

The Growing Australian agriculture to \$100 billion by 2030



WA GRAINS GROUP INC.

Incorporation No. A1013809U

C/- Post Office

Lake Grace 6353

November 2019

CONTACT

Doug Smith

W.A. Grain Group (Inc) Chairman

C/_ Post Office, LAKE GRACE WA 6353

Telephone 0429201012

www.wagrainsgroup.com.au



Introduction

The WA Grains Group (Inc) (WAGG) is a grower financed, and grower driven group, focused on delivering economic gain to growers.

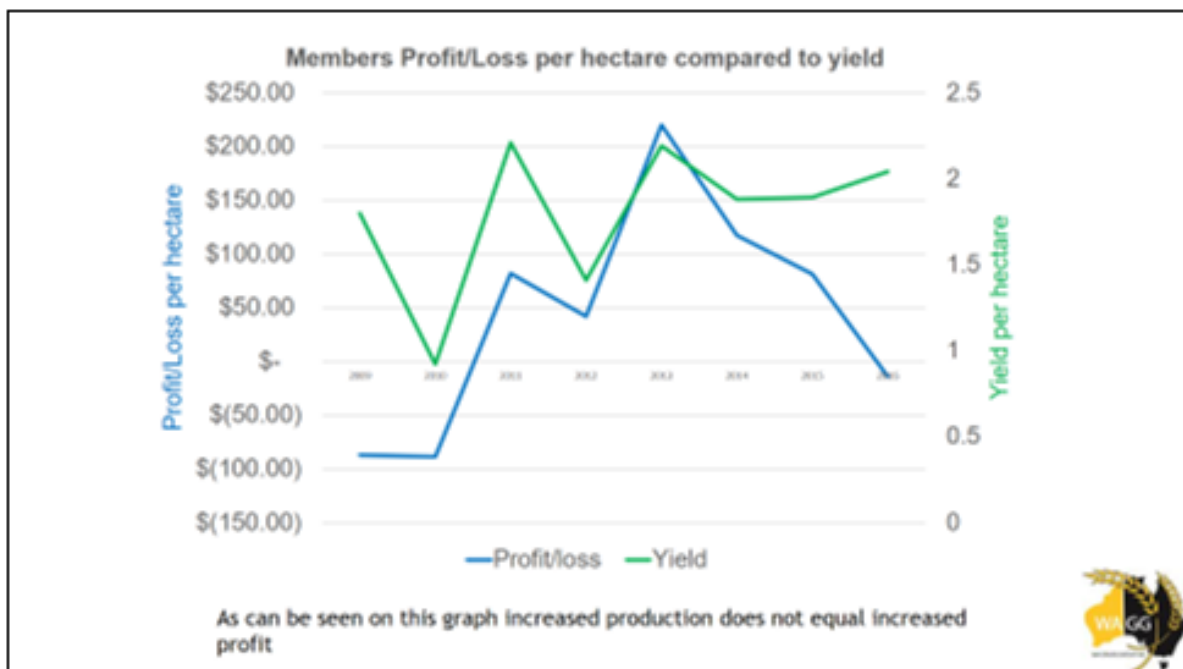
The objects of WA Grains Group are:

- i) To represent the Western Australian grain industry in the areas of production, marketing, plant breeding, agronomic development, storage and handling, processing, bio-security, transport and any other issues in order to promote, sustain and safe-guard the Western Australian grain industry in the longer term
- ii) To encourage profitable and sustainable production and marketing of the Western Australian grain crop.
- iii) To carry out, promote or assist in activities of any kind associated with the development, production, handling, processing, promotion and competitive services of Western Australian grain and its derivatives.

The WA Grains Group has raised the issue of the health of the grains industry numerous times in the recent years with various politicians and Research and Development Organisations. Unfortunately this appears to have fallen on deaf ears, which prompted the WA Grains Group to do a Power Point Presentation called “The Inconvenient Truth” in 2017.

