Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 1

Division/Agency: Australian Bureau of Agricultural and Resource Economic Sciences

Topic: Increasing sustainable productivity in Agriculture

Proof Hansard page: Written

Senator STERLE asked:

1. Provide information as what ABARES research identifies as the main issues for increasing sustainable productivity in Agriculture?

2. What are the major threats to Australia's long-term agricultural productivity growth?

3. In ABARES report Australian agricultural productivity growth 2014 – domestic policy settings were identified as important determinants of agricultural productivity – because they shape farmers' incentives and capacity to innovate and improve productivity. Can you update the committee on further work relating to the work undertaken in the Australian Agricultural Productivity Growth Report 2014?

4. Can you provide current statistics on Australia's Total Factor Productivity for the Agricultural, fisheries and forestry sectors?

5. Are figures in the latest releases about apparent changes in employment omitted because it showed bad news or because the Government and ABARES has come to the realisation that using Labour Force Survey data as an indicator of fluctuations of employment in the industry is not an accurate gauge of what is going on the ground?

6. As identified by the ABARES report – Australian agricultural productivity growth is an important component in maintaining competitiveness. What is the department's priority for developing a formal Agricultural productivity work plan?

7. In answers provided to previous questioning – some activities of the previous agricultural productivity plan were continued by task groups reporting to senior officials committee – which tasks were continued? Does the Senior Officials committee still exist? Provide detail as to who made up the Senior Officials committee?

8. Provide detail as to which work plans incorporated activities carried forward?

9. What is the makeup of the new task group?

10. What is the objective of the new task group?

11. How was it determined which activities were determined as appropriate?

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12. Can you provide current statistics on Australia's Total Factor Productivity in the Agriculture, fisheries and Forestry sectors?

13. What are the major threats to Australia's long-term agricultural productivity growth?

14. In the ABARES report on productivity pg 3 Determinants of productivity growth it states that "At the farm level, an improvement in productivity reflects farmers producing more outputs (such as livestock and crops) from market inputs (land, labour, capital, materials and services). Measured at the industry level, productivity growth also reflects changes in industry structure, including the exit of less efficient farmers and more efficient resource use across farms" Was this information factored into the Government's White Paper?

15. Current beef prices which the Minister cites at every opportunity are not the result of higher productivity but of increase supply demand due to factors such as drought. Has the department provided advice to the Minister about the importance of increasing productivity to ensure the long term sustainability of the Agricultural sector?

Answers:

1. The ABARES report "Australian agricultural productivity growth: Past reforms and future opportunities" (ABARES 2014, *Australian agricultural productivity growth: Past reforms and future opportunities*, ABARES research report 14.2, Canberra, February; http://www.agriculture.gov.au/abares/publications/display?url=http://143.188.17.20/anrdl/DAFFService/display.php?fid=pb_apgpfd9abp_20140220_11a.xml) examines how Australia's past agricultural and economy-wide reforms have contributed to its agricultural productivity growth, and considers some opportunities for future reforms to promote productivity growth.

   Future opportunities for government to promote agricultural productivity growth may come from reducing regulatory burdens, improving the efficiency of the rural research, development and extension system, building human capital through improving labour availability and skills, and ensuring incentives facilitate more efficient resource use across farms.

2. A wide range of factors influence total factor productivity growth within Australian agriculture. Many are beyond the direct control of farmers. Changes to macroeconomic conditions, world commodity markets, regulatory requirements and access to natural resources all affect the business environment in which farmers operate. Other factors affecting productivity growth are the extent to which farmers are able to expand and/or invest in new technologies and increasing uncertainty around seasonal conditions. Although farmers have access to a variety of strategies for managing the risks associated with adverse seasonal conditions, these tend to have productivity consequences.

   Productivity growth depends on the rate of adoption of improved technologies and management practices. Other factors could be the decline in seasonal conditions and decline in research and development funding. Regulations about how farms operate, including

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expectations around animal welfare, pest and disease management practices and environmental outcomes are also likely to influence productivity outcomes.

