

## INQUIRY INTO ASPECTS OF AGRICULTURE IN NSW

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Standing Committee on State Development  
Parliament House  
Macquarie Street  
**SYDNEY NSW 2000**

Dear Sir/ Madam

The NSW Farmers' Association (the 'Association') welcomes the opportunity to provide the attached submission to the Legislative Council Standing Committee on State Development Inquiry into Aspects of Agriculture in New South Wales.

This submission is separate to the submission provided by the Rural Alliance, however the issues raised are indeed complementary.

The Association looks forward to an ongoing involvement in the Inquiry and to the outcomes of the Inquiry.

Yours sincerely



Jock Laurie  
**PRESIDENT**

**Submission to  
Standing Committee on State Development**

**~ Inquiry Into Aspects Of Agriculture In New  
South Wales ~**

**August 2007**

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## **Executive Summary**

Approximately 79% of the State's land mass is devoted to agriculture. Agriculture contributes \$20 billion to the NSW economy, generates \$10 billion in exports, representing 26% of the total value of Australian agricultural production. It provides more than 300, 000 jobs or 10 per cent of the State's overall employment. Agriculture is directly responsible for up to 40 per cent of the economic activity across regional and rural NSW.

Government procedures, regulation and legislation all slow the wheels of business growth. The NSW Farmers' Association (the 'Association') is of the view that each region in NSW is an important national economic unit, yet there is no State approach to planning and development at the regional level. Local governments are generally too small to handle some of the infrastructure development responsibilities given to them especially without adequate resources and funding. The result is poor regional planning, inadequate coordination between the State and Local governments, duplication and wastage. Distance from services and isolation, apparent or real, add to the impact of these factors on regional business. All this affects regional business confidence and, without confidence, business cannot grow on a sustainable basis.

The Association is therefore suggesting the following to invigorate the agricultural sector:

### ***Population Growth***

Appropriate policies and strategies should be developed on population growth across the State by region and major centres as well as over time. Population change very much relates to services, jobs growth, environment and building communities. It is necessary for rural and regional organisations to know the number of people for whom they are planning and settlement should be directed to those areas which have more sustainable access to precious resources such as land and water.

### ***Rural infrastructure***

Country NSW needs better services, improved infrastructure and intelligent strategic planning in order to survive and grow. Much greater attention should be paid to road and rail infrastructure links and interchanges in primary production areas. A sensible framework to dramatically improve rural roads and rail services is urgently required. Rural and Regional NSW contribute strongly to the State economy, but are often overlooked due to important metro matters.

### ***Natural Resource Management***

#### ***Water***

Better water information, planning, infrastructure and administration are urgently needed for both rural and urban areas. Water should be treated as an economic resource as it will be the defining factor in the State's development over the coming decades. Water efficiency should go beyond the Natural Resources Commission (NRC) targets to address industry use of water, including rural industry.

#### ***Carbon Trading***

The carbon market model and associated policy framework proposed by the Prime Minister's Task Group on Emissions Trading is likely to both disadvantage the agricultural sector and be inefficient as a means of reducing Australia's green house gas emissions.

There is a need to establish a carbon market that recognises cropping and grazing systems that enhance carbon storage. Australia would be better served by a cap and trade market that places a more realistic share of the burden of emission reductions on the energy and related sectors and supports agriculture in providing low-cost abatement solutions.

#### ***Investment***

Priority should be given to developing policies that will encourage development and investment in key regional centres and the opportunity cost of such development should be looked at as a means of partly reducing growth pressures in metropolitan areas.

### ***Government Regulations***

The regulations which impact upon agriculture need to be clarified, streamlined and reduced.

## **1. Challenges, Threats, Opportunities and Solutions.**

Agricultural production in NSW is taking place in an ever-changing environment. On the one hand, numerous opportunities are arising from economic growth and increasing trade relationships. Income increases drive the demand for high quality raw and processed products. However, pests, diseases, drought and government regulations pose a continuous threat to food security and the livelihoods of many.

While there is a perception in cities that irrigated agriculture is causing a lot of problems, the reality is different from that image. Indeed, in some commodities, irrigation is providing spectacular benefits. In an average year, with average prices, the value of the irrigated cotton crop in Australia is some \$800m which ultimately provides benefits of over \$4 billion.

### **1.1 Challenges**

The farmers in NSW can have a successful future but not without overcoming some daunting challenges first. The challenges to farmers are broadly coming in the areas of a rise in discerning global consumers; the emergence of new forms of trade protection; increasing competition from low cost producers; and growing pressure on the States' natural resources. Consumers will be looking for food products that are safe, trusted, and produced in a sustainable manner.

The other major challenge for the Federal and State governments is how to reverse the rural and regional population decline, (Annexure 1).

### **1.2 Threats**

Since around 65 per cent of all our agricultural produce is exported, farmers in NSW will increasingly encounter new forms of non-tariff protectionism as multilateral and bilateral agreements reduce the traditional barriers to trade. These are likely to be in the form of technical barriers to trade erected under the guise of protecting markets from pests and diseases. Growing competition from low cost international producers is another threat to our farmers.

A threat to production along the eastern margin of the cropping belt - soil acidity - is now much better understood. Liming is essential but costly, and some breathing space comes from crops which tolerate aluminium toxicity.

There are a number of threats to agriculture in irrigated regions. One of the most often mentioned is salinisation. If nothing is done about this in NSW, there could be an escalation of economic losses in the future.

The irrigated areas in the Riverina also provide an example of another threat to the sustainable development of agriculture in the region - a fragmented bureaucracy. In the Murrumbidgee Irrigation Area, a number of bodies are likely to be influential in the future. Included among these are the Murray-Darling Basin Commission, the Departments of Agriculture, Fisheries, Water Resources, the Environmental Protection Agency, CSIRO, universities such as Charles Stuart University, Rural Research Corporations, and industry associations. Fragmented bureaucracies may be dangerous bureaucracies, since one sector is often ignorant of the activities of another. It is important that in the future better teamwork is developed between the different sectors of those authorities which have an interest in, and control of, irrigated agriculture throughout the Riverina.

Another threat to agriculture is the low prominence being given to Research and Development. There is a need to maintain agricultural R&D. The State and Federal governments are increasingly avoiding their basic responsibilities in terms of maintaining the R&D institutions which have served agriculture so well in the past. Agriculture, particularly the livestock, cropping and irrigated sectors, are vulnerable to new diseases and pests and our basic stock of veterinarians, pathologists, entomologists, agronomists and breeders must be sustained.

### 1.3 Opportunities

While we can often claim quality advantage of being “clean and green” over our emerging competitors, it will require constant innovation and effort to maintain that gap. This can be achieved through smart positioning of innovative and high quality products, embodying high standards of environmental integrity, food safety and animal health and welfare.

There is evidence that rural producers in the cropping zone are now adopting new technology at a more rapid rate than previously. Crop yield trends during the last few years are showing upward mobility. Several shires in southern NSW (e.g. Wagga, Junee, Temora, and Cowra) are amongst the highest in Australia in terms of the trend in wheat yields.