This presentation showed;

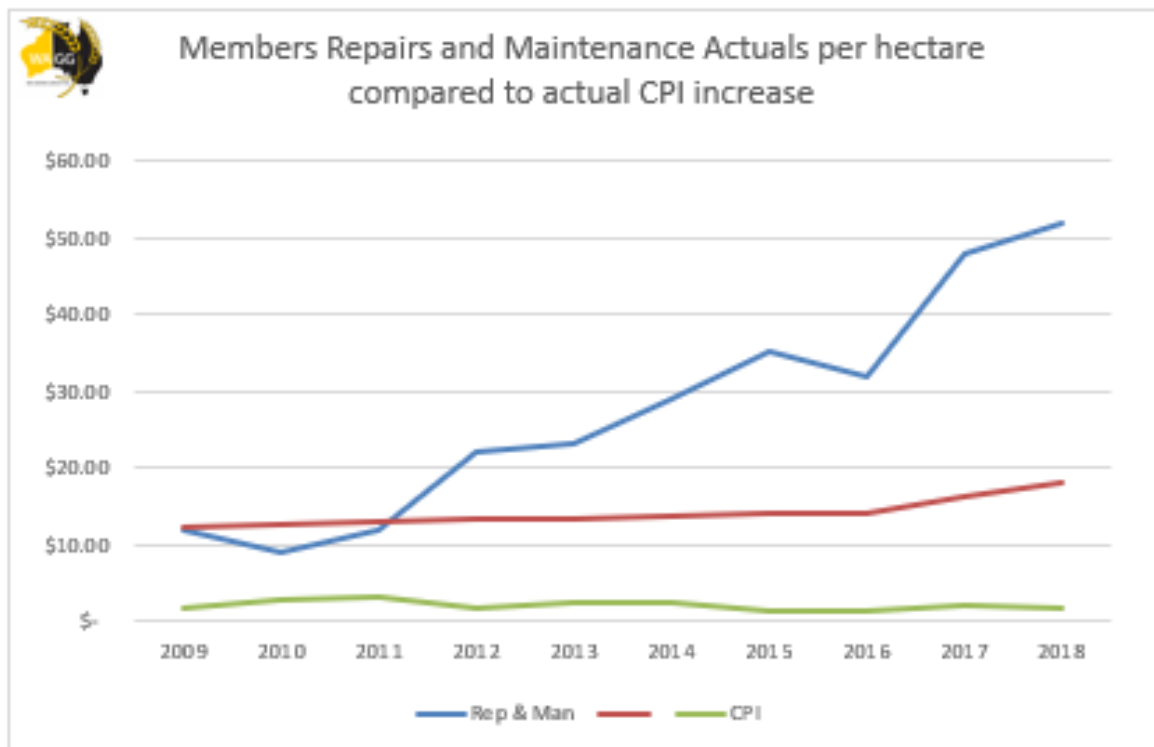
- the costs and impediments that the grain industry is facing by showing the true financial picture of farmers business by removing the influence that Capital Gain of land has on the balance sheet.



This slides shows that yield does not equal profit.

Since 2013 the costs have continued to rise and the profits per hectare have declined.

- the disconnect between the underlying inflation rate and inflation that affects agriculture.



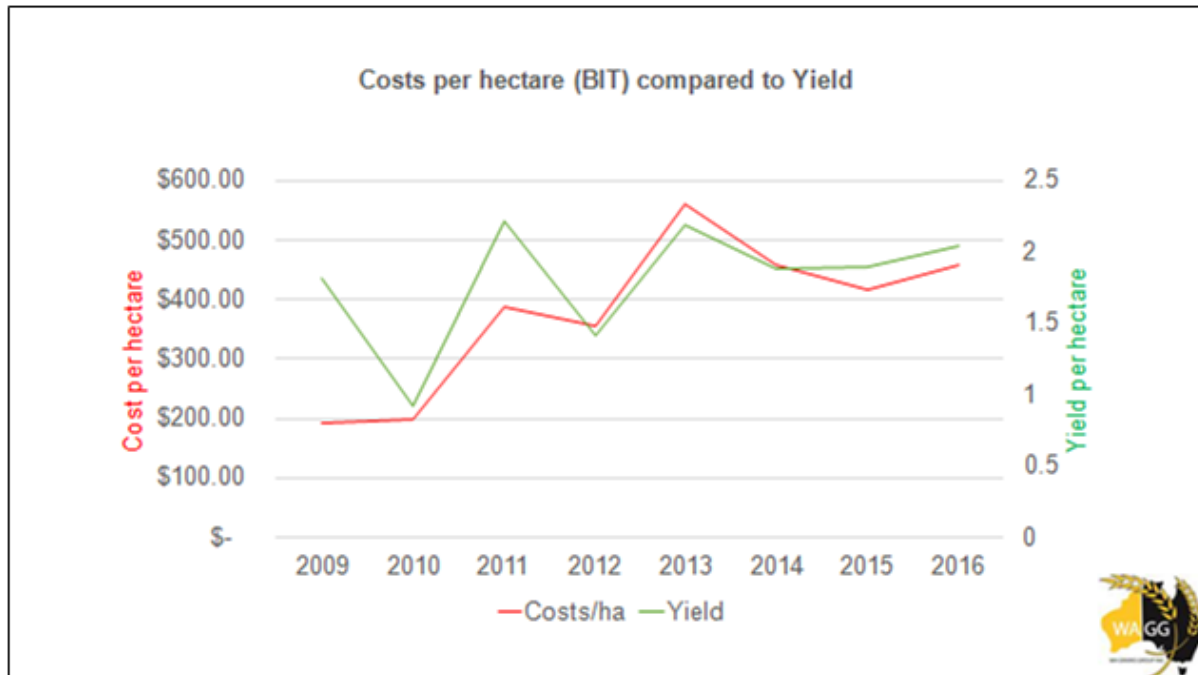
This slide shows the comparison on what should be happening in our industry compared to what is actually happening.