3. Since ABARES released the report "Australian agricultural productivity growth: Past reforms and future opportunities", ABARES has published research on the contribution of resource reallocation between farms to productivity growth ("Resource reallocation and its contribution to productivity growth in Australian broadacre agriculture") and the methodology for estimating productivity growth has been published ("A manual for measuring total factor productivity in Australian agriculture"). Both documents are available at http://www.agriculture.gov.au/abares/publications. In addition, updated estimates of Australian productivity in the broadacre and dairy industries have been provided in the March 2015 and March 2016 editions of Agricultural Commodities (available at http://www.agriculture.gov.au/abares/publications).

   In August 2015 the Organisation for Economic Co-operation and Development (OECD) released "Innovation, agricultural productivity and sustainability in Australia" (http://www.oecd.org/regional/innovation-agricultural-productivity-and-sustainability-in-australia-9789264238367-en.htm). The ABARES report "Australian agricultural productivity growth: Past reforms and future opportunities" was produced by ABARES as input to this OECD project.

4. The Australian Bureau of Statistics publishes measures multifactor productivity by industry. The latest published estimates for agriculture, fisheries and forestry are for 2014–15 and indicate that productivity has been growing at an average annual rate of 2.7 per cent between 1989–90 and 2014–15.

   In Australia's agricultural sector (as published in the March 2016 edition of *Agricultural Commodities*, pages 215-225), total factor productivity growth has averaged 1.1 per cent a year for broadacre industries between 1977-78 and 2013-14. Total factor productivity growth has averaged 1.6 per cent a year in Australia's dairy industry between 1978–79 and 2013–14. Within the broadacre sector, total factor productivity over the period 1977-78 to 2013-14 has been increasing at an average annual rate of 1.5 per cent for cropping specialists, 0.9 per cent for the mixed crop-livestock industry, 0.3 per cent for the sheep industry, 1.3 per cent for the beef industry and at 0.0 per cent for the beef-sheep industry.

5. ABARES measures of total factor productivity include expenditure on hired labour, which is collected in ABARES Australian Agricultural and Grazing Industries Survey and ABARES Australian Dairy Industry Survey. The Australian Bureau of Statistics measures multi-factor productivity, and these estimates include data from the Labour Force Survey.

   ABARES quarterly publication *Agricultural Commodities* includes agricultural employment statistics in the appendices which are derived from the Australian Bureau of Statistics Labour Force Survey. In the March 2016 edition, employment statistics were published in Table 6 on page 249.

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6. The Australian Government's Agricultural Competitiveness White Paper outlines current priorities for pursuing agricultural productivity growth

7–11.

Yes, the Agriculture Senior Officials Committee (formed in 2014) still exists. The committee comprises all department heads and CEOs of Australian / State / Territory and New Zealand Government agencies responsible for primary industries, including agriculture, fisheries and forestry. It is chaired by the Secretary of the Australian Government Department of Agriculture and Water Resources.

The task groups which carried on elements of the agricultural productivity work plan were the Infrastructure and Related Matters; Education and Skills; and Regulatory Reform task groups. Membership of each task group reflects membership from the jurisdictions. The respective task groups were established to:

- review key information, barriers and initiatives and make recommendations to enhance the productivity outcomes within the agricultural sector as a result of education or skills development programs (Education and Skills Task Group)
- influence government investment in appropriate infrastructure to create efficient food supply chains, increase productivity and meet rapidly growing trade (Infrastructure and Related Matters Task Group)
- address the regulatory impediments and inefficiencies impacting the international competitiveness of Australia's food and agricultural sector (Regulatory Reform Task Group).
- Work plans for the task groups are determined by the Agriculture Senior Officials Committee sponsor for the respective task groups. These work plans refocused the relevant activities of the agricultural productivity work plan to meet their new terms of reference:

In relation to education and skills, the activities under the agricultural productivity work plan were largely complete and the Education and Skills Task Group reviewed this work to identify new areas for work.

In relation to infrastructure, the agricultural productivity work plan had actions to monitor work of a number of groups to identify potential implications for primary industries. These actions formed part of the scope for the Infrastructure and Related Matters Task Group.

In relation to regulation, the Regulatory Reform Task Group chose to focus further work on regulatory impediments and inefficiencies impacting the international competitiveness of Australia's food and agricultural sector.