The Association is optimistic that agriculture will remain a core driver of the States' well being and national identity. Our focus in the past has been on driving production efficiency to sustain financial returns. However in the 21<sup>st</sup> century the paradigm will be a broader set of interrelated concerns centred on sustainability – economic, environmental and social.

### 1.4 Solutions

There is an urgent need to review the different key institutions and their public policy areas that could provide a useful focus. This could be done by analysing existing policy and institutional frameworks, and engaging regional governance stakeholders and practitioners, across the following five areas:

- a) *Local government* (with a focus on the relevant Regional Organisation(s) of Councils and other regional cooperative mechanisms);
- b) *Natural resource management & environmental planning* (with a focus on federally-accredited regional NRM bodies and/or catchment management agencies);
- c) *Primary health services* (with a focus on regional service delivery structures, including community engagement and policy coordination structures);
- d) *Economic development planning & support* (with a focus on regional economic development organisations and/or regional chambers of commerce, where they exist); and
- e) *Infrastructure, transport and communications* (with a focus on the consultative and decision-making frameworks accompanying infrastructure policy at the regional level, e.g. Roads to Recovery).

#### *Economic Model for Rural and Regional NSW Survival*

The government needs to commission a study to identify the different economic models for rural and regional NSW. Different economic models are needed because some regions are growing more quickly than others. For instance, if a region has ‘slow-growth’ sectors it is likely to show a net downward proportionality shift. Conversely, a region favoured by a high proportion of ‘rapid-growth’ sectors will, most likely, show a positive proportionality shift. The industry-mix component will identify the growth rates on the regional economy.

The study should also identify the region-specific element of structural change that will be required for the sustainability of the regional economy.

## 2. Impediments to sustaining appropriate levels of productive capacity

Helping rural and regional NSW unlock its economic potential has been a tall order for public policies of successive NSW governments, all of whom have largely remained tightly focused on metropolitan economy.

Rural communities form the economic heart of rural NSW, and the cultural backbone of our State. It is therefore imperative that agriculture and the vibrant rural communities it supports must be embraced and supported by the State Government rather than overlooked.

The Association has been concerned with the rural and regional economy being in deep slump even as agriculture has undergone massive changes in the way it does business. The declining rural communities (as outlined in Annexure 1) have been wondering how they could find new engines of economic growth when traditional sources seem to be struggling.

A number of studies (DTRS 2000<sup>1</sup>; Industry Commission 1996<sup>2</sup>; Roberts, Taylor & Wadley 1996<sup>3</sup>; Rural and Regional Policy 2001<sup>4</sup> and National Economics 2000<sup>5</sup>) have highlighted a number of impediments to agricultural and rural and regional growths in Australia and in NSW some of which are summarised under broad headings below:

### 2.1 Infrastructure

#### *Infrastructure neglect.*

Lack of infrastructure, leading to systemic problems such as unreliable transport and high energy costs, can impede economic development. Various studies have revealed that a lack of comprehensive strategic planning and prioritisation has meant that over the years necessary infrastructure has not been constructed or maintained. Infrastructure neglect has affected rural and regional NSW in two ways. First it has caused problems to those regions that have experienced population decline as they try to maintain the basic services. Secondly, due to lack of sufficient funding it is affecting those regions that are experiencing an influx of population from other regions. Also while some funds have been committed to road and rail line upgrades in the past, these have usually been on ad hoc basis rather than on strategic consideration and have invariably been deficient to make significant productivity improvements.

For example, a decline in investment into the state restricted rail branch lines has led to four being 'suspended' in 2005 due to safety concerns. Given that the lines are unlikely to be reopened; this outcome ignores the cost and safety freight advantages of rail compared to road transport.

There are 15 restricted lines in NSW comprising of 1 070km of track which represents 24% of the NSW rail network. On average, the 15 lines transport over 3 million tonnes of grain per annum, which is equivalent to 67% of annual NSW wheat exports valued at approximately \$350 million. In 2001/02, total traffic on restricted lines was 199.5 million Gross Tonne Kilometres (GTK), of which 95% was grain.

Given that rail transport provides \$10 per tonne or approximately \$30 million per year freight advantage to farmers over road transport, the suspension of four lines will result in increased costs to grain farmers. Most of this money will be lost to the Australian economy as it will be spent on extra fuel, tyres and capital, which in the main will be imported. While Australian farmers will be less competitive compared to our international counterparts (given that two thirds of agricultural produce is exported), it will also lead to a worsening balance of trade.

<sup>1</sup> Report of the Regional Australia Steering Committee Summit" - Department of Transport and Regional Services (2000)

<sup>2</sup> State, Territory and Local Government Assistance to Industry" – Industry Commission (1996)

<sup>3</sup> Roberts, B. H., Taylor, S. and Wadley, D. (1996), Recent Trends in Australian Regionalism'.

<sup>4</sup> Federal Government's Rural and Regional Policy 'Stronger Regions, A Stronger Australia, 2001'.

<sup>5</sup> National Economics (2000), 'State of the Regions Report 2000'.



As more lines close due to neglect, more grain will have to be transported by trucks on an already crumbling road transport network. This will result in an additional road maintenance burden and increased road safety issues. It is estimated that the closure of the four restricted rail branch lines in 2005 resulted in an additional 14,000 truck movements. If all 15 lines close, then 79,000 truck movements will be required to handle the grain freight task.

### **Solution**

- **That NSW Government must look at infrastructure planning, not in isolation but rather within a fully integrated national framework;**
- **That Federal and state governments need to make a greater commitment to investment in NSW regional infrastructure such as telecommunications, road, rails and linkages to ports;**
- **State and Federal Governments support the joint industry proposal that involves industry, State and Federal Government commitments to upgrade rail branch lines in NSW. This proposal was submitted to the NSW Government in May 2007 and is currently awaiting a decision; and**
- **NSW Government support the construction of the Melbourne to Brisbane rail corridor through western NSW.**

### ***Criteria for identifying infrastructure funding***

To succeed and grow in today's global environment, Australian agriculture must be able to connect with their counterparts in other States and Territories and the world. They must be able to produce goods and services as efficiently as possible. This requires infrastructure to connect—roads, railways, ports, and telecommunications—as well as to produce—energy and water.

A lack of comprehensive strategic planning and prioritisation means that necessary infrastructure does not get constructed or maintained as and when required. If it does, decisions are usually ad hoc rather than strategic. Governments must look at infrastructure planning, not in isolated parts (transport, energy, and so on), but within a fully integrated framework, with national, state and territory, and regional priorities evaluated.

At a regional level, many local infrastructure projects are too small to attract external investment. At the same time, local governments are being delegated more and more responsibility in this area with no real increases in their funding.

Much of Australia's publicly funded infrastructure is in decline and needs urgent upgrading. In many metropolitan areas, this is being addressed through the emergence of public/private partnerships. These are happening, and will continue to happen, because market forces mean that private investors have a mechanism to raise revenue e.g. on a toll road, and realise a return on investment.

Public/private partnerships are less likely to go ahead in rural and regional Australia. Infrastructure upgrades of this type are of national importance and require government funds or government underwriting.

