

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary Public

Date: 9/5/2013

GAIN Report Number: AS1336

Australia

Post: Canberra

Australian Federal Election 2013 – impacts on agriculture

Report Categories:

Agriculture in the News

Approved By:

Hugh Maginnis, Agricultural Counselor

Prepared By:

Rebecca Gowen, Agricultural Specialist

Report Highlights:

A federal election is due to be held in Australia on September 7th, 2013. All indications at this stage are that the ruling Labor party will be replaced by the centre-right Liberal - National Coalition. Foreign investment in agriculture has become a key issue of the election with both major parties declaring they will examine the need for changes to the way foreign investment happens in Australia.

Australian Federal Election 2013

It has been a tumultuous year in Australian politics. After a rare, contentious, and highly publicized change in leadership within the ruling Labor party, an Australian Federal election was called on August 4 for September 7th 2013, which the centre-right Liberal and National parties (the “Coalition”) are poised to comfortably win. What remains unclear is how agricultural policy will be managed under a new government or if Prime Minister Kevin Rudd remains in power.

During the campaign, both leaders have predominately visited capital cities where most key seats reside. Nevertheless, agriculture is an important constituency for Australian politicians. The National Farmers Federation (NFF), the main farmer representative body in Australia, has identified five key priorities which they would like parties to address during the election campaign. They are:

- A commitment to implement the NFF's [Blueprint for Agriculture](#) priorities and to increase agriculture's share of the federal budget.
- An increase in investment in agriculture Research Development and Extension by one percent by 2015.
- Reduced red tape through harmonization of state/federal regulations; ensuring fair competition through delivering the balance of market power; and driving investment in infrastructure needed by our farmers.
- Encourage greater uptake of agricultural careers and more flexible labor laws.
- Balancing agriculture and the environment: Key actions required: ensuring infrastructure and other efficiency measures are in place prior to any water purchases in the Murray-Darling Basin; and helping farmers to improve preparedness and response to extreme climactic events including an overhaul of drought support measures

Labor party

The Australian Labor Party is led by Prime Minister Kevin Rudd. Rudd was elected Prime Minister at the 2007 election but was forced from the position in June 2010 by his then Deputy Julia Gillard. In June 2013 the positions were reversed and Rudd returned to the top job. The slogan for the 2013 Labor Party campaign is ‘A new way for the future’ which implies a significant change in direction, unusual for an incumbent government but reflective of the recent changes in leadership.

The Labor Party has stated that a re-elected Labor government would focus on “fairness, growth and opportunity, families, education and workers”.

Rudd has expressed a desire to finalize the Chinese-Australia Free Trade Agreement which has been under negotiation since 2005. The negotiations are focused on reducing or removing both tariff and non-tariff barriers to trade and encouraging more foreign investment. Australia currently holds a trade surplus of over \$33 billion with China. Rudd is a fluent mandarin speaker and former diplomat to

China, which may influence how he deals with China relative to other countries in the region like South Korea and Japan – two important players where FTA negotiations are ongoing.

Labor Agriculture Minister

The agriculture minister is Joel Fitzgibbon, who was appointed on July 1, 2013. Fitzgibbon has been a member of the Australian Parliament since 1996 and previously held positions as Minister for Defense and Chief Government Whip. It is likely Fitzgibbon would remain as agriculture minister in a re-elected Labor government. His electorate of Hunter hosts a range of agricultural industries, yet also has a number of large coal mines, and is a key example of the tension that has developed between mining and agriculture in Australia.

Fitzgibbon, from Labor's Right faction, has expressed his support for free trade and foreign investment. Without direct reference he has implied that he would support the takeover of Graincorp by Archer Daniels Midland (ADM). The ADM purchase of Graincorp has become a totemic issue for those who support continued foreign investment and those who believe that too much of Australia is being sold off to foreign interests. This issue has received more than its fair share of attention due to several factors, including a general feeling among the population that Graincorp is a traditional Australian company that is now being sold to foreigners. In addition, despite the fact that ADM is an American company, there is growing concern over the rise of Chinese investment which contributes to the negative perceptions over the pending transaction.

Agricultural policies and announcements

The Labor Party has not released a formal agriculture policy for the 2013 election campaign but they have made several election commitments which would affect the Australian agricultural and rural industries. On August 15, 2013 Prime Minister Kevin Rudd announced a three-point strategy for northern Australia which would establish a Northern Special Economic Zone and provide tax cuts for companies based in the Northern Territory. The strategy also includes \$10 million to facilitate the expansion of the Ord Irrigation Scheme from 29,000 to 43,000 hectares and a commitment to develop 20-year growth plans for a number of regional centers.

In response to the National Farmers Federation's (NFF) election priorities the Labor party stated their goal is to expand Australia's food exports by 45 percent to \$AU44.2 billion by 2025. To support this and ensure ongoing productivity growth the Labor party has committed to investing \$1 billion over four years in the Rural Research and Development Corporations and providing \$420 million in low interest loans for agricultural producers. The response also included a repeat of commitments made in the [Australian National Food Plan](#), a review of which can be found [here](#).

