

26 July 2024

Mr Trung Luu MP
Chair
Legislative Council Legal and Social Affairs Committee
Parliament House
Spring Street
EAST MELBOURNE VIC 3002



By email: lsic.council@parliament.vic.gov.au

Dear Mr Luu,

Submission to the Inquiry into food security in Victoria

The Victorian Farmers Federation (VFF) appreciates the opportunity to provide input to the Parliamentary Inquiry into Food Security. This submission highlights the VFF's concerns regarding the current state of food security in Victoria and Australia. It draws from our extensive experience and engagement with the farming community, focusing on the significant impacts and drivers of food insecurity, as well as potential solutions to enhance food security.

Food security, while a critical issue, often fails to resonate with the broader community because it is perceived as an abstract concept. However, the reality is that food insecurity is already affecting more than 3.7 million Australians according to the 2023 FoodBank Hunger Report.

The VFF believes it is important that food security is taken as a consideration across all areas of public policy. Whether it be transport, energy, water, labour or planning, all of these issues have an effect on how we produce food, the cost of production and the prices that consumers eventually pay. The VFF supports the concept of a national food security strategy to provide a food security lense of public policy. That strategy must identify the areas of responsibility for each level of government.

This submission seeks to underscore the urgency of addressing food security not as a distant concern but as a present and pressing issue which crosses over various policy areas of government. It examines the various factors that are within the government's remit to control including economic conditions, supply chain disruptions, and rising production costs, and proposes actionable measures to mitigate these challenges. We note that whilst this submission focusses on the pressures farmers face in producing affordable food, it is critical to note that the cost of direct agricultural production represents just part of the costs involved in the supply and sale of food. These factors have not been addressed as part of this submission.

Victorian Farmers Federation
Farrer House
Level 3, 24 Collins Street
Melbourne VIC 3000

 1300 882 833
 vff@vff.org.au
www.vff.org.au

The voice of Victorian farmers and
rural communities since 1979.

Supply chain costs

In 2023, the ABS found food inflation was being driven by ‘a range of price pressures including supply chain disruptions and increased transport and input costs’. According to CSIRO TransIT modelling, total annual transport costs the agricultural industry \$5.8 billion each year, with supply chains costs often accounting for the single largest cost in agricultural production. High transport costs have a direct impact on of Victorian farmers and their costs, but also impact the prices consumers pay.

Improving the capability of the state’s agricultural freight network is critical to achieving objectives of lowering costs for farmers, and the cost of food for consumers. The Victorian Government has a clear responsibility to deliver actions that improve the efficiency of our freight networks.

The VFF is currently involved in consultation with the Victorian Government on its Freight Strategy Refresh. As part of our [submission](#) to the refresh, the VFF has argued the state’s freight plan should include the following to best support agricultural productivity:

- A comprehensive road maintenance plan for Victoria.
- A program of targeted investment in key bridges on strategic freight corridors.
- Support local government to improve and maintain local roads.
- A program of funding to maintain and improve the rail network.
- Identify opportunities to resolve line conflict between passenger and freight rail.
- Advance the standardisation of rail lines in Victoria and progress the completion of the Murray Basin Rail Project.
- Outline initiatives to constrain port costs and ensure the competitiveness of Victorian port.
- Outline mechanisms to address congestion entering the port and outline initiatives to address last mile access to critical infrastructure connecting the port.
- Ensure planning protections are in place to prevent encroachment into port land and inappropriate development affecting future port expansion and development.
- Describe a program of regulatory reforms aimed at facilitating greater use of high productivity freight vehicles.
- Investigate options to improve responses to environmental management when it impacts on road maintenance.

Food security depends on a stable and efficient supply chain. Issues such as the shortage of AdBlue, pallets, and other logistical challenges illustrate the complex interdependencies within the food system. These disruptions can lead to increased costs and reduced availability of food. Consideration for the resilience of our supply chains is critical. The COVID-19 pandemic exposed the fragility of our food system and supply chains. Panic buying highlighted how quickly people can take the availability of essential goods for granted. The disruption of supply

chains during the pandemic demonstrated that our food system, while robust, is vulnerable to sudden shocks.

