



## National Farmers' FEDERATION

### 2014 Federal Budget 13th May 2014 NFF analysis and key issues

#### **NFF Official Response**

Media Release: 13 May 2014

### Agriculture survives tough budget

The National Farmers' Federation (NFF) acknowledges that in a tough budget environment, the Government has largely delivered on its election commitments to the agriculture sector.

NFF President, Mr Brent Finlay, said that measures announced tonight included increases in funding to critical infrastructure projects, commitments to retain the fuel rebate for farmers and stop the water buybacks and ongoing support for the rural research and development corporation model.

“The NFF welcomes the Government’s commitment to developing key infrastructure projects in regional Australia. Given that the money for infrastructure is resulting from a rise in the fuel excise, it is important that this is directed to projects that are most needed, and that regional Australia benefits. If the funding is raised in the bush, it needs to stay in the bush, via a transparent process,” Mr Finlay said.

“In the lead up to the Budget, we fought hard to ensure the rebate to farmers for fuel used off road is in line with excise rises. The Government has listened and responded to industry concerns.

The NFF is pleased to see that the Government has formalised its commitment to implement the Murray Darling Basin Plan by investing in water savings and capping Commonwealth water buybacks to 1,500-gigalitres.

“The NFF acknowledges the confirmation of the Government’s \$100 million election commitment to agriculture specific research and development over the next four years. The benefits from agricultural research and development to the Australian community are enormous. We are, however, disappointed to see major cuts to the Cooperative Research Centre Programme, and the Rural Industries Research and Development Corporation,” Mr Finlay said.

The NFF recognises the Federal Government’s commitment to bring the budget back into surplus. We understand this has required difficult decisions, such as significant reductions in Government investment in natural resource management, abolishing the Australia’s Brand for Food Programme and a reduction in funding for the International Agricultural Cooperation Programme.

“The cuts to, and realignment of, the National Landcare Programme that we saw tonight will limit the ability of farmers to achieve the natural resource goals and expectations of the broader community,” Mr Finlay said.

“The NFF is very disappointed that the Environmental Stewardship Programme has been abolished. This program was public investment for public benefit, and involved long-term investment to improve threatened ecological communities.

“While NFF is disappointed to see the National Water Commission abolished, we look forward to working with the Government to ensure that the Commission’s important role in overseeing national water reform is delivered by an appropriate and independent body,” Mr Finlay said.

The NFF looks forward to sifting through the budget detail with the Government, to ensure a competitive agricultural sector.

Further information on measures outlined in the 2014–15 Budget is available here: [www.budget.gov.au](http://www.budget.gov.au)

Ends.

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## **NFF 2014-15 BUDGET RESPONSE - SUMMARY**

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Ahead of the 2014 Federal Budget, the National Farmers' Federation sought a responsible approach from government that does not undermine agriculture's ability to continue its significant contribution to the Australian economy.

NFF called for an effective and responsive partnership with the government across a range of areas, including trade and market access, biosecurity, natural resource management and research and development to further develop agriculture's vast potential.

The Australian farming community were looking to the Abbott government to outline a clear and credible pathway to achieve fiscal sustainability over the course of the immediate economic cycle. Decisive policy action to address the budget deficit will do much to restore rural and regional business confidence.

### General Economy wide points:

- Temporary deficit levy' of 2 per cent for people earning \$180,000-plus. To apply for three years.
- Deficit of \$29.8b in 2014/15 – to be reduced to \$10.6b by 2016/17.
- \$36b of savings over four years.
- Economic growth forecast at 2.5 per cent.
- Unemployment forecast to remain steady at 6.25 per cent.
- Inflation forecast at 2.25 per cent.
- 1.5 per cent cut to company tax.
- Retirement age to increase to 70 by 2035.
- Fuel excise will be indexed, adding to petrol costs.

### Key points for agriculture

- Election commitments have been largely honoured including:
  - \$100 million for R&D,
  - drought funding of \$320 million,
  - \$15 million in rebates for small exporters to deal with charges and fees
  - \$8 million to improve access to ag and vet chemicals.
  - Funding of \$20 million over 4 years to strengthen Australia's biosecurity and quarantine arrangements.
- Recent drought announcements were also honoured, the package includes:
  - more generous criteria for income support under the Interim Farm Household Allowance (Interim FHA) commencing from 1 March 2014;
  - an amended, more generous asset test for the Farm Household Allowance (FHA);

