

Agriculture needs bigger scale

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The coming policy white paper on agriculture will examine ways to get a better return for farmers, thereby stimulating production, as well as how to capitalise on Australia's regional advantage, Agriculture Minister **Barnaby Joyce** says.

But economists and the federal opposition have warned any government policy designed to boost profits for family farmers would not deliver the investment needed to boost agricultural production.

Mr Joyce on Monday released white-paper terms of reference intended to stimulate debate and submissions about investment and productivity, as well as how to generate jobs, improve farm returns and food security and position Australia to increase its share of burgeoning Asian markets.

The white paper will also re-examine the tax treatment of farm investments and the development of

northern Australia. "If we design policy that gets a better return to the farm gate, then the mum and dad farmers will have all the motivation in the world to increase production," Mr Joyce said.

"And by helping them we also help ourselves because we take the nation away from a purely boom-bust mining cycle."

Mr Joyce said the free trade agreement with South Korea, which will reduce tariffs on beef and sugar exports, was an example of the government's commitment to increasing profits at the farm gate.

But Labor agriculture spokesman **Joel Fitzgibbon** accused Mr Joyce of a "thought bubble" and of attempting to pre-empt the findings of the white paper by flagging changes to a ban on negative gearing of farms in certain circumstances to encourage greater urban investment.

"He appears to believe the \$600 billion of investment we need for productivity and output-lifting infrastructure

can come from within Australia from the budget bottom line and by creating additional tax breaks for Pitt Street farmers," he said.

Deloitte Access Economics director Chris Richardson said the simplest way to increase profits for farmers was to increase the size of farms and tap into the advantage offered by increasing economies of scale.

Bank of America Merrill Lynch Australia economist Saul Eslake said offering tax breaks for "hobby farmers" would not improve productivity in the agriculture sector.

"We need more institutional, corporate and foreign investment in agriculture. Australia's agriculture businesses need to achieve more scale," he said.

"The sector can't be based on the family farm in the same way the retail industry is not based on mum and dad stores any more."

The white paper will be released towards the end of 2014.