Cost of production

The Food and Agriculture Organisation of the United Nations (FAO) found that rising input prices were one of the factors that contributed to global food price rises in 2021 and 2022¹ and the RBA has stated that agricultural inputs costs are also evident in higher grocery prices in Australia.²

The Australian agriculture industry as a whole had suffered a 115% increase in input costs from 2002 to 2022. The producer price index for sheep, beef, cattle and grain farming in Australia has taken a very steep trajectory over the last 20 years. Input costs have surged over 150% since 2002, representing an average compound price inflation rate of 4.7% per annum. The story during the COVID-19 pandemic was one of extreme cost increases, at 28% since 2019.³

Many products utilised within farming are either imported or rely heavily off foreign components. The cost of imports into Australia have jumped 30% in the last decade. Efforts to lower freight and transport costs by government through investment in infrastructure will help alleviate these costs.

Aside from rising input costs attributable to global factors, there are a host of domestic pressures that are forcing mounting costs onto food production which can be attributable to government policies. For example, moves to change the Murray Darling Basin Plan and buyback water from irrigators in Northern Victoria would see the cost of water increase to levels that would impact food security. Irrigators can expect a 15 per cent increase in water charges (the cost of running the system) if 100GL is purchased and delivery shares are terminated. In addition, the cost to buy water has been conservatively predicted to rise by at least 10%.⁴

The annual cost of electricity to Australian agriculture has been estimated to be over \$2.8 billion.⁵ Government policies play a critical role in shaping these costs. Effective government policies should balance environmental objectives with economic viability, ensuring that farmers can maintain productivity while transitioning to more sustainable energy practices.

As food prices increase, the amount of money making its way back to farmers doesn't always correlate. In fact, in many cases farmers see an increase at their end in the form of the cost of

¹ [FAO Food Price Index | Food and Agriculture Organization of the United Nations](#)

² [Inflation | Statement on Monetary Policy – May 2022 | RBA](#)

³ [Cost of farming up 28% in 3 years - Mecardo](#)

⁴ [The impacts of further water recovery in the southern Murray–Darling Basin - DAFF \(agriculture.gov.au\)](#)

⁵ [The impacts of energy costs on the Australian agriculture sector - Australian Farm Institute](#)

inputs. These inputs include land, equipment, fertiliser, chemical, seed, buildings and facilities, maintenance, labour, fuel, energy, feed, taxes, insurance and more. Whilst these expenses continue to rise, farmers continually striving to increase their yields and efficiency so they can remain competitive and profitable in the long term.

In turn, the costs that are added to production of food are eventually passed through the supply chain to the consumer. Given that farmers are largely price takers in the market however, these costs are initially born by the producer. Consequently, farmers face the initial cost squeeze

Cost of regulation

Farm businesses are subject to a vast and complex array of regulations. Regulations are in place at every stage of the supply chain — from land acquisition to marketing — and are applied by all levels of government. The number and complexity of regulations affecting farm businesses means that the cumulative burden of regulation on farmers is substantial. A 2014 report by Holmes Sackett quantified that the average annual cost incurred by all farms surveyed relating to bureaucratic red tape was \$31,364 per annum.⁶

The VFF advocates for the Victorian Government to proactively seek to reduce the regulatory burden on farming and therefore helping to remove costs from food production. Native vegetation and biodiversity conservation regulations need fundamental change so that risks and impacts are considered at a relevant landscape-wide scale. Environmental regulatory decisions also need to take into account economic and social factors. Animal welfare regulations seek to achieve welfare outcomes that (among other things) meet community expectations. However, the current process for setting standards for farm animal welfare does not adequately value the benefits of animal welfare to the community. International evidence could be put to greater use in assessing agricultural and veterinary (agvet) chemicals, reducing the time and cost taken to grant registration and road access arrangements for heavy vehicles should be streamlined and simplified.