### **Solution**

- **Establish a Commonwealth Infrastructure Asset Fund. This could operate in a fashion analogous to the current Roads to Recovery Program;**
- **Tie increased federal funding to infrastructure for a fixed period;**
- **Private sector 'involvement and investment' should be raised;**
- **Adoption of a 'whole of government approach to infrastructure funding;**
- **The State Government consider assuming responsibility for all regional roads in rural shires since councils do not have the financial capacity and asset management systems to maintain and renew them; and**

- **State Revolving Funds (SRFs) to provide long-term, low-interest loans to local governments or individuals for capital investments. The repayment of these loans over time allows the fund to revolve its lending ability continuously.**

## 2.2 Agricultural Policies and Regional Economy

### *Narrow Regional Focus*

There are some production regions in metropolitan areas that are struggling as much as rural regions. Conversely, some rural regions are performing better than metropolitan areas. This perhaps is due to low take-up rates of government business assistance and under developed business skills.

### **Solution**

- **A more inclusive approach is required so that advantage could be taken of economies of scale by joining forces with neighbouring areas. For instance, Local Governments and/or small towns banding together when putting in grant applications etc; and**
- **Increase the provision of training, mentoring, skills development and advice on business planning or government business programs, targeting local government areas in particular.**

### *Insufficient regional policy instruments.*

Market orientated mechanisms were used over the last twenty years as opposed to specific policy instruments as these were considered to lead to a mis-allocation of resources. For instance business organisations were concerned that assistance to one firm was at the expense of increased business taxes on others. They expressed concern about the large number of industry incentive schemes, duplication, high cost of delivery and general lack of involvement on the part of industry. Without regional specific policy instruments, employment and income disparities are likely to continue. Policies include regional structured funds, tax incentives, establishing regional budgets, creating strong regional agencies, programs to develop new economy industries and clustering them together to gain economies of scale and the benefits of industry networking. Many of the government's rural and regional policies and programs (Annexure 2) have not delivered the expected outcomes for the farming communities partly due to a lack of policy instruments highlighted above.

### **Solution**

- **Encourage business partnerships such as industry clusters and networks and provide better coordination for business dealing with structural change;**
- **Provide additional resources for small business incubators and market the availability of existing training programmes and their benefits;**
- **The Financial Counselling Services should be expanded to focus on the provision of business support. Also, assistance should be provided to respond to problems created by the National Competition Policy and globalisation;**
- **Greater emphasis should be given to developing business and community networks and bonds and trust between groups;**
- **Expand The Agricultural Finance Forum to become the Rural and Regional Finance Forum to extend to a broader range of members; and**
- **Establish International Cooperation Agreements to improve the capacity of farmers and regional business to supply international markets;**

### ***Coordination between tiers of government.***

There is poor coordination between the three tiers of government. Due to this various incentive schemes (Annexure 2) have added little, if anything, to aggregate investment and employment in regional NSW. Instead, they have resulted in a costly transfer of funds from taxpayers and ratepayers to selected businesses and have resulted in a misallocation of resources. For instance Local governments have been concerned about the Regional Development Organisations and their 'top down' direction, duplication and unclear accountabilities, both financial and political.

It is therefore imperative that a more coherent demarcation of responsibilities is introduced to outline federal, state and local government's policies and shared commitment to rural and regional NSW.

### **Solution**

- **Economic development agencies should be strengthened by allocating more resources to fund local and regional economic agencies to support the 'bottom up' approach to economic development.**

### ***Appropriate role for Government***

Appropriate government policy is required which will encourage farmers to achieve economies of scale and invest in new technologies to improve efficiency of production in order to more effectively compete with imported produce.

## **2.3 Natural Resource Management**

### ***Relative merits of different policy approaches to managing natural resources***

Native vegetation policies in Australia have far wider consequences than just a restriction on farming practices. There is a price to pay for native vegetation policies and the Australian economy will have to suffer higher rates of inflation for a given level of growth if natural resource management policies are too stringent.

### **Solution**

- **A farm based conservation incentive program is the most cost effective way for the Government to ensure the effectiveness of its natural resource management reform agenda. Without the provision of a program that generates a conservation enterprise option for farmers wanting to provide public good conservation services, such as native vegetation conservation, the government in the current economic structure, will fail in its objective of achieving a major cultural shift on the value of Native vegetation in Agricultural landscape and undermine its' own effort in natural resource management reforms, as has occurred over several decades.**

### ***Landholder and others responsibilities in achieving environmental outcomes***

To date most environmental policies have relied on punitive legislation with little integration with farming methods or due concern for economic consequences on farmers. Real gains in the environment have been poorly defined and there is a lack of a whole of landscape approach.

There is real confusion in existing programs, with no evidence of an improving landscape, no integration at the catchments or property level to get a healthy productive environment, conflict between local communities and state bureaucracies, and no sense of priorities or outcomes in the policy intervention, and a lack of real purpose in achieving good environmental outcomes. Neither the Government, farmers, nor the Green movement can be satisfied with this situation as it fails to deliver real environmental outcomes.

## Solution

- **Landholders are willing to accept regulatory restrictions on land use if opportunity is provided for them to bid for incentive or conservation service payments that reward good management across Australia-wide standards.**

### ***How should government investment in natural resource management be targeted?***

Australian farmers are responsible for the management of over 62% of the Australian landscape. It is therefore clear why it is generally accepted that sustainable land management is impractical without the co-operation and interest of private landholders.

The vast majority of Australia's environmental assets is located on individual private properties and requires ongoing management to maintain and enhance their value to Australian society.

Real farm commodity prices have continued to fall over the last 20 years. For farmers to continue to remain profitable, and for the nation to grow our export markets requires ongoing productivity improvements. On top of all this it is a big ask for the farmers to manage the natural resource as public good for the rest of the Australian society.

## Solution

- **Any government investment in natural resource management should be targeted through the farmers.**

### ***Effective and efficient way to establish spending priorities***

The Productivity Commission report<sup>6</sup>, as well as a report by J A Sinden<sup>7</sup> into native vegetation regulations, have found that the native vegetation regulations will significantly increase costs for farmers. The increased costs are due to reductions in the economies of scale, the provision of environmental services without compensation, an increase in the intensity of farming on the land that is not affected by native vegetation legislation and an inefficient use of inputs in the farming process. The increase in costs to farmers cannot be directly passed onto consumers.

Farming in Australia is heavily geared towards the international markets. Therefore the price that farmers receive is close to what is called the export parity price (international price minus transport and transaction costs). The cost of farming in Australia has little influence on the export parity price, due to the sheer size of international markets. As native vegetation regulations become more restrictive, the cost of producing agricultural produce will approach the export parity price. This will mean that farmer's profit margins will be eroded to zero. Farmers will be forced out of business, and the farming sector in Australia will undergo severe rationalisation. When the costs of farming increases past the export parity price, the export of agricultural produce will all but cease. At this point, food costs in Australia will begin to increase dramatically. If the costs of farming increase past the import parity price (international price plus transport and transaction costs), Australia will start to import large quantities of food.

