

October 2022 Federal Budget – analysis for the Australian dairy industry

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Overview

The 2022 federal budget seeks to:

1. commence the process of Budget repair
2. restrain spending so as to not fuel inflation
3. help reduce cost of living pressures for some people
4. fulfill the government's election priorities.

Nominal GDP is forecast to grow strongly at 8 per cent in 2022–23, reflecting high commodity prices and strong recent growth in employment and nominal household consumption. This has provided significant tax revenue of more than \$100 billion to reduce the Budget deficit from \$78 billion in 2022-23 based on the March 2022 Budget to \$36.9 billion. However, this gain is forecast to be eroded over the forward estimates with the deficit increasing each year to \$49.6 billion in 2025-26. This has meant that net debt continues to grow over the forward estimates, from \$572 billion in 2022-23 to \$766 billion in 2025-26. Structural reform is required to offset the rising costs of administering social programs like the NDIS, mitigate risk of a potential global recession and generally provide better value out of the Australian taxpayer dollar.

\$22 billion in savings have been identified, which is being used to offset most of the government's new spending commitments. The savings initiatives adversely impacting dairy are:

1. \$47.1 million in savings over 4 years from 2022–23 across the agriculture portfolio.
2. \$97.0 million from the redirection of the 2022–23 March Budget measure titled Water – supporting the Murray Darling Basin, including uncommitted funding from the Healthy Rivers – Healthy Communities program.
3. \$90.4 million over 5 years from the Australian Agriculture Visa program.
4. \$35.0 million in 2022–23 from the International Freight Assistance Mechanism program.
5. \$4.6 billion in cuts to water infrastructure projects committed to under the previous Government.

A \$7.5 billion five-point plan seeks to mitigate inflation, which is set to peak at 7.75% over the forward estimates, for a select group of people – parents and those who are socially disadvantaged. This has limited benefit to farmers. ADF would have liked to see food included in this cost-of-living relief package as it provides benefit to everyone.

Despite solid investments to improve biosecurity and digital agriculture, the agriculture portfolio is one of the least prioritised by this government in its election policies and Budget.

Animal welfare

The Government will provide \$4.0 million over 4 years from 2022–23 to establish an Inspector General of Animal Welfare. It is expected that this will be an expansion of Inspector General of Live Animal Exports to cover all animal welfare standards and reporting. This is an election commitment which ADF has concerns about the added burden this may place on farmers.

Biosecurity

The Government will provide \$134.1 million over 4 years from 2022–23 (and \$3.3 million per year ongoing) to bolster biosecurity capability. This comprises:

1. \$61.6 million over two years from 2022–23 to strengthen Australia’s frontline biosecurity capability, including enhancing the domestic detection and response capability in northern Australia, supporting domestic preparedness and biosecurity outcomes in neighbouring countries.
2. \$46.7 million over 3 years from 2022–23 to improve on farm biosecurity and support the transition to a national livestock traceability system.
3. \$14.0 million in 2022–23 to improve Australia’s biosecurity systems and provide support for neighbouring countries battling foot and mouth disease and lumpy skin disease.
4. \$11.7 million over 4 years from 2022–23 (and \$3.3 million per year ongoing from 2026–27) for expanded detector dog capability at Australia’s borders.

These commitments satisfy many of ADF’s requests in its submission to the Senate’s biosecurity inquiry.

Climate change

The Government will provide:

1. \$8.1 million over 3 years from 2022–23 to support commercialisation of seaweed as a low emissions feed and support projects that lower barriers to market entry.
2. \$141.1 million over 10 years from 2022–23 as part of a realignment of investment in carbon capture technologies.
3. \$20.3 million over 4 years from 2022–23 to establish an outreach program to empower Australian farmers and land managers, including First Nations peoples, to participate in carbon markets and integrate low emission technologies and practices.
4. \$47.1 million over 4 years from 2022–23 (and \$13.6 million per year ongoing) in additional funding for the Climate Change Authority and the Department of Climate Change, Energy, the Environment and Water.

These investments are consistent with ADF’s election policy commitments in regard to climate change mitigation.

Drought

The Government will provide \$20.8 million over two years from 2022–23 to support Australia’s readiness to respond to drought events. Funding includes:

1. \$14.3 million over two years from 2022–23 to drive adoption of established drought resilience research.
2. \$6.6 million over two years from 2022–23 to maintain existing capability for future drought preparedness and support delivery of the National Drought Agreement and National Drought Plan.