Since Rudd was re-elected as Prime Minister he has taken steps towards improving the trade relationship with Indonesia; particularly in regards to live animal exports. Rudd visited Indonesia in early July 2013 and soon after the Indonesian government announced an increase in live cattle import quotas for 2013. On August 22nd and 23rd an Indonesia-Australia beef trade investment forum was held in Brisbane. The forum was attended by Agriculture Minister Joel Fitzgibbon, Queensland Agriculture Minister John McVeigh and Katter Australia Party leader Bob Katter as well as several representatives from the Indonesia government. A re-elected Rudd government has committed to establishing an independent

Inspector-General of Animal Welfare and Live Animal Exports to review and audit Australia's live animal export trade processes and systems.

Liberal – National Coalition

Tony Abbott is the current leader of the Australian Liberal Party and would be Prime Minister if the Coalition wins government. The leader of the National Party, Warren Truss, would be Deputy Prime Minister. Traditionally, the Liberal party has represented the interests of conservative voters in metropolitan areas, while the National party has a strong support base in rural and regional Australia.

Despite nominally being the party for regional Australia and in particular, agriculture, the National Party has been accused of being silent on agricultural policy during this election campaign.

Coalition Agriculture Minister

The number of ministerial portfolios given to Liberal or National party members is dependent on the proportion of Liberal to National Members of Parliament elected to the House of Representatives. If the Liberals have a strong election result the number of Cabinet portfolios granted to the Nationals could be reduced from four to three; however it is almost certain agriculture would remain with the Nationals.

The current Shadow Minister for Agriculture and Food Security is National party member John Cobb, who has indicated that he would like to continue in the role if the Coalition is elected. On August 28th Cobb announced a Coalition government would provide \$2.2 million over two years to support farmers whose properties are the subject of native title¹ claims.

While Cobb seems to be the most likely candidate for Agriculture Minister under a Coalition government, there are several other candidates who could also possibly take on the Ministry should the Liberal/National coalition win. One possibility is Nationals candidate Barnaby Joyce, who is contesting the Independent-held seat of New England in New South Wales. Joyce was previously a Senator for Queensland but resigned that position to run for a place in the House of Representatives. Joyce currently holds the shadow portfolio for Regional Development, Local Government and Water. It has been suggested this portfolio be expanded to include agriculture. Joyce has stated his priorities would be reducing government debt, repealing the Carbon tax and restoring confidence in the live export cattle trade. Joyce was vocal in his opposition to foreign agricultural investment, particularly in the case of Chinese investment in Australia's largest cotton farm, Cubbie Station, and has also voiced opposition to the ADM takeover. Joyce spoke in support of farmers at a recent forum to discuss the impact of cheap imports on fruit and vegetable growers in Victoria.

Other potential Nationals candidates include New South Wales Senator Fiona Nash, who has been one of the major opponents to the ADM takeover of Graincorp.

From the Liberal party, Andrew Robb is the Shadow Minister for Finance, Deregulation and Dept Reduction, and has also been suggested as a potential Agriculture minister. Robb has a solid

¹ Native title is the recognition by Australian law of Indigenous rights and interest to land.

background in the agricultural industry, having worked as an agricultural economist for the Victorian Department of Agriculture, and as Executive Director of both the Cattle Council of Australia and the National Farmers' Federation. However, it is more likely Robb will remain in Finance or receive Trade if the Coalition is elected.

Liberal Senators Chris Back from Western Australia and Bill Heffernan from New South Wales have also been strong advocates for agriculture. Senator Back was one of the major supporters of the livestock export industry during the live export ban in 2011 and subsequent implementation of stricter export regulations. Senator Back has consistently campaigned on behalf of livestock producers and exporters to re-open export markets and ensure ongoing growth in the industry.

Senator Heffernan has also been a significant supporter of the live export trade but also a major critic of the ADM takeover bid.

Agriculture policies and announcements

The Coalition announced their agriculture policy on August 29, 2013. The policy includes a total of \$134 millions of new investment focused primarily on research and development. This includes a commitment of \$20 million to establish a biosecurity 'flying squad' which would act as a first response unit for urgent biosecurity issues.

A coalition government would conduct an audit of agriculture 'red and green tape' in an effort to reduce bureaucratic and environmental regulations on the sector. The Coalition's key policy commitment to repeal the Carbon tax will affect agriculture by reducing the cost of electricity and food processing. Other commitments include \$8 million over four years to assist in registering alternative chemicals for pest and disease control and \$4 million to expand agricultural education in schools. Other possible initiatives could include: reducing registration costs for small exporter to improve market access, additional funding to control wild dogs and a forum to improve agribusiness profitability.

