

INQUIRY INTO ASPECTS OF AGRICULTURE IN NSW

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Ms Rachel Callinan
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Standing Committee on State Development
Legislative Council
Parliament House
Macquarie St
SYDNEY NSW 2000

15 AUG 2007

Dear Ms Callinan

I am writing in response to the letter dated 4 July 2007 to the Department of Environment and Climate Change (DECC) from the Hon Tony Catanzariti MLC, Committee Chair of the Legislative Council's Standing Committee on State Development, regarding the *Inquiry into aspects of agriculture in NSW*.

DECC plays an active role in implementation of the State Plan as referenced in the Terms of Reference for the inquiry, particularly in relation to the priority area of "Environment for Living" as well as "Growing Prosperity Across NSW". DECC is the lead agency for a number of targets in the Environment for Living theme including those relating to air, greenhouse gas and natural resources management.

Agriculture is a significant sector for the NSW economy and provides significant benefits for rural communities, as well as the broader community of NSW. It also has the potential to have a significant impact on the environment.

An important factor for the long-term sustainability of the agricultural industries is a healthy environment and careful management of the natural resources that comprise that environment. DECC is working to achieve a positive interrelationship between the two. The Government utilises a number of mechanisms to achieve this through legislation, policy, education, planning, regulation and structural adjustment. Some of the important examples include the commencement of Water Sharing Plans, the establishment of Catchment Management Authorities and Catchment Action Plans, National Action Plan for Salinity and Water Quality, National Heritage Trust funding in conjunction with the Commonwealth for landscape improvement, and new programs such as Riverbank, Biobanking and the Native Vegetation Assistance Package.

The agricultural sector has been influenced by, and participated in, environment and conservation programs over the last 30 years. These have been designed not only to respond to the legacy of historical practices, which have had significant impacts, but they have also been developed to promote the long term sustainability of agriculture. Emerging issues include the decline in

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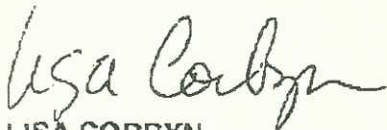
Department of Environment & Climate Change

biodiversity which is crucial for soil and vegetation productivity, and the growing concerns with extreme weather events (both droughts and floods) associated with climate change.

There are a number of significant opportunities for agriculture in responding to these conditions into the future, including the potential for carbon trading (vegetation & soil), efficiency programs on farm for water use, and through CMA natural resource incentive programs which will have assisted in promoting a sustainable agricultural industry in NSW.

Should you have any enquiries regarding this matter, I have arranged for Dr Richard Sheldrake, Deputy Director General, Conservation, Landscape and Policy Group, to assist. Dr Sheldrake can be contacted on (02) 9995 5610.

Yours sincerely



LISA CORBYN
Director General

DECC SUBMISSION TO THE STANDING COMMITTEE ON STATE DEVELOPMENT. "INQUIRY IN ASPECTS OF AGRICULTURE IN NSW".

(a) Contribution of agriculture and agricultural-based products to the NSW economy

Consistent with experiences of other developed countries, the importance of agriculture in Australia, as a share of overall GDP, has declined considerably over the past century. For the first half of the twentieth century agriculture's contribution to GDP was generally 20% to 30% of GDP. Agriculture's relative contribution to GDP declined fairly consistently to between 4% and 5% of GDP from 1980 onwards. Recently, the impacts of drought have reduced agriculture's contribution further from 4.2% in 2001-02 to 3.1% by 2005-06. Although these are Australian figures, they parallel the experience in NSW.

The relative decline in agriculture has several causes, notably:

- growth in consumer expenditure being directed predominantly to services as national income has risen,
- a decline in the price of agricultural commodities relative to other goods and services as the economy has grown; and
- relatively high productivity growth in agriculture, as a result of technological change and innovation, which has improved the sector's economic performance, but also facilitated the release of resources to other sectors of the economy.