Land use conflict

Victoria represents approximately three per cent of the Australian land mass yet produces a quarter of Australia's agricultural produce. Continued loss of land in Victoria will have significant impact on Australians' access to affordable and high-quality local food and fibre products.

Urban sprawl presents a significant threat to the viability of farming operations in Victoria. The encroachment of urban development into agricultural land not only diminishes the available

⁶ Holmes Sackett (2014). 'A snapshot of the red tape costs on farm in Australia'.

land for farming but also disrupts the established farming practices and infrastructure. This unchecked expansion exacerbates the fragmentation of agricultural land, leading to increased land-use conflicts, reduced economies of scale, and diminished agricultural productivity.

These issues have been exacerbated by failures in Victoria's planning system which sees agriculture sidelined in planning decisions despite its fundamental role in providing food security, supporting regional economies, and preserving natural resources. The VFF has highlighted the constraints in the planning system and suggested reform in its [submission](#) to the present Inquiry into the Victoria's food supply.

Food relief donations

The VFF believes that food relief charity organisations play a critical role in providing access to fresh and nutritious produce to Australians facing acute food insecurity.

Whilst an important mechanism, produce donations do not represent a solution to the broader issue of food waste or excess produce throughout the food production supply chain.

The VFF affirms the right of individual farm businesses to choose to provide produce to individual food relief organisations as charitable donations and will encourage farmers to do so where appropriate.

Farmers must not be expected to provide delivery or any associated processing of the donated produce unless they choose to do so. It is critical that donation practices do not contribute to market distortion.

Where possible, food relief organisations should use existing logistic channels and supply chains. Preference should be given for processing produce donations intended for regional areas as locally as practicable.

The VFF believes the Victorian Government should play a role in improving access and distribution of food relief, especially in rural and remote communities. Individual food relief charities and the state government must work together to reduce duplication and improve efficiency within the food relief system. We also support the government funding initiatives that streamline processes and remove barriers for farmers wishing to donate produce.

Tax deductibility of food relief donations

Western Australian Senator Dean Smith has tabled bill in the Senate which would establish a tax incentive to encourage farmers, wholesalers and other businesses to donate surplus food to charities. The bill proposes the creation of a tax offset that would allow donating businesses to claim costs such as transport and storage associated with the donation.

The proposed tax offset is capped at the lower of \$5 million or a percentage of the costs incurred. The proposed offset will be based on the size of the donating business, with smaller businesses receiving a larger offset.

The proposed tax offset is consistent with the VFF's policy position on food relief donations but does not provide tax deductibility for the value of the produce donated. The bill provides provision for tax offsets for the actual costs involved in donating (such as transport or packaging).

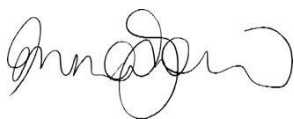
The VFF considers that the tax offset proposed in the bill would provide farmers with a greater incentive to donate surplus produce to benefit those facing food insecurity and we encourage the Victorian Government to make representations to the Commonwealth in support of it.

Conclusion

In conclusion, food security in Victoria is a multifaceted issue that requires coordinated efforts from all levels of government, industry stakeholders, and the community. The VFF believes that addressing food insecurity necessitates a holistic approach that includes improving supply chain efficiency, reducing production costs, and implementing removing unnecessary regulatory frameworks. Additionally, the VFF emphasises the importance of strategic investments in infrastructure and proactive planning to safeguard agricultural land from urban encroachment.

The VFF is committed to working collaboratively with the Victorian Government and other stakeholders to enhance food security for all Victorians. By implementing the recommendations outlined in this submission, we can ensure a stable, affordable, and nutritious food supply for the future. The VFF looks forward to continued dialogue and action on this critical issue, reinforcing our shared goal of a food-secure Victoria.

Yours sincerely,



Emma Germano
President
Victorian Farmers Federation