If repairs and maintenance had increased according to the CPI the increase would have been less than \$6, however it has been \$30.

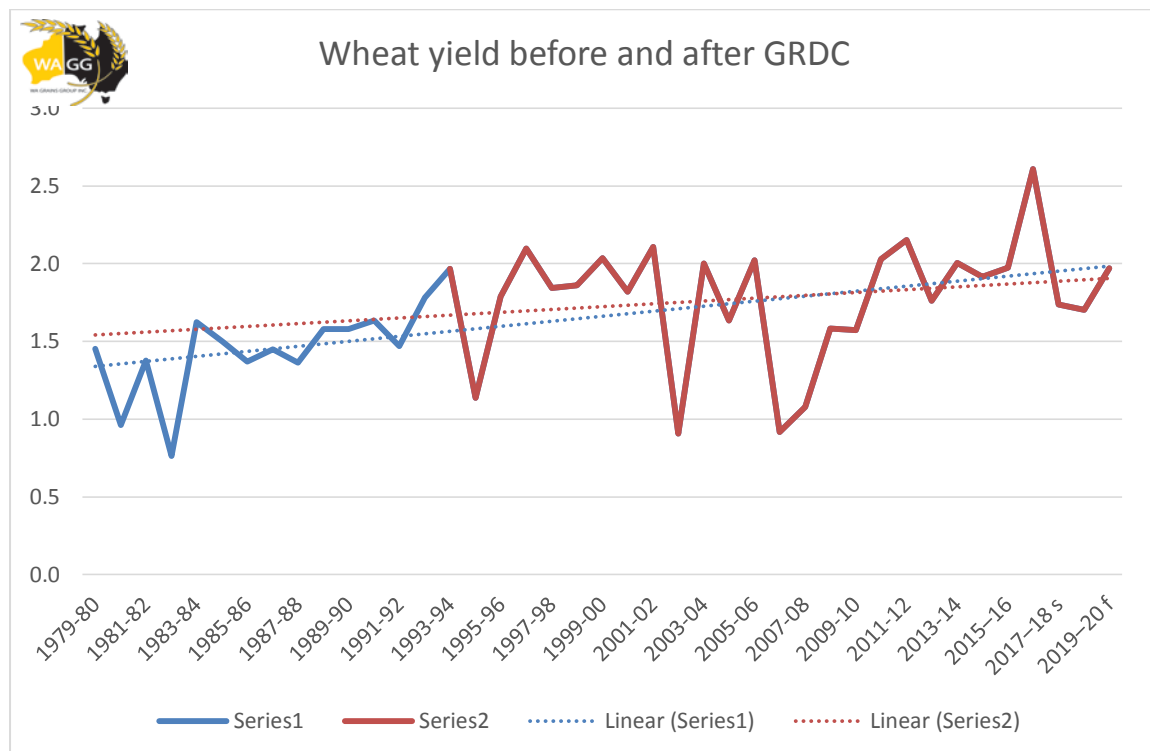
The Consumer Price Index is the bottom green line. The red line is the repairs and maintenance as it should be if the costs only increased relative to the CPI.