In NSW the contribution of agriculture to gross state product was 1.7% in 2004-05. Agriculture remains an important employer in rural and regional Australia, employing 10% of the workforce in coastal non-metropolitan regions and 15% in inland remote regions in 2001. More recent data from the 2006 Census will be available in December 2007.

As economic growth in the services sector has expanded, improvements in transport infrastructure, and advances in motor vehicle and communications technology, have increased the exposure of regional areas to these economic opportunities outside agriculture.

There are also several factors within the agricultural sector that have reduced its role as an employer and provider of income in regional areas. The increase in productivity of agriculture relative to other sectors has been accompanied by an increase in the sophistication of production and reliance on bought in chemical and capital inputs, relative to labour. Agricultural output increased by two and half times over four decades to 2003-04, however the increase was achieved without an increase in the number of agricultural workers.

Agriculture and agricultural products are however diversifying and contributions of the agricultural sector to programs to reduce greenhouse gases and contribute to programs associated with climate change, such as carbon trading have been realised. These are positive contributions to economic development and are likely to grow in the years ahead.

(b) Impediments to sustaining appropriate levels of productive capacity and growth in the agricultural industry

The agricultural sector faces numerous economic challenges in the short and long-term. Two short-term challenges for the agricultural sector are the recent drought and the current relatively high value of the Australian dollar.

Climate change

There is the possibility of reduced rainfall in rural areas of NSW, however statistical confidence levels around reduced rainfall do not appear to be high. On the other hand, there are reasonably high levels of confidence that temperatures, potential evaporation rates, and general climatic variability will increase. These factors are likely to increase water demand for both non-irrigated and irrigated agriculture, as well as place increased demand on managerial capacity to manage risk. It is likely that the demands to adapt to climate change will be higher for agriculture than for other sectors of the economy.

Impacts of drought

Although not uncommon in Australia and NSW, droughts can harm long-term sustainability if the landscape is not well managed to take into account the changed circumstances. Even after a drought breaks, the effects will be felt for some time as flocks and herds need to be rebuilt and depleted water storage continues to affect production. Further, the impacts of drought can hamper the capacity of agriculture to compete for important productive resources such as labour. The movement of labour out of agriculture into other rural and non-rural based enterprises will not easily be reversed, particularly since the national economy is close to full employment.

Ageing rural workforce

At the time of the 2001 census, 50% of people employed in the agriculture, fisheries and forestry sector were over 45 years of age and 27% were over 55, compared to just 34% and 12% respectively of the total workforce. More recent data from the 2006 Census will be available in December 2007. Given the trend towards a decline in the number of new farmers and farm employees entering the industry, the exit due to age will need to be accompanied by an increase in productivity if production levels are to be maintained. The problem for agriculture is likely to be exacerbated by the faster ageing rate of regional areas, due largely to the outward migration of youth in these areas. The expected continuation of this trend will place further constraints on an already limited supply of rural labour.

The resources boom

Sustained economic growth, particularly in China, has seen a significant increase in demand for non-rural commodities such as oil, iron ore and coal. Such increases in world commodity prices have generally been accompanied by an appreciation of the Australian dollar. The expected continuation of this boom could lead to a sustained increase in the foreign currency price for Australian agricultural commodities, which may reduce demand for these commodities. Additionally, a sustained resources boom will see continued competition for important productive inputs such as water and rural labour.

Continued improvements in communication and transport

The attenuation of the economic link between many rural urban towns and their agricultural hinterlands across Australia is likely to continue as progress in communications technology, and transport technology and infrastructure, further broaden the scope of economic opportunities available to rural populations, beyond that of traditional occupations such as agriculture.

Environment and land use issues

There are a number of environmental issues confronting agriculture, mainly due to inappropriate land management practices in the past. Issues such as salinity, acid soils and soil erosion continue to have an impact on agricultural productivity. It is estimated that in NSW the cost on agriculture of salinity is \$24 million/annum and acid soils is \$90-\$225 million/annum. In addition, increased awareness of the environmental impacts of agriculture on public good, such as biodiversity and water resources, may increase demands by people in both non-metropolitan and urban areas for greater regulation of agricultural practices.