- up to \$280.0 million over two years for concessional loans to eligible farm businesses affected by drought; The Government will provide funding to State and Territory governments for the administration costs associated with implementing the drought concessional loans.
  - up to \$12.0 million in 2014 15 to assist drought affected farm businesses with installing water related infrastructure. Funding will be provided to supplement the Queensland and New South Wales existing emergency water infrastructure programmes and for other jurisdictions if they establish similar programmes;
  - up to \$10.0 million over two years in 2013 14 and 2014 15 to assist farm businesses manage the impacts of pest animals in drought affected areas, with Commonwealth funding contingent on equal contributions from states; and
  - up to \$10.7 million over two years from 2013 14 to enhance access to social and mental health services in communities affected by drought. Assistance will be delivered through the existing Family Support and Targeted Community Care (Mental Health) programmes within the Social Services portfolio, with \$3.2 million to be met from within the existing resources of the Department of Social Services.
- The Government will amend the unclaimed moneys scheme in the Banking Act 1959 to protect Farm Management Deposits from being transferred to the Commonwealth – no budget implications.
  - The government has maintained its commitment to R&D funding however there is a reduction in funding to the Rural Industries Research and Development Corporation of \$11.0 million over four years from 2014-15.
  - The government will reduce funding for Co-Operative Research Centres (CRCs) by \$80 million over the next four years. The 17th CRC Program selection round will not proceed. However, applications from eligible existing CRCs seeking an extension of funding will be considered separately.
  - Funding is being reduced for Bureau of Meteorology by \$10.0 million over four years; and the Commonwealth Scientific and Industrial Research Organisation by \$111.4 million over four years.

### Biosecurity

- In accordance with the current cost recovery policy, the Government will move to full cost recovery of its biosecurity services for imports and live animal exports. Fees for import clearance, seaports, post entry animal quarantine and live animal exports will be set to recover expected operating costs for 2014-15 in line with the provision of services on a user pays basis.

- The new fees will come into effect on 1 July 2014. The additional revenue is not for publication due to ongoing consultation with the relevant industries.
- As part of the process the Government has committed to redesigning and simplifying the biosecurity cost recovery framework to support a more efficient and effective biosecurity system, with implementation expected to occur from 1 July 2015.
- The Government will cut \$1.8 million over four years by ceasing payments to the States for the Exotic Diseases Preparedness Programme on 1 July 2014.

#### Fuel excise

- The Government will re-introduce biannual indexation by CPI of excise and excise-equivalent customs duty for all fuels except aviation fuels. The diesel fuel rebate will be indexed in line with the excise increase.
  - The increase in excise is expected to raise \$2.2 billion over the forward estimates period which is earmarked for building new and upgrading existing road infrastructure.

#### Infrastructure

- The Government will create an \$11.6 billion Infrastructure Growth Package. While this is across the entire economy there are a number of initiatives that are welcomed including:
  - The Growth Package delivers \$5.0 billion for the Asset Recycling Initiative, \$3.7 billion to boost infrastructure investments to expedite projects and \$2.9 billion for the Western Sydney Infrastructure Plan.
- As part of this package, the Government will invest:
  - additional funding of \$200 million for the Black Spot Programme;
  - up to \$2.9 billion for key roads across Australia including initiatives that will contribute to the efficiency of logistics including the Perth Freight Link in Western Australia and the Toowoomba Second Range Crossing in Queensland.

#### Industry assistance

- The Government will cut \$1.1 million over three years from the Australia's Brand for Food Programme in 2014-15.
- The Government will reduce funding of \$7 million over four years by changing arrangements for the payments of memberships to international commodity

organisations. From 2014-15, membership fees for four international commodity organisations (relating to cotton, wine, sugar and grains) and six international fisheries organisations will be made from the Government's funding envelope for its matching contributions to the relevant Rural Research and Development Corporations (RDCs) instead of from direct appropriation funding.

- Reduction in funding of \$2.3 million in 2014-15 via the termination of the Live Animal Exports — Business Assistance — improved supply chains and Official Development Assistance (Improved Animal Welfare Programme) one year early on 30 June 2014.
- The Government has cut funding of \$3.3 million over three years via ceasing the Australian Animal Welfare Strategy Programme from 1 July 2015.
- There was nothing announced on the Government's plan for agriculture or anything that provided comfort for the strategic direction for agriculture in Australia in particular the Agriculture Competitiveness White Paper.
- The Department of Agriculture retains a specific outcome to Increase the capacity for primary producers to adapt and adjust to change in climate while maintaining productivity, though with a reduction in funding. This includes a specific commitment to Opportunities on the Land – extending the benefits of the Carbon Farming Initiative with a \$42m next year (down from \$57m) reducing to \$10.5m in 2016-17