These complement the previous government’s significant expenditure in the Drought Support Fund.

Energy

The Government will provide:

1. \$20.0 billion in funding to establish Rewiring the Nation to expand and modernise Australia's electricity grids at lowest cost, unlocking new renewables and storage capacity and driving down power prices.
2. \$62.6 million over 3 years from 2022–23 to support small to medium enterprises to fund energy efficient equipment upgrades. The funding will support studies, planning, equipment and facility upgrade projects that will improve energy efficiency, reduce emissions or improve the management of power demand.

The increase uptake in renewable energy technology has meant that the nation's power grid requires reconnection. This is a welcomed investment, particularly for farmers wanting to connect to the grid.

Rolling out further energy efficiency project funding was one of ADF's election policy commitments.

Health and Aged care

The Government will provide \$5.0 million over 3 years from 2022–23 to the Maggie Beer Foundation to support the sector in providing better food for residential aged care and home care recipients. ADF have argued for mandatory nutritional standards in aged care which the government has agreed to. This funding is likely to provide the analysis the sector requires to implement such change. ADF will need to engage with the foundation to determine dairy's contribution.

The Government will provide:

1. \$61.8 million over 6 years from 2022–23 to fund local health investment projects in rural and regional locations to improve primary care outcomes and reduce pressure on hospital emergency departments.
2. \$143.3 million over 4 years to support access to healthcare in rural and regional areas by investing in primary care services, training, workforce incentives and trials for innovative models of care.

Reducing the rural-urban health divide has been a long-standing policy objective for ADF.

Murray-Darling Basin Plan

The Government will provide:

1. \$51.9 million over 5 years from 2022–23 to strengthen the Murray Darling Basin Plan by updating the science to account for the impacts of climate change and restore trust and transparency in water management.
2. funding over 5 years from 2022–23 (with an ongoing component) to respond to the Australian Competition and Consumer Commission's Murray Darling Basin water markets inquiry by improving the transparency and integrity of water markets.

ADF argued in its submissions for these initiatives.

Natural disasters

The Government will invest \$15.0 billion over 7 years from 2023–24 to establish the National Reconstruction Fund (NRF) to support, diversify and transform Australian industry and the economy through targeted co investments in 7 priority areas: resources; agriculture, forestry and fisheries sectors; transport; medical science; renewables and low emission technologies; defence capability; and enabling capabilities. This is the flagship election commitment for agriculture.

The Government will provide:

1. \$630.4 million over 4 years from 2022–23 to strengthen Australia’s resilience to disasters.
2. \$38.3 million over 4 years from 2022–23 to Disaster Relief Australia to expand its capacity to deliver disaster relief and recovery activities.
3. \$13.0 million over 4 years from 2022–23 to mental health support for communities impacted by flooding in New South Wales.
4. \$51.5 million in 2022–23 to support communities impacted by natural disasters, including:
 - \$24.6 million for Queensland communities impacted by flooding in May 2022
 - \$22.6 million for ongoing recovery for communities from the 2019–20 Black Summer bushfires in Victoria
 - \$2.8 million towards rebuilding of the Norco Ice Cream Factory in the Northern Rivers region of New South Wales
 - \$1.5 million for the National Emergency Management Agency to support work on optimal responses and resilience to natural disasters.

These commitments, in particular the rebuilding of the Norco factory, are welcomed by ADF.

Telecommunications

The Government will provide \$757.7 million over 5 years from 2022–23 to improve mobile and broadband connectivity and resilience in rural and regional Australia. Key initiatives include:

1. \$400.0 million over 5 years from 2022–23 to support the roll out of mobile base stations to improve highway and underserviced community mobile coverage, and initiatives to improve the resilience of communications services to support the roll out of base stations to improve highway and underserviced community mobile coverage
2. \$200.0 million over 5 years from 2022–23 for two additional rounds of the Regional Connectivity Program to fund the delivery of telecommunications infrastructure to improve digital connectivity in regional, rural and remote Australia
3. \$40.0 million over 3 years from 2022–23 for an improving mobile coverage round of the Mobile Black Spot Program to implement commitments for new mobile infrastructure to improve mobile coverage and reception quality across Australia
4. \$30.0 million over 5 years from 2022–23 for the On Farm Connectivity Program to support farmers and agricultural businesses to purchase and install on farm connectivity equipment

This supports one of ADF’s election policy commitments, to support enhanced regional connectivity and digital agriculture.