12. The Australian Bureau of Statistics publishes measures on multifactor productivity by industry. The latest published estimates for agriculture, fisheries and forestry are for 2014–15 and indicate the productivity has been growing at an average annual rate of 2.7 per cent between 1989–90 and 2014–15.

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13. A wide range of factors influence total factor productivity growth within Australian agriculture. Many are beyond the direct control of farmers. Changes to macroeconomic conditions, world commodity markets, regulatory requirements and access to natural resources all affect the business environment in which farmers operate. Other factors affecting productivity growth are the extent to which farmers are able to expand and/or invest in new technologies and increasing uncertainty around seasonal conditions. Although farmers have access to a variety of strategies for managing the risks associated with adverse seasonal conditions, these tend to have productivity consequences.

    Productivity growth depends on the rate of adoption of improved technologies and management practices. Other factors could be the decline in seasonal conditions and decline in research and development funding. Regulations about how farms operate, including expectations around animal welfare, pest and disease management practices and environmental outcomes are also likely to influence productivity outcomes.

14. The Australian Government's agricultural white paper (p 4) acknowledges that 'The success of agriculture over the past two centuries is a result of the sector's ability to innovate, adapt and continuously respond to economic, social and technological advancements.' It is also noted that the reduction in farm employment as a proportion of total employment is the result of increased automation and productivity gains and that this trend is expected to continue (p 4).

15. ABARES provides the minister's office with reports that are released and a summary of key points from those reports.

Rural and Regional Affairs and Transport Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates February 2016

Agriculture and Water Resources

Question: 2

Division/Agency: ABARES

Topic: Red tape reduction

Proof Hansard page: Written

Senator LUDWIG asked:

Since the change of Prime Minister on 14 September 2015:

1. Please detail changes to structures, officials, offices, units, taskforce or other processes has the department dedicated to meeting the government's red tape reduction targets?
    a. What is the progress of that red tape reduction target?
2. How many officers have been placed in those units and at what level?
3. How have they been recruited?
4. What process was used for their appointment?
5. What is the total cost of this unit?
6. What is the estimated total salary cost of the officers assigned to the unit?
7. Do members of the unit have access to cabinet documents?
8. Please list the security classification and date the classification was issued for each officer, broken down by APS or SES level, in the red tape reduction unit or similar body.
9. What is the formal name given to this unit/taskforce/team/workgroup or agency within the department?

Answer:

1. Since 14 September 2015, there has been some natural attrition and recruitment of replacement staff. There has also been a change in governance oversight, with the unit now reporting through the ABARES executive director to the department's senior executive committee.

    a. As at 31 December 2015, the portfolio reported a total of $90.5 million in regulatory savings across the portfolio ($24.5 million in 2014; $66 million in 2015).

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2–4 and 8.

As at 8 February 2016 the unit comprised 5.95 Full Time Equivalents (FTE), led by an SES Band 1 officer with responsibilities broader than the regulatory reform agenda. The end of financial year forecast average is 6.15 FTE, made up of the following staff by level and showing the proportion of their time dedicated to regulatory reform/red tape reduction, their employment and recruitment status, and security classification.

Level	**FTE**	**Recruitment**	**Security classification**	**Date issued**
SES1	0.25	Ongoing Staff	Negative Vetting1	12 March 2006
EL2	0.5	Ongoing Staff	Baseline Vetting	16 October 2009
EL2	1.0	Ongoing Staff	Negative Vetting 1	7 December 2010
EL2	1.0	Ongoing Staff	Baseline Vetting	1 December 2010
EL1	1.0	External/ advertised vacancy	Negative Vetting 1	23 October 2009
EL1	0.2	External/ advertised vacancy	Baseline Vetting	August 2011
APS6	0.8	Ongoing Staff	Negative Vetting 1	5 May 2006
APS5	1.0	External/ advertised vacancy	Baseline Vetting	Pending
Graduate	0.2	External/ advertised vacancy	Baseline Vetting	28 January 2016

5. The direct cost in 2015-16 is forecast at $1.133m.

6. The forecast total salary cost for these staff is $0.676m.

7. Yes.

8. See above.

9. Regulatory reform unit.