The agricultural sector may face increased competition for natural resources, not only from conservation activities, but also from other land uses such as tourism and recreation, mining and forestry.

Natural Resource Management: The Community expects land to be managed by landholders in an appropriate way. Legislation such as *The Native Vegetation Act (2003)*, *Rivers and Foreshore Act (1948)*, *Soil Conservation Act (1938)*, *Water Management Act (2000)*, *Western Lands Act (1901)*, *Water Act (1912)* and *the Threatened Species Act (1995)* all impose conditions on landholders. These Acts all aim to assist in the better management of our valuable natural resources and to ensure that the resource is managed and used equitably and in a sustainable way to protect the resource for generations to come.

There is no doubt that decisions made in recent years to manage our resources better is in recognition that previous decisions and practices, while acceptable at the time, are no longer considered appropriate. For example the introduction of *SEPP 46 (1996)*, the *Native Vegetation Conservation Act (1997)* and then more recently the *Native Vegetation Act (2003)* has impacted on farmer's ability to continue to broad scale clear native vegetation. Data from satellite imagery shows that total woody land clearing in NSW is now only about 30,000 Ha/annum, down from around 400,000Ha/annum in the early 70's and around 150,000Ha/annum in the early nineties. Approvals by CMAs for clearing of native vegetation in 2006 was a total of 3,000 Ha/annum down from 90,000 Ha/annum in 2001.

The *Native Vegetation Act 2003*, which commenced on 1 December 2005, aims to end broadscale clearing across the State and ensure that native vegetation is protected for future generations. The vast majority of the rural community complies with this Act and DECC is working on making the regulatory system more user-friendly and less onerous.

Under the *Native Vegetation Act 2003*, landholders may only clear native vegetation provided they have an approved Property Vegetation Plan (PVP) with their local Catchment Management Authority (CMA). PVPs give farmers security to plan and invest for a period of up to 15 years. The Government has provided significant incentives for landholders to obtain funding to protect and restore native vegetation, with \$120 million allocated to CMAs for this important task. To date almost 500 PVPs have been entered into by landholders of which just over 200 relate to clearing approvals, and the remainder comprise investment grants to farmers to undertake works.

The Government has developed a Native Vegetation Assistance Package to help those landholders who experience financial hardship as a result of the *Native Vegetation Act 2003*. The \$37 million package includes Farmer Exit Assistance (\$12 million), Sustainable Farming Grants (\$15 million) and Offset Pools (\$10 million). To be eligible for financial assistance farmers must have been refused consent to clear remnant native vegetation by their local CMA.

The NSW government does recognise that regulations relating to native vegetation management need to be continuously streamlined. In 2006 changes were made to the *Native Vegetation Regulation Act* to:

- streamline the assessment powers for invasive native scrub.
- reviewed the effects for 14 threatened species.
- Ensured PVPs "run with the land".

Currently DECC is examining a proposal by a group of farmers from Walgett, wishing to have their Property Vegetation Plans considered on a landscape basis, across thirteen properties. This is a novel approach and one which DECC is placing considerable resources to try and resolve, as the implications for other landholders is considerable.

(c) Initiatives to address impediments to sustaining appropriate levels of productive capacity and growth in the agricultural industry, having regards to the State Plan priority areas of "Growing prosperity across NSW" and "Environment for living"

There are a number of initiatives that DECC is either directly leading, or is a key partner in, that will sustain both productive capacity and growth in the agricultural industry consistent with the State Plan.