The price of food is one the major contributors to the CPI and is given a weighting of 17.72% in determining the CPI. The RBA tends to ignore the effects of short term price increases on the CPI in determining monetary policy (interest rates). The price increases in food due to native vegetation policies will be structural or long term in nature, and will be viewed with concern by the RBA. The only way for the RBA to compensate for CPI increases due to higher food prices will be to tighten monetary policy and increase interest rates. The RBA inflation target is 2-3%. The current inflation rate is 2.5% for the year to June. Food prices would have had to increase by only an extra 2.82% over the year to June to force the inflation rate for the year to 3%. If the increase in food prices were structural in nature, the RBA would be forced to act and raise interest rates.

<sup>6</sup> Productivity Commission Report 2004. Impacts of Native Vegetation and Biodiversity Regulation.

<sup>7</sup> Sinden, JA 2004, "Do the Public Gains from vegetation protection in North-Western NSW exceed the landholder's loss of land value?" *The Rangeland Journal*, Vol. 26 no. 2

## Solution

- **Policy is needed that truly supports farmers in managing land to achieve sustainable social, economic and environmental outcomes (rather than just pays lip service to this concept). Farmland is both an economic and an environmental resource but so far, native vegetation policy has entirely failed to address the practical agronomic aspects of the problem.**

### ***Policy and industry measures to equip agriculture and food sector to adapt to long term climate change***

There is little doubt that substantial funds are needed across Australia and New South Wales to kick start a regeneration of the productive landscapes. The existence of standards, targets and the application of the measurement systems such as the NSW Property Vegetation Plan quantification system will highlight the years of under-investment at the property level.

No single intervention will be sufficient. As the productivity commission recommends a package of investment is needed, and it must be recognized that because of government policies the cost of managing for environmental outcomes is prohibitive to most farmers.

Urgent funding is required, and these funds should support a national re-engagement with the farming community based on local standards and targets, based on regeneration of the landscape and based on growing regional economies and overall domestic competitiveness.

## Solution

**Some ideas on how funds could be provided are as follows:**

- **Purchasing environmental services where land is conserved but impacts on current and future development;**
- **Structural adjustment when a PVP is rejected and with water where entitlement and capacity of farm is inhibited;**
- **Auctions for participating in conservation activities;**
- **Cluster PVPs where a group of landholders agree to preserve parts of their land but need to intervene and manage invasive scrub; and**
- **Incentives for good farm practice using the PVP as a means of earning points to improve the environmental health of their property (a credit-based system).**

### ***Carbon Trading***

There are significant risks and opportunities for agriculture arising from climate change.

Carbon markets can provide significant new forms of farm gate income, provided the design and policy settings are favourable. This is not currently the case.

Shortcomings of the proposed national carbon market include:

- Its inefficiency due to the excessive compensation given to energy sector and energy intensive firms;
- the economic distortions that will result from excluding agriculture from compensation - if any trade exposed sector is shielded, then all such sectors should be shielded;
- the focus on forestry offsets; and
- lack of scope for creation of offsets within farming systems, such as soil carbon

Australia would be better served by a market design that places a more realistic share of the burden of emission reductions on the energy and related sectors and supports agriculture in providing low-cost abatement solutions.

The initial exclusion of agriculture from the cap is not necessarily a blessing. A moderate cap on certain agricultural emissions coupled with appropriate compensation and the opportunity to fund changes in practice through sale of offsets could be preferable to abatement measures imposed by regulation or policy.

## **Solution**

**It is essential that the sector achieves high-level representation in the development of all aspects of climate change policy, including:**

- **the design of the national carbon market;**
- **future international negotiations on accounting and framework issues;**
- **development of viable farm carbon offsets, including changes to permanence and accounting rules to enable this;**
- **initiatives to ensure the long term profitability of agriculture and regional communities in a carbon constrained economy; and**
- **changes to natural resource and environmental policy frameworks**

**In addition, a major, mainstream sustainable farming initiative is required to manage the risks and embrace the opportunities associated with climate change.**

**Developing climate-friendly agricultural systems that are both practical and profitable, will involve raising significant grants and collaboration between R&D corporations, universities and bodies such as CSIRO.**

## **Water**

### **Water Licence**

Irrigated agriculture in NSW was valued at \$3 billion by the Australian Bureau of Statistics in 2001/02, about 30% of the total value of agriculture across the State. In NSW, water for irrigation is used to grow a myriad of products, from rice and horticultural produce through to fodder for stock and fibres like cotton.

Farmers have spent millions on developing their land so that water is applied to the crop at world's best practice. For example, investing in water-saving technology such as precision drip irrigation can cost a farmer up to \$10 000 per hectare (or \$5 000 invested in an area the size of a football field). For a farmer irrigating 100 hectares (or 200 football fields) of cotton this means an investment of up to \$1 million.

In the past, successive State Governments handed out water licences to farmers and in the process over-allocated many river and groundwater systems. Acting on the regional development policies of the day, farmers developed and invested millions into extensive irrigation schemes and industries (cotton, rice, and horticulture) based on these water licences.

Today, recognising the mistakes of the past, the NSW Government is attempting to 'claw-back' the over-allocated licences to achieve sustainable levels of water use in our river and groundwater systems. This strategy has major ramifications for the social and economic well-being of struggling farming communities in NSW.

### **Solution**

- **Fair and Just Compensation**

**One of the key principles of the National Water Initiative was that farming communities must be adequately compensated when the volume of irrigation licences are cut to recover more water for the environment. In short, farming communities should not be burdened with all the costs of protecting the water resources of Australia. As Prime Minister Howard empathically stated in 2001:**

**"There is a clear understanding that compensation should be paid where individuals give up property rights in the broader community interest. This payment of fair compensation is not negotiable as far as the Coalition is concerned. The Coalition will ensure that the next Council of Australian Governments meeting addresses definitions of property rights, including water rights, and mechanisms to deliver just compensation for the loss of these rights".**

- **Science (as opposed to ideological rhetoric)**

In addition, the NWI states that water recovery for the environment must be based on bona fide science (sound science) – not ideological rhetoric. The newly established National Water Commission has the job of policing this provision.

- **Cost Sharing for Water Recovery**

After 2014, farmers have agreed to bear the first 3% volume reduction in water licences (arising as a result of bona fide improvements in the knowledge of water resources). After 2014, State governments and the Federal Government have agreed to share one-third and two-thirds respectively volume reductions in water licences of between 3% and 6%. After 2014, State governments and Federal Governments to equally share volume reductions in water licences greater than 6%. Hence, farming communities will not be forced to shoulder all the costs of water recovery for the environment. The defined parameters of the cost-share arrangement mean that farmer – and their banks – will have greater certainty to invest in expensive water-saving technology.

## **Energy**

### ***Effect of energy market reforms on agriculture and food sector***

Energy market reforms have already begun to affect the agriculture and food sector in NSW. The National Competition Policy reforms to the energy market and the reforms in NSW have led to decreases in the price of electricity and the quality of service for rural residents.