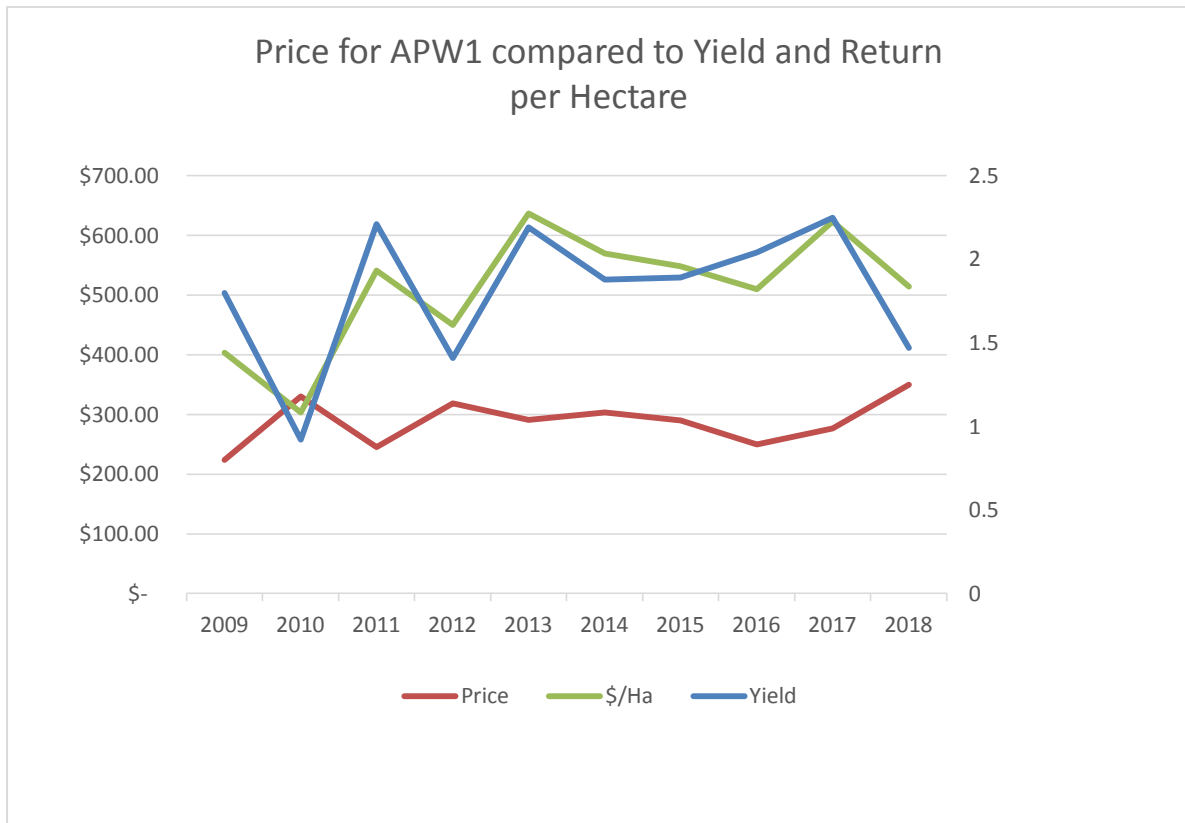
There is a massive disparity between the CPI and wheat farmers costs.

- the profiteering in good years by suppliers.