Access to water is fundamental for the health of the environment and for agriculture. In response to the need for secure water rights for users and the environment, NSW has developed water sharing plans that broadly define shares for the environment and for consumptive users (such as agriculture). Thirty Seven surface and groundwater sharing plans have been developed that cover approximately 90% of the State's water use. Plans for the remainder of NSW are currently in development. A key initiative is NSW RiverBank. Riverbank was set up to buy water for our most stressed and valued rivers and wetlands and involves the purchase of water entitlements from willing sellers in the Macquarie, Lachlan and Murrumbidgee catchments. RiverBank has demonstrated that water licence purchase is possible without disrupting the economies of local communities. RiverBank conducts a public expression of interest process and has direct negotiations with water agents to

determine opportunities for water purchase. Riverbank is an important scheme to ensure the viability of rural communities and the agricultural sector, whilst securing water entitlements for environmental purposes.

Another impediment to continued agricultural capacity is the need for water of suitable quality to sustain production. Stormwater runoff and other diffuse sources of pollution can affect waterway health and the ability of that water to be used for a range of uses including drinking, recreational and agriculture. For example, water of high turbidity and pathogen levels is unsuitable for oyster production.

To address diffuse source water pollution, DECC is leading an interagency group in the development of a NSW Diffuse Source Water Pollution Strategy. DECC recently organised a series of 13 workshops across the state (one in each CMA area) to engage CMAs, councils, and state government departments to help inform the development of the Strategy. The Strategy will identify priority actions for addressing sources of diffuse water pollution that will most benefit from coordinated attention from government and industry. By identifying priority actions, the Strategy will aim to maximise outcomes from existing programs and activities. For examples, improved vegetation management will significantly reduce diffuse sources of sediments and nutrients that currently occur in runoff from agricultural areas, will improve habitats and conservation of native vegetation, and can have productivity benefits for farmers.

Certainty is an essential component to promoting investment in agriculture. Over the past decade the Environment Protection Authority and now the Department of Environment and Climate Change (DECC) has been refining its regulatory regime to provide an efficient and pragmatic approach to managing agricultural activities. These approaches have included self reporting, strategic auditing programs which has reduced the need for some compliance checking and inspections, collaborative development of industry environmental guidelines and resolution of environmental policy issues including odour management.

This work has been particularly effective in regard to intensive agricultural activities such as feedlots and piggeries. This work has been assisted by the NSW Government Intensive Agricultural Consultative Committee. The IACC incorporates peak industry groups, including the Australian Lot Feeders Association and NSW Pork and relevant agencies (including Department of Primary Industries, DECC, DoP and Department of Premiers and Cabinet).

In particular the DECC has worked with NSW Pork and the Australia Pork Limited to assist the industry to develop Environmental Management Guidelines that assist existing and prospective members to site, design and operate piggeries in an environmental sustainable manner. This guideline has led to significantly increased environmental performance across the industry resulting in a reduced need for regulatory intervention and significantly improved the relationship between DECC and the industry. DECC through the IACC also assisted the Lot Feeders industry to prepare an environmental chapter for their industry Feedlot manual.

Largely arising from DECC's dealings with the intensive agricultural industry, DECC reformed its legislation dealing with the vexed issue of odour management. The previous Clean Air Act required agricultural industries, including feedlots, piggeries and abattoirs to emit no odour beyond the boundary of their premises. This meant that these industries were exposed to constant financial threat from encroachment by residential developments arising from Council planning decisions. The no odour beyond the boundary requirement placed all of the social responsibility for amenity within the community on the industry. Following significant consultation the legislation

was amended to require industry to not cause "offensive" odour at neighbouring residences. This placed more equitable responsibility with the industry, council, the community and the regulator to deliver "triple bottom line" outcomes for the broader community by balancing competing interests. This odour issue was considered to be a significant impediment to the intensive agricultural industry and to a large degree this issue has been resolved.

DECC regulatory activities also provide security to the agricultural industry through balanced management of things like pesticide applications. Aerial spraying by different agricultural commodity groups has the potential to adversely impact on each other. Some examples include broad acre cropping and the grape industry. DECC has provided guidelines and licensing to ensure that aerial sprayers undertake their activity in a way where over spray does not impact on non target areas including adjacent agricultural activities.

DECC continues to work with the IACC and agricultural industry groups to reduce the regulatory burden and ensure the approach is strategic, pragmatic and cost effective.