



**11 October 2023**

National Freight and Supply Chain Strategy Review

Via email: [freightstrategyreview@infrastructure.gov.au](mailto:freightstrategyreview@infrastructure.gov.au)

**RE: NFF submission to 2023 Review of the National Freight and Supply Chain Strategy**

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the 2023 Review of the National Freight and Supply Chain Strategy (the Strategy).

The NFF is the national peak body representing Australian farmers and agriculture. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and length of the sector.

The value of agricultural production hit a record value of \$92 billion in 2022-23. Of this total value, agricultural exports comprised \$83 billion, more than 70% of total production.

Australian farms collectively ensure that Australia is one of the most food secure nations in the world, with affordable access to a consistent supply of safe, healthy and nutritional foods. Australian agriculture also makes an invaluable contribution to global food security as leading exporter of safe and sustainable produce, producing enough food to feed around 77 million people.<sup>1</sup> However, this responsibility is increasingly challenged by a range of factors including extreme weather events, the availability and increasing cost of critical inputs, labour shortages, threats of disease and both pre- and post-farmgate supply chain disruptions and inefficiencies.

Perpetuated by the global pandemic, geo-political tensions and extreme weather events, the past two years have seen many of these factors reach boiling point. The resulting pressure on Australian production systems and supply chains has translated to significant price volatility at supermarket shelves, with 83% of Australian's concerned about the cost of food and groceries.<sup>2</sup>

---

<sup>1</sup> Australian Farm Institute, 2011 <<https://www.farminstitute.org.au/australia-exports-enough-food-for-61536975-people-give-or-take-a-few/>>.

<sup>2</sup> CHOICE, *Consumer Pulse Survey*, 2022.

The sustainability and success of Australian agriculture is heavily dependent on effective, reliable, and efficient freight and logistics. Whether destined for domestic shelves or overseas, everything produced on an Australian farm will be transported on an Australian road before it reaches its final consumer. Farmers require safe, efficient, and competitive road and rail infrastructure to get their products to consumers and maintain viable businesses.

International freight supply chains are fast becoming one of the most critical challenges not just to the agriculture industry, but to any industry or business that relies on exports or imports. Australia agriculture is over-reliant on the import of critical farm inputs, including imported fertilisers, agri-chemicals, machinery, and technologies, to be productive and sustainable. This places our sector at the mercy of international supply chains and very few key import markets. Supply chain strategies and infrastructure investment must contemplate the need to shorten supply chains, to increase stability of supply and efficiency for key industries.

Further, international supply chains enable the export of Australian agricultural products to countries around the world. These supply chains are responsible for ensuring efficient transport, distribution, and market access, allowing Australian farmers to compete in global markets.

Despite agriculture's significant and increasing contribution to the economy, Australia has some of the world's most inefficient supply chains. Our international competitiveness is severely diminished by freight and supply chain inefficiencies, with the OECD rating nearly all of Australia's ports and stevedoring services in the bottom quartile for productivity globally.

According to a 2020 LEK Consulting benchmarking study, up to 50% of the final price of grain can go towards freight and logistics, and Australian producers pay significantly more per kilometre of grain freighted than grain producers in competing countries. For example, it costs the same to ship a container of grain from South Australia to Indonesia as it does from Canada to Indonesia. This is despite the Australian journey being some 10,000 km shorter (one-third the journey as compared to Canada).

The past few years have seen inefficient freight compounded by the impact of natural disasters on Australia's physical supply chain infrastructure.

With this context, there is a demonstrable need to strategically invest in freight and supply chain infrastructure to fundamentally improve and enhance Australia's agricultural supply chains' reliability, agility, competitiveness and sustainability.

The NFF welcomes the expedited review timeline of the National Freight and Supply Chain Strategy. The NFF's 2023 National Farmer Priorities Survey (October 2023) supports that over 75% of Australian farmers are either concerned or very concerned about Australia's roads and transport infrastructure. The survey further

found that almost 50% of Australian farmers feel the Federal Government is not doing enough to invest in rural infrastructure.

### **Is the Strategy fit for purpose?**

The NFF supports the Strategy's existing objectives, which seek to achieve:

- Improved efficiency and international competitiveness
- Safe, secure and sustainable operations
- A fit for purpose regulatory environment
- Innovative solutions to meet freight demand
- A skilled and adaptable workforce
- An informed understanding and acceptance of freight operation.

#### *Decarbonisation*

We acknowledge the government's consideration of decarbonisation as a priority area in the Strategy. The NFF Energy Policy supports investment in exploring, credible, cost-effective alternative energies. Options such as electric vehicles, hydrogen fuel and biodiesel, as a direct substitute for diesel, must however be assessed against the full range of options with a particular focus on portability, logistical access for rural and remote areas and cost benefit considerations. The prioritisation and application of this objective in the Strategy must reflect the need for decarbonisation to be balanced with improving efficiency and international competitiveness.

Importantly, decarbonisation objectives are also contingent on first investing in efficient, safe and stable supply chains. As an example, in 2021 Australia came uncomfortably close to a full-scale crisis, as supply disruptions saw Australia face an imminent shortage of Diesel Exhaust Fluid (commonly known as AdBlue). Without AdBlue modern tractors, trucks and utes simply stop moving, and our supply chain grinds to a halt. The NFF welcomed the government's measures to secure our ongoing supply of AdBlue in the face of global supply volatility. However, this is a perfect example as to why Australia must stop relying on reactive measures to fix the problem and start proactively addressing supply vulnerabilities through sufficient investment before they reach crisis point. This further emphasises the need for the Strategy to more wholistically contemplate how strategic infrastructure investment can shorten supply chains, to increase stability and consistency of supply.