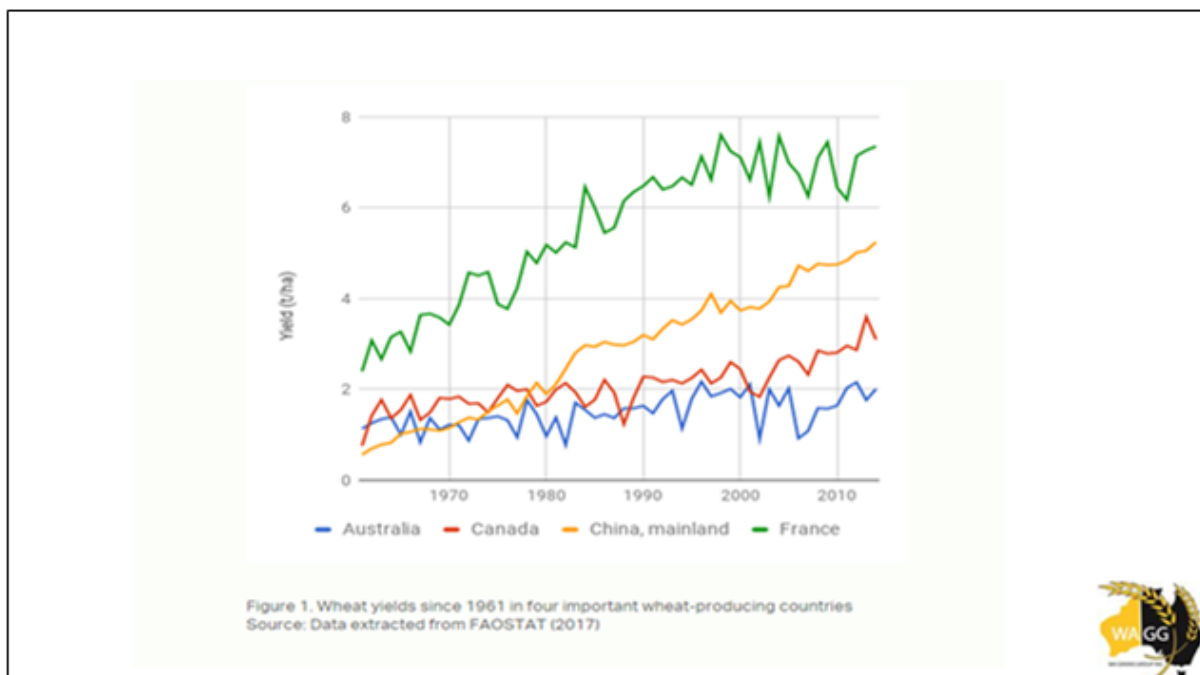


- the lack of affect of our compulsorily levy has had on increasing our production and profitability.





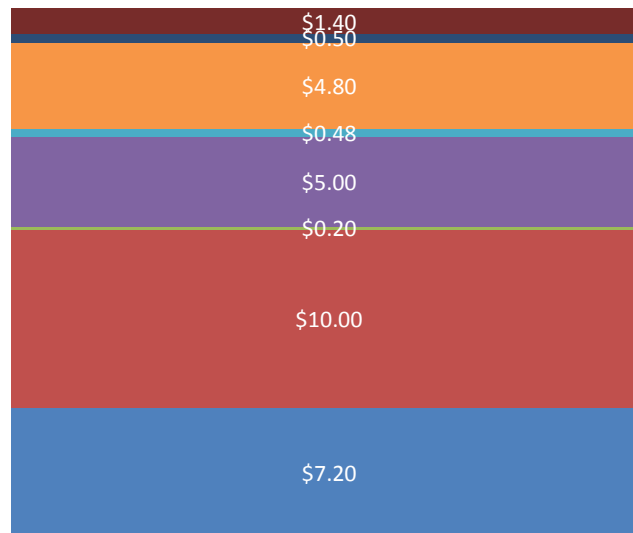
- While Australia's yield has virtually flat lined, our competitors have greatly increased their yields.