Prior to the reforms of the electricity sector in NSW, electricity was distributed throughout regional NSW by regional electricity authorities. Each authority had its own maintenance staff and was based in the local area. This meant that faults were quickly dealt with and management had intimate knowledge of their infrastructure.

The reform of the electricity sector meant that these regional electricity authorities were merged into Energy Australia, Country Energy etc; that were set up on corporatised principles. This meant that not only did these energy companies have to provide network and retail services, but also provide dividends and income tax equivalent payments to the NSW Government.

A consequence of this has been that energy companies have cut costs on maintenance and begun to try and transfer assets and responsibility for their maintenance to rural residents. An example of this is the transfer to rural residents of low voltage power poles by Energy Australia in the Hunter region of NSW, and the constant failure of electricity in the Bribbaree-Thuddungra area.

## **Solution**

- **That Federal and State Governments take more concerted action and make more funds available for research and development of alternative energy source including the establishment of biofuels;**
- **CRC to research the development of biofuel specific crops to maximise yield potential and fuel production efficiency;**
- **The removal of legislative impediments that restrict the “on farm” production and use of biofuels and that off-road use to be exempt from the payment of rebate or excise;**
- **The Federal Government facilitate compliance of the oil producers in developing the domestic ethanol industry; and**
- **More Government support for renewable energy sources and the dissemination of information on renewable energy technology advances.**

## 2.4 Market Power and Supply Chain

Farmers are 'price takers' in that they produce a homogenous or undifferentiated product. They are also unable to pass on input cost increases as they are the bottom link in the supply chain. As a result farmers have difficulty obtaining price increases for their product, yet are forced to absorb the cost increases that are passed on by other supply chain participants. This 'cost price' squeeze has led to farmers being extremely cost efficient while other stakeholders in the agricultural supply chain as a result of their dominant market positions have not been subjected to the same level of pressure to improve their efficiencies.

The Trade Practices Act is the principal legislative weapon to ensure competition and to protect small businesses from uncompetitive practices such as abuse of market power. Unlike US anti-trust legislation, there are few tools to protect farmers from such abuse. Other tools used include National Competition Policy and Codes of Conduct such as the recently introduced Horticulture Code.

The key problems with Australia's market power legislation emanate from a lack of legal enforceability as a deterrent, a lack of market and contractual transparency, a lack of protection for farmers from commercial retaliation and a lack of clarity regarding the legal relationship between farmers and market traders.

### **Solution**

- **State Government support for federal Trade Practice Act changes such as tightening of unconscionable conduct provisions, clarification as to what constitutes 'substantial' degree of market power, expansion of misuse of market power provisions to include the relationship between buyer and seller and implementation of changes to collective bargaining arrangements; and**
- **Support for industry efforts to improve price discovery and transparency in agricultural markets such as setting up industry schemes to collate supply information which can be traded for improved buyer price/ demand information.**

### ***Competitive advantages through product differentiation and innovation***

Australian food manufacturers can improve their competitive advantage through a more integrated, collaborative, co-operative and long-term approach to the supply chain arrangements.

### **Solution**

- **Supply chain strategic alliances need to become more widespread. The manufacturers and users of packaging have to be more closely involved with each other, working together on packaging innovation and design and identifying changes in market trends**

## 2.5 Skill Shortage, Education and Training

### ***Immigration policy and education and training systems***

There have been widespread and increasing skill shortages in the agricultural and trade sectors in Australia, evident by the skilled vacancies index for total trades increasing from May 2001 to a peak in May 2004. There are widespread reports of skills shortages in non-professional occupations in the agricultural sector throughout Australia. Skill level requirements in the agricultural sectors have increased and are well recognized due to technological advances in the industry and workforce restructuring.

However, less well recognised until now is the price that we have paid as a result of reduced funding of skills formation. Perhaps the next wave of productivity gains in the agricultural sector will need to be founded on new skills formation strategy. This will



require increased public and private sector investment in training and up-skilling of workers in the agricultural sector, as well as policy settings and a training delivery framework that supports a new and more effective approach to skills formation adequately supported by an improved information base.

The age profile of the industry is older than is found in the workforce as a whole and alarmingly so (Annexure 1, Figure 3). In terms of adaptation, managing an ageing workforce will impact on production first, with the remainder of the agricultural sectors facing issues at the same pace as other sectors in the economy.

The Association is keen to see the Federal, State and Territory Governments actively discourage the use of the business skills migration scheme as an alternative to educating and training Australian workers.

### **Solution**

- **There is a need for more on-farm training, new farming methods and technologies, training in finance and management, new management skills and office practices and more flexibility in Training Packages and the need to implement the available flexibilities in arrangements for New Apprenticeships in the rural industry were also identified;**
- **The need for cross-sectoral or cross-occupational training and cross-industry vocational training cannot be over emphasised;**
- **Currently the QA training is fragmented and need to be rationalised;**
- **The delivery of training on the job is important, particularly in relation to chemical usage and occupational health and safety-related areas;**
- **There is a growing need for training in finance and management for the existing workforce, many of whom have agricultural qualifications;**
- **Many farmers are interested in upgrading their skills and learning new management and office practices associated with computing and**
- **In addition to maximising the value of vocational educational training, new mechanisms are required to transmit an understanding of best practice and innovative.**

### ***Cost effective initiatives in attracting skilled labour into agriculture***

Access to finance is a major barrier to young people becoming proud owners of farming properties and hence contributing to rural communities and the agriculture sector more broadly. Access to finance has been identified as a major barrier to young people becoming owners of farming properties, with the equity gap emerging as a critical challenge in terms of satisfying lenders' loan/security ratio. Following sustained lobbying by the Association, the NSW Government commenced the *AgStart* scheme in early 2007, comprising a career development scheme for young people entering agriculture in NSW, backed by funding of \$1 million. Whilst an enormously positive initiative, the funding is unfortunately inadequate, particularly in light of the sustained and considerable funding for similar schemes in other states. As a result of the constrained funding, the eligibility criteria have been tightened to the point that many young farmers are missing out.

### **Solution**

- **The AgStart scheme offers a bright future not only to our rural youth, but also to rural communities and the NSW economy more broadly, at a relatively minor cost to Government. A long-term, increased funding commitment to AgStart is required in order to relax some of the eligibility criteria and demonstrate a long-term commitment to agricultural production and rural communities.**

## **2.6 Research, Development and Innovation**

### ***Integrated national research and development agenda***

Industry and governments have both contributed in various forms to the development of Australia's research capabilities. More than ever before, R&D activity must be based upon multidisciplinary contributions that are hard to come by within the confines of a single institution.

Research, development innovation and technology (RDIT) networks designed to promote innovative inputs can secure competencies in areas of expertise unattainable by individual companies and institutions. Furthermore, RDIT networks play a significant role in securing a critical mass of both human and financial resources, particularly given the increased importance of multidisciplinary approaches and demand for higher resource levels linked to tangible impacts.

Indeed, increasing sophistication of the research and development (R&D) enterprise is reflected in the cost of equipment and consumables, which renders R&D activities an expensive business whose costs are better shared among as many concerned partners as possible. In addition, ready access to information and the ability to engage in effective cooperation with relevant organizations and individual experts are two crucial prerequisites for success in RDIT endeavours as well as human resource development.