#### *Supply chain resilience*

The NFF strongly supports explicit recognition of supply chain resilience as a Strategy objective. The impact of severe weather events on the national freight network is immense, as much of Australia continues to experience drought, bushfire and flooding events. Less than a year ago we saw severe flooding swallow crops

and pastures and cause major infrastructure damage, particularly across New South Wales, creating heartache for farmers and food shortages in our supermarkets. A survey by NSW Farmers in 2022 found two in three farmers were experiencing flooding for the second year running.

The Intergovernmental Panel on Climate Change (IPCC) has warned that extreme weather events – such as floods, heatwaves, fires and droughts – will become more frequent and more severe due to climate change.<sup>3</sup> We must proactively ensure the preparedness of Australia’s landside freight infrastructure to increased climate-change induced pressures. We strongly recommend the Review consider the recommendations of Austroads 2004 report to address the *Impact of Climate Change on Road Infrastructure*.<sup>4</sup>

Regional and rural communities impacted by flooding and other natural disasters still require urgent, adequate support from the Australian Government to recover and reconstruct infrastructure. With the need to repair damaged freight networks comes an opportunity to support preparedness. It would be irresponsible of the Australian Government to fail to utilise infrastructure repairs to also support enhanced resilience and robustness of infrastructure to withstand future climate change-induced stresses. Supply chain resilience should be explicitly recognised in the Strategy.

### **Priorities for the next five-year National Action Plan**

The quantity of targeted actions in the National Action Plan is not of concern. Rather, our industry requires targeted actions to be prioritised, guided by industry input, sufficiently funded, and expedited.

The agricultural sector has an increasing number of urgent supply chain infrastructure needs which must be addressed as a matter of priority in the next National Action Plan, whether under new or existing targeted ‘action headings.’

Please refer to the *attached* recent NFF submissions which outline our freight and supply chain investment priorities:

- NFF submission to Inquiry into the implications of severe weather events on the national regional, rural, and remote road network
- NFF submission to the Productivity Commission’s review and Draft Report on Australia’s Maritime Logistics System: Lifting productivity at Australia’s container ports
- NFF submission to Senate Select Committee on Australia’s Disaster Resilience
- NFF submission to the House of Representatives’ Standing Committee on Agriculture’s inquiry into food security in Australia

---

<sup>3</sup> Intergovernmental Panel on Climate Change, *Sixth Assessment Report* (2021) <<https://www.ipcc.ch/report/ar6/wg1/>>.

<sup>4</sup> Austroads, *Impact of Climate Change on Road Infrastructure* (2004) <[https://www.bitre.gov.au/sites/default/files/cr\\_001\\_climate\\_change.pdf](https://www.bitre.gov.au/sites/default/files/cr_001_climate_change.pdf)> .

- NFF's 2023-24 Pre-Budget Submission

### **Reviews and Papers this Review will consider**

In addition to the NFF's submissions noted above, we strongly recommend the Review incorporate and invest in the recommendations from:

- The Productivity Commission's report *Lifting productivity at Australia's container ports: between water, wharf and warehouse* (2022)
- Austroads report *Impact of Climate Change on Road Infrastructure* (2004)

### **Competition Policy**

Greater market concentration has also reduced the long-term resilience of the agricultural supply chain. This presents a significant risk for both input and output markets for Australian farmers. Reduced number of input suppliers has increased the risk of key inputs (e.g., urea, AdBlue, liquid fuels) to significant disruption. The small number of suppliers means that if there is disruption, farmers risk not being able to access the key inputs that underpin productivity and production.

Concentration of output suppliers has similarly decreased the resilience of agricultural supply chains. Fewer number of significant purchasers presents a risk that business failure or supply chain disruption will stop the ability of produce reaching consumers and key markets. For example, business failure of supply chain distributors can completely prevent the ability of farmers selling their produce to retailers. For perishable agricultural goods with seasonal production, this risks significant financial impact where seasonal production is relied on for annual income.

The recent collapse of Scott's Refrigerated Logistics offers a key example of the risk of supply chain concentration on agricultural output. Scott's Refrigerated Logistics is a national freight company that provides cold chain transport across Australia, with depots in each mainland state. The collapse of this company in February 2023 provided a significant risk to the ability for Australian farmers to transport their perishable goods from farm to retailer and consumer. This demonstrates how the increased concentration reduces resilience within the supply chain. The sudden disruption highlighted the vulnerability of the supply chain that has increased as a result of increased market concentration. Because there are fewer firms, the sudden removal of a large firm caused significant short-term disruption as other firms did not have the capacity to replace the lost infrastructure. A similar situation with less market concentration would see greater supply chain resilience as other firms would be able to more effectively replace the lost capacity of the firm that had suddenly exited.

We also reiterate the need for the Review to consider the Productivity Commission's final report *Lifting productivity at Australia's container ports: between water, wharf and warehouse* (2022), as a prime example of the productivity, efficiency and economic constraints created by a lack of competition in Australia's supply chains.

Supply chain infrastructure can have natural monopolies so there is inherently no competition. However, as illustrated by the Australian port landscape, this has serious implications for the cost and efficiency of our supply chains and places a disproportionate burden on small business who become price takers. Such implications must be addressed through regulatory levers in conjunction with infrastructure investment.

It is essential the Strategy works closely with other government processes, like the Competition Policy Review, to ensure that competition reforms and infrastructure investment drives dual benefits for Australian supply chains.

Please find attached the NFF's Competition Policy which outlines our industry's competition policy needs.

The NFF thanks the Department for the opportunity to provide a submission to the 2023 Review of the National Freight and Supply Chain Strategy. [REDACTED]

Regards,

[REDACTED]

**TONY MAHAR**  
Chief Executive Officer