#### Workplace Relations

- The National Workforce Development Fund will cease from 1 January 2015. A new Industry Skills Fund has been established from 1 January 2015 “to support the training needs of small to medium enterprises which cannot be readily met by the national training system”. Training support will be on a business co-contribution model.
- The Government has committed to implementing the recommendations of the current Coastal Shipping Review and the Australian Government's response to the Tasmanian Coastal Shipping inquiry.
- The Outreach Officer Programme run by the Department of Immigration and Border Protection will cease from 1 July 2014. The NFF's current outreach officer is Ms Servet Brennan.
- The Government will devolve responsibility for VET programmes to the states.

#### New 'Landcare'

The Government will provide \$1.0 billion over four years to establish a National Landcare Programme. The new programme will merge Caring for our Country and Landcare to create a single National Landcare Programme.

The programme will largely be delivered by the Department of Environmental (~2/3 total) with the Department of Agriculture retaining a role.

The National Landcare Programme includes:

- \$50.0 million over four years for the 20 million trees programme
- \$300 million over 4 years for the Green Army Programme and
- \$40.0 million over 4 years to establish the Reef Trust and develop the Reef 2050 Plan

The Government is also expecting to achieve savings of \$483.3 million over five years, primarily through a reduction in uncommitted funding for future grant rounds. Savings will also be achieved through the termination of the National Produce Monitoring System on 30 June 2014 and the Environmental Stewardship Programme which will be terminated.

Savings redirected to consolidated revenue and the establishment of election commitments identified above.

Net program expense (\$ m)

- 2012/13 12.8m
- 2014/15 \$42.2m
- 2015/16 \$114.9m
- 2016/17 \$133.9m
- 2017/18 \$180.1m

#### **NFF RESPONSE:**

NEGATIVE – see media release

#### Water

##### Buyback Cap

- The Government will introduce a cap of 1500 GL on the volume of Commonwealth water buybacks in the Murray-Darling Basin. The cap will not apply to purchases from State governments and strategic purchases integrated with infrastructure rationalisation or reconfiguration made after the release of the

Government's Water Recovery Strategy. It will also not apply to groundwater. No expenses are allocated against this announcement.

**NFF RESPONSE:**

Positive – see media release

National Water Commission

- The Government anticipates savings of \$20.9 million over four years by closing the National Water Commission in December 2014. The key statutory functions of the Commission will continue to be undertaken by existing government bodies. No further detail is provided in the budget on which agencies receive which further responsibility.

The budget includes provision for the ongoing functions of the NWC. Next year this commitment is \$2.5m with \$5-6 million per year over the forward estimates.

**NFF RESPONSE:**

Negative – although good to see commitment to an ongoing role.

Sustainable Rural Water Use and Infrastructure Programme - reduced funding

The Government aims to save \$407.6 million over six years (including \$70.1 million 2018-19) from the Sustainable Rural Water Use and Infrastructure Programme.

\$189 million is coming from the Menindee Lakes Project, \$50.4 million is coming from the National Water Market System Project and the remaining savings are reductions in the contingency funding for water buybacks.

The Government will continue to provide \$4.5 billion over 10 years from 2014-15 for the programme.

The Government will provide additional Departmental funding of \$29.2 million over seven years from 2017-18 (including \$9.3 billion in 2018-19, \$3.5 million in 2019-20, \$1.0 million in 2020-21, \$1.0 million in 2021-22, \$0.9 million in 2022-23 and \$0.8 million in 2023-24) for ongoing project delivery not currently provided for.

Information from NFF member NSW Irrigators' Council indicates that the \$595m for the the 450GL up water 'special account' funding has been allocated over the forward estimates in accordance with section 86AG of the Water Amendment (Water for the Environment Special Account) Act 2013).

It would seem that the \$407.6 million in funding which has been cut from the infrastructure fund (which now has the buyback funding rolled into it) has been slipped into the 450 GL 'special account' fund.

Information from Senator Birmingham's office is that there is enough funding to bridge the gap for the 2750 GL in the plan.

NFF RESPONSE:

Mixed – reduction in funds not good, but confirmation of ability to bridge the gap through infrastructure is welcome. .

Native Title respondent funding

The budget included a total commitment for Native Title Respondent funding of \$1.096m for next year (up from \$800,000 this year)reducing to \$554,000 in 2015-16.

NFF RESPONSE:

Positive

Other matters

There is no specific mention of commitment to the Great Artesian Basin Sustainability Initiative.