Research institutes, universities and other organizations involved in innovative and educational activities cannot survive and contribute to socio-economic development without the ability to exchange information with their counterparts on timely bases.

#### **Solution**

- **There is a greater need for collaborative research and information sharing if Australian agriculture is to take full advantage of new technologies developed locally and overseas.**

### **Technology Adoption**

#### ***Understanding of drivers of adoption***

Innovation and adoption of new technology are key drivers in improvements to productivity and efficiency, both critical elements of the economic performance of Australia's agricultural sector. When overseas markets and governments demand regulated changes in technologies within intensive livestock industries to meet higher animal welfare standards (for example, layer hen cages and sow stalls) this creates an artificial market which is unlikely to be reflected on the supermarket shelf.

Decisions regarding improving the drivers of adoption cannot be made in isolation of identifying and reducing barriers to uptake. Some of the key barriers to uptake for farmers include the implementation cost (capital outlay) associated with the adoption of new technology. Farmers just do not have the financial resources available to adopt a new technology that requires a capital outlay. A case in point is the housing and management practice changes due to new Animal Welfare Legislations.

#### **Solution**

- **When government forces technological change, it must guarantee investment security over a long term to increase the opportunity for a return prior to the next outlay on upgraded technology to meet a newer standard. If government requires rapid technological change in the absence of a price increases, it must assist in providing an incentive to invest other than a punitive one through regulation.**

## **Biotechnology**

### ***Actions needed to address producer and community concerns***

GM technology offers substantial potential with respect to either production or consumption benefits. Production benefits may involve yield increases or reductions in input costs such as pesticide, water use, tillage and fertiliser. Consumption benefits may include increased nutritional value, health benefits or lifestyle improvements (e.g. longer shelf life). Further, environmental benefits can be obtained through a reduction in chemical usage for example.

GM canola was approved as safe and suitable for commercial production in Australia in 2003 by the Office of Gene Technology Regulator (OGTR). However GM canola production is subject to state regulatory control and the NSW *Gene Technology Crop Moratorium Act 2003* prohibits the deliberate cultivation of GM crops which are primarily grown as an ingredient of food for human consumption. QLD and the NT are the only states in Australia to permit the commercial release/ growing of GM crops.

While a certain proportion of farmers remain uncertain about GM technology, an increasing proportion of farmers believe that they should at the very minimum have the ability to choose whether they utilise the technology or not.

In general the reasons behind growers increasing support for GM (particularly in relation to GM canola) are because of;

- the lack of evidence of any human health and environmental impacts of GM in Australia or overseas. The Australian Office of Gene Technology Regulator has also approved two traits of GM canola as safe for humans, animals and the environment,
- the lack of any substantive or prolonged market premium for Australian non-GM canola,
- the fact that the largest canola exporter in the world, Canada has not lost overall market share because of its GM canola export status
- the introduction of adventitious presence levels for canola grain and seed in Australia and our major overseas markets which better reflects the reality of grain trade; and
- the competitive advantage obtained by our international competitors through the early and rapid adoption of GM technology.

Accordingly NSW Farmers Association supports the removal of current moratorium.

### **Solution**

- **Remove the NSW, VIC and SA GM moratoriums**

## **2.7 Regulatory Issues**

### ***Labelling and product traceability***

The current food labelling laws are inadequate with the current FSANZ Country of Origin labelling not addressing a number of key areas. For example, packaged multiple ingredients still allows product to be labelled as 'Made in Australia from local and imported ingredients' yet have 90% of its ingredients sourced from overseas. This is inadequate given the world trading environment and competitive pressure that Australian farmers are likely to face into the future. Exacerbating this issue is the lack of effective enforcement of food labelling laws by State Governments.

For instance, under the revised Food Standards Code, a business that sells imported fruit and vegetables must have a label on or in connection with the display of the food which:

- a) identifies the country or countries of origin of the food; or
- b) contains a statement indicating that the foods are a mix of local and/or imported foods as the case may be.

It is our understanding that the NSW Food Authority (NSWFA) can seek penalties under the NSW Food Act 2003, if retailers are found to have improperly labelled food. Where there is a likely known danger or risk of damage to health, the Food Authority can also seek a jail term of up to two years and double the penalties.

The Association has welcomed the improved Country of Origin Labelling requirements under the Food Standards Code, however without proper resourcing and enforcement; these changes will not address non-compliance by retailers.

#### **Solution**

- **That an audit be conducted by the NSW Food Authority regarding the compliance of retailers and other relevant parties to the requirements of Country of Origin Labelling for unpackaged fruit, vegetables and pork in NSW.**

#### ***Food safety***

Australian growers are contributing approximately 12% of their farm income towards compliance costs associated with food safety, chemical user accreditation, occupational health and safety, environmental management systems and industrial relations. Many of our overseas competitors do not incur these additional costs, which can include Government imposed costs such as superannuation, workers compensation and payroll tax and production system costs imposed by supermarkets and consumers such as residue testing, bidding for shelf space, as well as harvest, packing, storage and transport procedures to ensure traceability of each product sold.

#### **Solution**

- **If the Australian Government wishes to maintain food security by supporting domestic production it must require exporting countries to meet the same food safety standards, and where possible insist on products which have been subsidized via environmental degradation and worker exploitation have tariffs applied accordingly.**

#### ***Regulatory impediments to efficient operation of the nation's transport system***

The most pressing regulatory issue facing the nation's transport system is the implementation of compliance and enforcement regulations.

The National Transport Commission (NTC) has been developing the *Road Transport (Compliance and Enforcement) Bill* ("C&E") over the last decade with the intention of providing nationally consistent legislation to improve compliance with and enforcement of the road transport laws. The planned enactment of the NSW C&E legislation on 1st September 2005 contains "Chain of Responsibility" provisions that make every party in the transport chain responsible for breaches relating to mass, dimension and loading.

QLD, NSW, WA and VIC have inconsistencies with respect to C&E provisions particularly relating to overloaded vehicles. This has led to confusion among transport operators and farmers transporting grain and livestock under particular schemes which aim to mitigate farmers' liability exposure under their respective C&E legislation. For instance, in QLD there are no specified overloading tonne or percentage mass guidelines while in NSW and VIC overloaded trucks move from a 'minor' to 'substantial' risk category once a threshold of 5% greater than regulation Gross Vehicle Mass is reached. This has meant that while the QLD and WA Governments will support schemes that permit grain trucks legally being overloaded greater than 5%, NSW and VIC Governments will not.

Of particular concern to grain and livestock producers is that they could be potentially liable for overloaded trucks under the legislation when it is impossible to accurately assess truck weights on farm due to variations in grain and livestock weight and the fact that the produce is only weighed at destination. For instance due to density and moisture variation, wheat test weights at Narrabri last harvest for the same volume varied by 21.13% with barley varying by 26.67%. Livestock weights similarly vary due to differences in breed, age, condition, feed retention and weather. As a result, despite farmer's best intentions, their trucks could easily breach regulation gross vehicle mass limits under C&E legislation.