Earlier in the campaign, the Coalition made a commitment to invest \$100 million in improved cell phone coverage in rural and regional areas. Inadequate cell phone and internet services have been widely identified as a key barrier to improving agriculture and regional productivity and supply chain efficiency.

The NFF has broadly welcomed these policies, particularly the increased funding for research and development and the commitment to developing an agriculture 'White Paper'.

A major issue for a newly elected Liberal-National Coalition government would be the proposed ADM takeover of Graincorp. The final decision will be up to the Treasurer based on the recommendation of the Foreign Investment Review Board (FIRB) which has stated that they will delay their decision until after the election is concluded. Both the current Treasurer, Chris Bowen and the Shadow Treasurer, Joe Hockey have declared that they will not comment on the takeover bid until after FIRB makes that recommendation. The Coalition has committed to establishing a register of foreign investment and reducing the threshold for review by FIRB from \$244 million to \$15 million for agricultural land.

While it is more than likely that a re-elected Labor government would support the takeover, a change of government would bring some uncertainty and could potentially be a cause for division within the Coalition. In general the Liberal party has spoken in support of foreign investment and their core principles support a free market. However, the National Party is more cautious and has called for tighter controls on foreign investment including subjecting acquisition to a national food security interest test. Senator's Nash and Heffernan have publically opposed the takeover and were the key drivers of the Senate inquiry into the ADM bid. Both believe that the takeover is not in Australia's national interest and at the very least that Graincorp should be forced to divest at least one port facility to another investor prior to the ADM takeover.

On balance it is still expected that the ADM takeover would occur, however a Coalition government may attach more conditions to the sale such as the sale of certain assets.

Other parties

The Australian Greens party

The Greens party was originally formed to focus attention on environmental issues, but has since expanded their policy base to include a number of social justice issues. Their primary support group is urban professionals and students. However, their opposition to coal seam gas (CSG) exploration has increased their support in some rural areas.

The Greens currently hold one seat in the House of Representatives and nine seats in the Senate but are likely to lose at least some of these as both major parties have listed them as their last preference.

The Greens believe foreign investment is important but want tighter controls on FIRB, including stricter national interest tests on land and water and a complete ban on 100 percent sale to wholly-owned foreign government subsidiaries (these purchases are currently allowed but subject to review, no matter the size of the investment).

The Greens have also been strong opponents of the live export trade.

Katter's Australian Party

Katter's Australian Party (KAP) was formed by former independent, Bob Katter in 2011. Katter has held the seat of Kennedy in north Queensland since 1993 (he was a Nationals MP until 2001.) The party has nominated 78 candidates for the 2013 Federal election. It is expected Katter will hold his seat in the House of Representatives and the party is a strong chance of winning one Queensland Senate seat. The party has a strong focus on agricultural policies and is strongly protectionist. Specific policies supported by the KAP include:

- mandated ethanol use in Australia
- support of the Mandatory Renewable Energy Target
- mandate the allocation of premium shelf space in supermarkets for Australian produce;

- underwrite a national multi-peril crop insurance scheme to mitigate production risk;
- reduce interest rates and manage the Australian currency down to improve the sector's international competitiveness;
- stimulate investment in infrastructure, including roads, rail and ports;
- implement WTO compliant tariffs to protect Australian producers and manufacturers where they are unable to compete with subsidized imports;
- stiffen biosecurity conditions on imports and properly resource quarantine and inspections services;
- provide an arbitrated price for agricultural produce where farmers request it;
- establish a rural development bank to facilitate generational equity transfer;
- implement "orderly" marketing where industry structures undermine reasonable market power to producers (as perceived currently in dairy, egg and sugar industries); and
- restore vital irrigation water to agriculture in the Murray Darling Basin

They would also work to reduce the market share of supermarket companies Coles and Woolworths and grain companies Graincorp, Glencore and CBH.

While claiming to be a representative for Australian agriculture, Katter has recently been accused of switching his allegiance to the mining industry due to the expansion of mining within his electorate. Local voters have questioned this move since the majority of mine workers are not full-time residents of the electorate and therefore not eligible to vote for Katter.

The KAP is somewhat of an unknown entity given that this is the first Federal election in which they have fielded candidates. However, they appear to have a reasonable level of support, particularly among rural voters who are disillusioned with the National party. If KAP does win one or more Senate seats it is likely they will have enough influence to affect the level of protectionism in Australian agriculture. The Katter Party holds similar views on agriculture to Democratic Labor Party Senator John Madigan who began his six year Senate term in July 2011.

Palmer United Party

The Palmer United Party was formed by Queensland mining millionaire Clive Palmer in 2013. The Palmer party has five key policies which cover:

- reducing the power of lobbyists
- reinvesting wealth generated in regional areas back into those areas
- removing the Carbon tax (and providing refunds on tax already paid)
- expand the Australian manufacturing industry
- changing the way asylum seekers' applications are handled.

The Party has nominated candidates in 149 electorates. While the party is unlikely to win any seats in the House, it is an outside chance of winning a Senate seat in Queensland.