Trade and investment

Fees doubled on 29 July 2022 for all applications made under the foreign investment framework. This may provide a disincentive to invest in Australian agriculture.

The Government will provide \$12.3 million over 3 years from 2022–23 to sponsor regional trade events including Beef Australia 2024, Casino Beef Week, the second Dairy Symposium, LambEx, Hort Connections 2023 and 2024, and other horticulture conferences and agritech industry events. This delivers on an election commitment. ADF should play a lead role in the design of the Dairy Symposium.

The Government will provide \$9.0 million to establish an Office of Southeast Asia within the Department of Foreign Affairs and Trade and appoint a Special Envoy to Southeast Asia to deepen engagement with Southeast Asia, including development of an ASEAN Economic Strategy to 2040. There is significant growth potential for dairy in this market.

The Government will provide \$4.0 million over two years from 2022–23 for the Department of Foreign Affairs and Trade to support Australia’s trade diversification. This may change dairy’s export profile given 48% of exports currently go to China.

Workforce

The Government will increase the 2022–23 permanent Migration Program planning level from 160,000 to 195,000. This satisfies the specific request of the business council and other employer advocacy groups.

The Government will provide \$67.5 million over 4 years from 2022–23 (and \$12.4 million per year ongoing from 2025–26) to expand and enhance the Pacific Australia Labour Mobility (PALM) scheme. This is an election commitment that was not welcomed by agriculture advocacy groups because it effectively abolishes the proposed Agriculture Visa.

The Government will provide \$76.4 million over 4 years from 2022–23 for outcomes from the Jobs and Skills Summit to help build a bigger, better trained and more productive workforce, boost real wages and living standards, and create more opportunities for more Australians.

Funding includes:

1. \$42.2 million over two years from 2022–23 for the Department of Home Affairs to increase visa processing capacity and raise awareness of opportunities for high skilled migrants in Australia’s permanent Migration Program.
2. \$11.5 million over 4 years from 2022–23 to the Australian Public Service Commission to establish an APS Digital Traineeship Program to support early to mid-career transitions into digital roles.
3. \$8.9 million over 3 years from 2023–24 to establish a Productivity, Education and Training Fund to support employer and union representatives to improve safety, fairness and productivity in workplaces.
4. \$7.9 million over 4 years from 2022–23 for the Fair Work Commission to support the uptake of enterprise bargaining for small businesses.
5. \$4.0 million over 4 years from 2022–23 to the Australian Bureau of Statistics to increase the frequency and detail of data measuring the barriers and incentives to participating in the labour market.

6. \$2.0 million over 3 years from 2022–23 to develop a Carer Friendly Workplace Framework to assist employers to develop and adopt practices to support employees with caring responsibilities to enter and remain in the workforce, with the cost of this component met from within the existing resourcing of the Department of Social Services.

Improving Visa processing and labour market statistics were two of ADF's policy asks at the Jobs Summit and in its submission to the National Agriculture Workforce Strategy.

The Government will provide \$12.9 million over 3 years from 2022–23 to establish Jobs and Skills Australia to provide national leadership and advice on Australia's labour market, and skills and training needs. This is an election commitment that may provide benefit to the dairy industry.

The Government will provide \$3.4 million over 4 years from 2022–23 to support the development and delivery of education, technical advice and support services targeting the needs of small business employers to support the implementation of the Government's election commitment to legislate 10 days of paid family and domestic violence leave. ADF has argued that it should be the government who funds this leave, not employers.

The Government will provide \$921.7 million over 5 years from 2022–23 to strengthen Australia's Vocational Education and Training system and address skills shortages. This includes providing 480,000 fee free Technical and Further Education (TAFE) and vocational education places in industries and regions with skills shortages. ADF will be arguing that agriculture should be included in this initiative.

The Government will provide \$61.9 million over two years from 2022–23 to provide age and veterans pensioners a once off credit of \$4,000 to their Work Bonus income bank. The temporary income bank top up will increase the amount pensioners can earn in 2022–23 from \$7,800 to \$11,800, before their pension is reduced, supporting pensioners who want to work or work more hours to do so without losing their pension. ADF has been advocating for a removal of the cap to increase pensioners participation in the workforce.