Industry in NSW, QLD, VIC and WA all support the implementation of a Grain Harvest Management Scheme (GHMS) to provide grain growers mass flexibility under C&E legislation. The state based scheme also provides weighbridge data to regulators for systematic and targeted enforcement and is administered and managed by industry and not Government. While such schemes have been implemented in QLD and WA, both the NSW and VIC Governments will only support a scheme that offers negligible truck weight flexibility in return for the provision of substantial weighbridge data for enforcement purposes.

Similarly, all states in Australia (except NSW) have a livestock loading scheme to help mitigate producers' liability exposure under C&E legislation. A livestock loading scheme allows producers to load trucks based on a regulatory formula taking into account vehicle dimensions, tare weight and livestock loading densities specified in national animal welfare codes of practice. In addition, industry participants are accredited to ensure system integrity.

Without these schemes farmers will be forced to systematically under load trucks in order to ensure that they do not accidentally breach mass limits.

#### **Solution**

- **NSW Government support the provision of truck mass tolerance under C&E legislation for livestock and grain farmers in the state.**

#### **Biosecurity and quarantine**

Australia as a global player in exports and imports, the Association recognises that a zero diseases risk import policy is unrealistic and unjustifiable. However, the Association by the same token does not support an open door policy. We do not believe it is reasonable for the exporting countries to propose that Australia should maintain an open border to all trade products and assess the risks as they arise. For example, if an exotic disease like Foot and Mouth Disease becomes endemic, the impact on production is significant and ongoing. Risk management measures would be inadequate, as the damage to the industry would have already been done. The recent outbreak of Bird Flu virus in a number of Asian countries is a case in point.

Rigorous science in Risk Analysis engenders confidence domestically and internationally and removes the claims of influences from trade objectives of domestic or international players.

#### **Solution**

**That scientific rigor be progressed through the following priorities:**

- **benefits and limitations of the semi quantitative approach;**
- **computer modeling and application (including training techniques);**
- **maximizing confidence when using inadequate data (including through a critical appraisal of its shortcomings);**
- **application of risk analysis to contentious areas such as animal welfare;**
- **defining the capacities and level of expertise needed within multidisciplinary teams;**
- **application of the precautionary principle where data is inadequate**

- **effective consultation processes; and**
- **incorporation of a socio-economic analysis of the impact on the broader community over varying time frames.**

## **2.8 International Trade**

### ***Bilateral trading agreements***

The international markets are changing constantly, and only those that can forecast problems, identify opportunities and act accordingly, will come out on top. A major challenge confronting the Australian agricultural community is to develop policies and strategies that will help farmers benefit from the more liberalised, deregulated market for agricultural products. Australian agriculture therefore needs to develop national policies reflecting domestic priorities and international requirements, and to implement these policies which meet international obligations. Over the years agriculture has been a victim of trade-offs in bilateral trading agreements.

### **Solution**

- **Any bilateral trade negotiations must be governed by the principle of enhancing access for Australian farm produce to the other country's food and fibre markets and that no trade-off occurs of one Australian primary industry against another in order to obtain market access to the export market.**

## **2.9 Initiatives to address major impediments**

The Association believes that Government has a critical role to play in the following essential services where there is market failure, through a 'local solutions to local problems' approach, encouraging sharing of ideas and resources wherever possible.

- Medical and dental services;
- Pharmacy services;
- Aged care services;
- Social welfare services;
- Primary, secondary and tertiary education;
- Telecommunications;
- Road, rail and air transport;
- Fuel and power utilities; and
- Financial services and advice.

Provision of, access to and affordability of these essential varies from community to community. However, a common theme from previous Association research in this area is that there are still major problems in health for rural NSW. More than 50% of respondents to the Association's study<sup>8</sup> reported that health services have declined or not changed in the last five years. Access to Allied Health Professionals was raised as a critical issue in particular. However, concerns were also raised with respect to attracting and retaining doctors and nurses (including Nurse Practitioners), and accessing specialists. Doctor-patient ratios remain a particular problem across much of rural and regional NSW, with most Divisions of General Practice in rural and regional NSW reporting ratios well above the accepted 1:1093 doctor-patient ratio.

Similarly, access to educational services was raised as an issue of particular concern. Access to good education is vital to any town's survival. The lack of educational opportunities is often given as the main reason that families with school-aged children pack up and leave their small town.

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<sup>8</sup> NSWFA 2005. Building Rural Communities Project.

### **Demographic Change**

- There is an urgent need for a more cohesive analysis of the demographic change, (Annex 1, Changing Demographics, Figure 4).
- Strategies need to be put into place to facilitate regional transitions especially in those rural and regional areas facing population decline; and
- Relevant policies need to be put into place to encourage the diversification of rural and regional economies

### **Infrastructure**

- More funding is needed to upgrade roads, rails, ports, bridges and telecommunications facilities. Funding must be targeted on priority needs rather than on prestigious projects. Local governments need to be assisted to facilitate the increasing demand for infrastructure and services.

### **Natural Resource Management**

- Government policies need to strike a balance between the rural and regional economic interest and environmental concerns.
- Addressing water crises through desalination, water recycling and pricing need to be considered in regional contexts.
- There is a need for appropriate strategies and planning instruments to address address climate change; and
- There is a need for market based tools to address environmental management outcomes.

