is in many ways different and remote to Tasmania yet which has great similarities because of that remoteness is Western Australia. Reference has been had to the W.A. Primary Industry's and Regional Development paper about "*generating more profit from your farm business*" at www.agric.wa.gov.au

The WA paper highlights the absolute importance of profitability in farming and the management theories, attitudes and practices that are behind that reality. The takeaway is "*There are key management practices and skills that farmers can use to further enhance business profitability*".

Just as for Tasmania, most of Western Australia's agricultural production is exported. The following is so true for Tasmanian farmers as well:

"for producers to continue to sell into the export markets they will need to remain internationally competitive. Producers will continue to be challenged as they face rising costs, intensified competition from international producers and climate challenges. To maintain and improve profitability, managers of farm businesses will need to have a deep understanding of their profit drivers and have plans and tactical strategies in place to profitably manage their businesses in a range of possible scenarios".

The W.A. paper sets out some essential business criteria that every farmer should be aware of. The comment is made that "*management skill is often the differentiating factor between the top and bottom performers operating in similar environments*"

What is happening on the dirt side of the farm gate

As Tasmanian farmers are heavily dependent upon the post-farm gate through the processors involved in poppies, potatoes, vegetables and livestock, Tasmania's commercial farmers can be expected to look at all of the issues relating to profit up to the farm gate.

How Tasmanian farms can pass on knowledge both within businesses is critical. Spreading the word amongst others is critical to the mass of farmers. There is no sense in competition, when we are all in it together. Approaches to what is in agricultural circles often referred to as "extension" must see the best method to attract farmers and consultants and farm participants generally. If it's extension employed by processes such as discussion groups and demonstration farms and field days that must happen and keep happening but the encouragement of the spread of knowledge and ideas is critical.

Much must be made about the critical need for farmers to be well educated, financially literate and adopting the best management skills to not only ensure the survival of the farm but increasing profit through their working life time.

At the same time the social license and community acceptance and support of farming is important so that farming can coexist alongside a growing urban population.

The social acceptance and interest in agriculture is fundamental where careers in agriculture which are not strongly pursued are required for the production chain. The recent public awareness of large numbers of foreign based workers to pick fruit, a very recent and novel situation in Tasmania, highlights the need for provision of labour and at the quantities at certain times as the massive growth in the berry and soft fruit sector has exploded since 2015.



But what does lie beyond the farm gate and what have some of those who have looked beyond the farm actually achieved?

The extraordinary growth in the demand for labour force for fruit picking has come about and been met by identifying market opportunity by a few individuals. The existence of these new drivers is rooted in entrepreneurs who have looked beyond the gate and had business skills and personal ambition. This has led to a remarkable increase in state economic output.

This shows the vital importance of education, management skills and above all and entrepreneurial spirit which must be encouraged and when found supported by the community at all levels. Government has a role to reinforce the messaging as there is hope for the future.

The gaps that are emerging as shown in negative attitudes by local councils and absence of planning support for accommodation for workers and community reaction against newcomers is a source of concern. This is highlighted by a relative silence by state government about the issue.

There is a lack of quick flexibility around arrangements for places of accommodation to be quickly established. The Red Tape that exists may need to be changed and community support actively brought along with it. Public leadership is important. This is not a situation where a 5 to 10 year plan can be implemented. More realistically it's a 5 to 10 week plan in some cases when growth markets appear to be unstoppable. There are few competitors to Tasmanian for growing soft fruits and yet despite our stable climate, a suboptimal infrastructure physically and legally exposes weakness.

“The productivity, stupid”

This is deliberate play on words on the oft quoted phrase said to have been said by President Clinton in relation to the economy in 1992.

The need for a surge in productivity of Tasmanian farms, given a small land area and the wish for a tenfold increase in value within 30 years is a no-brainer.

International study suggests that productivity growth in traditional agricultural areas such as North America Europe and Latin America has been stalling.

The Global Agricultural Productivity report produced by the Virginia Tech College of Agricultural in 2019 shows six strategies for accelerating productivity growth (*GAP Report available for download at www.globalagriculturalproductivity.org*)

- Investing in public agriculture RND and extension
- Embracing science and information based technologies
- Improving infrastructure and market access
- Cultivating partnerships for sustainable agriculture and nutrition
- Expanding regional and global trade
- Reducing post harvest lost in food waste



It has to be recognised that these six strategies are a consistent theme in agriculture all over the world and each one must be focused on in Tasmania for us to achieve the 2050 target.

But how big is Tasmania?

If growth is to occur it has to be in the physical space that we have. Intense agriculture is taking place in paddocks that once grew grass or crops. Others have had to move and there is no clear answer locatable for how much land in Tasmania has been lost due to urban growth and other factors. Information is simply not easy to come by. Should the Tasmanian population begin to experience significant growth, such as by new residents from interstate and overseas wishing to move to Tasmania for climate based reasons then the pressure on good farmland which is in close proximity to urban centres will intensify.

Town planning changes such as zoning changes and applications to convert farmland to rural living or residential zoning will increase as land value is often the greatest profit driver of all (but only once).

The importance of maintaining the largest possible production area for all the opportunities emerging and for existing processing based sectors cannot be overstated.

What is very important for the government to give attention to the statistics on what land has been lost and might be projected to be lost between now and 2050 which is of course now less than 30 years away.

Conclusion

Our theme is one of Positivity – Productivity – Management – Capacity.

Effort has to be made by Government to lead and to drive social and economic factors.

Education and management skills lead the push for growth in on farm infrastructure which in turns drives the growth of public infrastructure.

Growing profit is the key to growth of farming in every sector. Growing our rural economy is complex, but not impossible.

This submission highlights consistent themes of common sense and what is actually achievable as long as the drive and vision remains alive.

Links:

<https://www.agric.wa.gov.au/generating-more-profit-your-farm-business?nopaging=1>

<https://www.agriculture.gov.au/abares/research-topics/aboutmyregion/farm-financial-performance-tas>