THE PRODUCTION COST ASSOCIATED WITH 10% INCREASED YIELD IN WHEAT BASED ON 1.8T AT \$277 IS \$29.58 OF THE \$49.86

■ CBH ■ Fert ■ Marketing ■ Harvesting ■ Insurance ■ GRDC ■ EPR ■ Finance

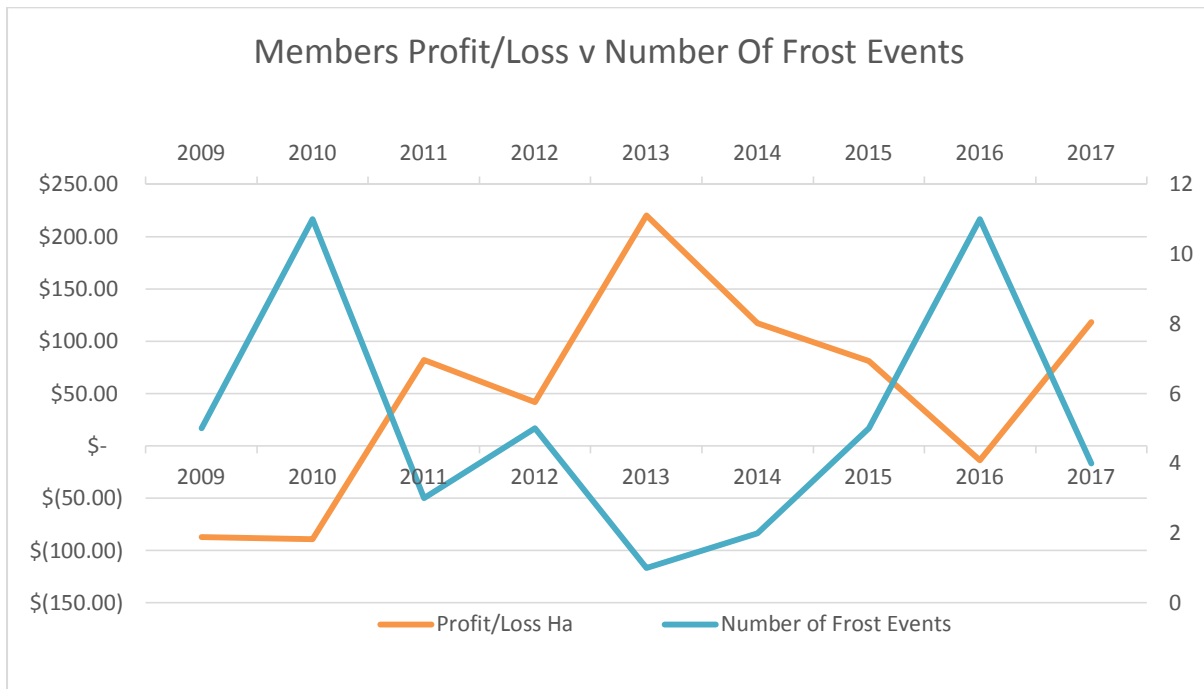


1

Never in the history of R & D in Australia have farmers had a 10% increase in yield except for 'no till', which was developed by farmers.

A farmer only needs to increase the value of his 1.8t of wheat by \$11.26 per ton to give him the same net financial result as a 10% yield increase.

- The largest affect on our profitability is frost.



In addition to looking at the true financial state of our industry these are some of the other impediments that we have identified.

Impediments to primary production sectors realising their ambitions

- Infrastructure – Telecommunications
 - Inadequate roads
 - Rail, lacks the volume
 - Ports, lack container facilities
- Political impediments – Lack of understanding
 - Interference in R & D
 - Lack of support for public R & D
 - Public perceptions and the pressure on Pesticides
 - Right to farm
 - Hampering Live Export
 - Lack of fuel security
 - Lack of understanding farmers issues
 - Lack of support of succession planning (rolling FMD's into Super)
 - Lack of data protection
 - Not supporting farmers right to repair
 - Not supporting farmers right to own their own IP

- Monopolies – CBH
- Collateral damage due to ideologies such as a level playing field – it does not exist
- Increasing the cost of doing business due to compliance for no benefit to the farmer
- Disconnect from Land Prices and what can be earned from the land. There is no connection between the price of the land and what can be earned from the land, or what debt can be serviced.
- Farming is now a dual facet business, one is based on land speculation, (driven by corporate investment) and the other is based on agricultural produce, driven by family farms that can not compete with the corporate that purchase the land.
- Step buying by corporates has destroyed small communities by removing population from the areas.
- Super funds using compulsorily acquired funds.
- The banking enquiry has only made it harder to borrow money.
- Cities being built on the best agricultural land.
- Labour/staff, the high cost of wages is making Australian Agriculture uncompetitive on the world market .
- Australians expectations of what is a fair wage. Mining and Agriculture support the highest standard of living in the world.
- Climate cycles.
- Lack of a long term approach to Agriculture in Government. Agriculture should not be affected by party politics, it needs to be independent of the change of Government
- Corporate investment in agricultural farmland is a ponzi scheme where we see an investor pushing the price of land up with subsequent purchases, which generate a paper return on investment (ROI) that meets the investor expectations on the initial purchase. ie. First purchase at \$1235/ha, second purchase at \$1482/ha, third purchase at \$1729/ha (a 40% return on investment since the first purchase). This is happening in every area of agricultural land in Australia, which is perfectly poised for another Great Depression style crash of agricultural land prices.
- The double edged sword that comes with increased land values, increased equities, increased borrowing power, hence our \$76 Billion rural debt.
- It now shows how vulnerable agriculture will be to any increase in interest rates with reduced margins and increased debt.

Opportunities to primary production sectors realising their ambitions

- Feed Grain
- Utilising the differences that we have in Australia due to the size and therefore variability of Australia
- Biosecurity, we are an island – safe, clean and green
- Climate Cycles
- Value adding – containerisation
- Stop CSIRO and GRDC from selling off our research to our competitors
- Improved short term weather forecasting
- Be the last to ban Glyphosate as we will be the last producers of surplus food



Looking at the inflation in agriculture, if by 2030 agriculture is not being paid \$100 Billion for what we are currently producing then agriculture has no future.

Thank you for the opportunity to present this submission, we welcome the opportunity to present “The Inconvenient Truth” in person and answer any queries that you may have in regard to this submission.

If you wish to discuss any of these comments or suggestions in further detail, please contact me on [REDACTED] or phone 0429201012.

Yours sincerely,

[REDACTED]

Doug Smith
Chairman
WA Grains Group
27/11/2019