### **Reviving Regional Economy**

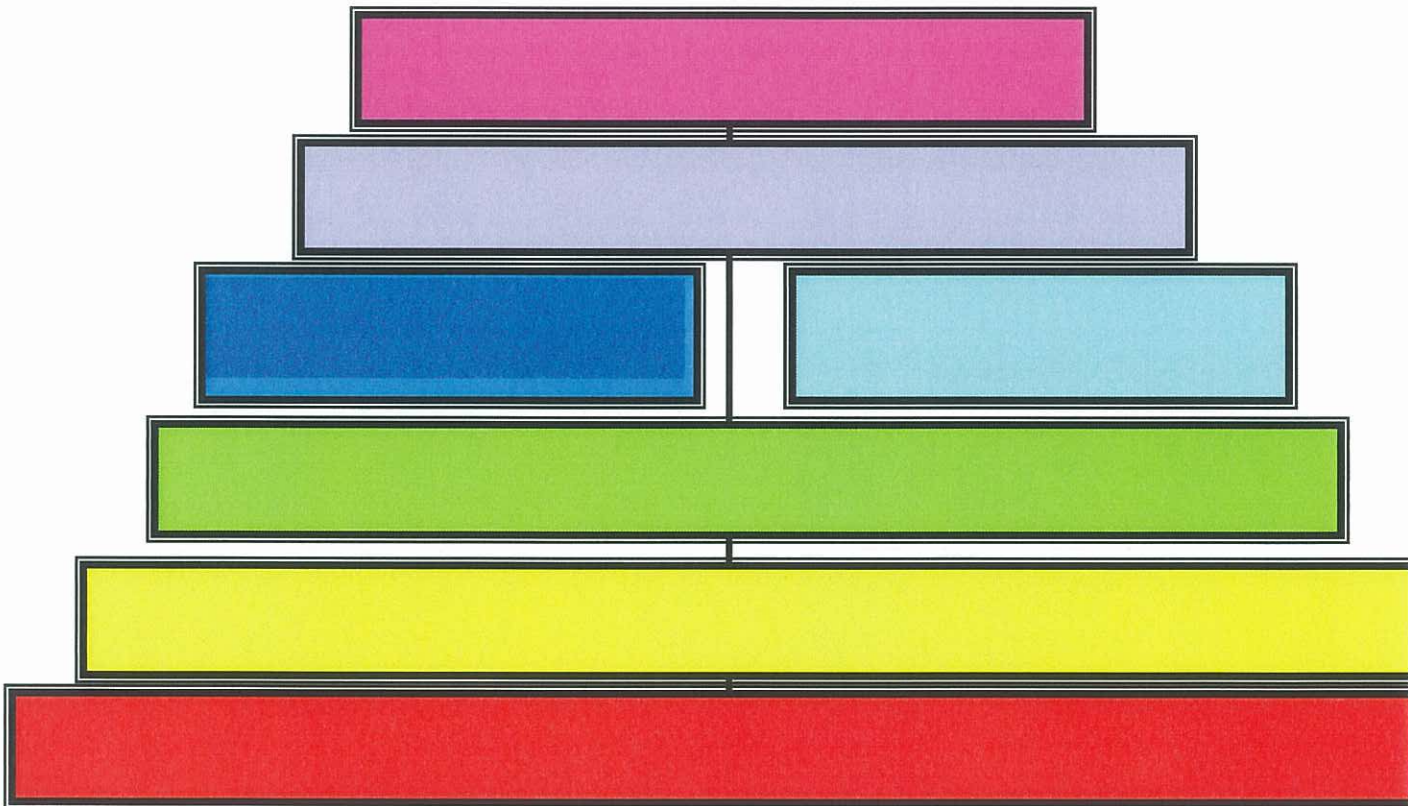
- Government needs to put into place realistic policies and strategies to encourage rural and regional investments as 'Staying in Town Initiatives', 'Sustainable Rural Communities Resource Kit', 'Town and Village Future Program' and 'Strong Regions, Strong Future, Regional Development in NSW', (Annexure 2), have not worked for the farming communities;.
- The current economic planning and assessment systems need to be reviewed with a view to setting clearer goals to retain and attract new agricultural and other investments that will maximise returns; and
- There is a need for a more transparent and improved method of priority setting for government spending in rural and regional areas. Devolution of decision making to rural and regional institutions is likely to enhance regional planning. This could be facilitated by the establishment of permanent regional entities supported by statutes under the Regional Development Act.

## **3. Background**

NSW Farmers' Association (the 'Association') is Australia's largest state farming organisation representing the interests of the majority of commercial farm operations throughout the farming community in NSW. Through its commercial, policy and apolitical lobbying activities it provides a powerful and positive link between farmers, the Government and the general public.

The Association is the key state representative body for both intensive and extensive industries ranging from broad acre, meat, dairy, wool and grain producers, to more specialised producers in the horticulture, poultry meat, egg, pork, oyster and goat industries. It also represents the interests of rural and regional communities and the important issues associated with natural resource management.

The Association is in the unique position of having a well established regional network, allowing direct information flow to and from the farming community. This regional network is the heart of the Association. It consists of 13 Regions subdivided into 124 District Councils, representing a total of 376 Branches. Each Branch member provides direct feedback to the Association through the Executive Council, which consists of elected members for each Region. This regional network is supported by a team of 13 Regional Service Managers who are based locally to provide the on ground promotion and organisation of farming events and an efficient communication link between Head Office and each Region.



#### 4. Introduction

The Association offers the ability to communicate quickly and regularly with the farming community, meaning that the organisation is well placed to not only identify the challenges facing the NSW farm sector, but also assist in responding to them. Through its close ties with farmers and such communities, it is in a unique position to contribute to the *'Inquiry into aspects of Agriculture in New South Wales'*.

#### 4. Introduction



Rural communities form the economic heart of rural NSW, and the cultural backbone of our State. Australian agriculture produces \$36 billion in food and fibre. Agriculture is the foundation of a \$55.3 billion food processing industry and a \$74.6 billion food retail service. Combined with flow-on effects throughout the economy, Australian agriculture contributes almost 10% of our GDP, 11% of employment and almost 20% of exports. More than 780 000 jobs around Australia depend on farmers, while the farm sector supports 1.6 million jobs in total.

In NSW Agriculture represents a diverse sector of the State's economy that includes the production, processing and marketing of food, fibre and ornamental products. Agricultural activity in NSW can be characterised by the widespread adoption of mixed farming techniques; raising livestock in conjunction with growing cereals is common practice.

The sector has played a key role in the development of New South Wales and contributed to the character, culture and heritage value of our rural landscape. Agriculture is the biggest land user in NSW. An estimated 63.6 million hectares or 79% of the land mass of NSW was used for agricultural activity in 2003/04<sup>9</sup>. Of that, approximately 9% or 7.2 million hectares was used for cropping. There were 40 827 farms with an estimated value of agricultural operations of \$5 000 or more in NSW as at 30 June 2004.

The contribution of agriculture to the NSW economy can be measured in a number of ways. The most direct measurement available is the gross value of agricultural production, which is the value placed on recorded production at wholesale prices realised in the market place. In 2003-04, despite the one in hundred year drought, the gross value of agricultural production for NSW was \$8.5 billion<sup>10</sup>. Other measures of the contribution of agriculture to the economy include:

- gross farm product (GFP), which is a measure of the value added in production by farm businesses. In 2004-05, the GFP for NSW was calculated to be \$5.1 billion, or 1.7% of gross state product; and
- the value of exports of agricultural commodities from NSW (i.e. export products sourced from the agriculture industry), which amounted to \$1.5 billion in 2004-05.

The Western Division is an economic powerhouse which generates in excess of \$1 billion in earnings each year. It comprises some 32.5 million hectares, representing 42% of the land area in NSW, and is populated by only 52 830 people. In 2003/04, the average broadacre farm in NSW had a turnover of \$248 500, with a farm cash income of \$37 300.

The agriculture sector is an important source of employment in regional and rural Australia. The number of people employed in agriculture and related services decreased slightly in 2004 to 345,700 persons<sup>11</sup>. As of August 2003, 90 700 people were employed in agriculture in NSW, representing 10 per cent of the State's overall employment. Agriculture is directly responsible for up to 40 per cent of the economic activity across regional and rural NSW. However if one takes into account the multiplier effect of the agricultural activity this is as high as 70 to 80 per cent in most small towns in rural and regional NSW. Standard ABS multipliers show that a \$1 million drop in agricultural output leads to a consequential loss of 13 jobs across the non-agricultural economy hence the importance of agriculture cannot be underestimated.

The drought has had a significant impact on the gross value of agricultural production in NSW, slipping to \$8.5 billion in 2003/04, or 23% of the total gross value of agricultural production. In 'normal' production seasons, NSW farmers typically have the highest value of agricultural production of any State.

## 5 Agricultural Overview

<sup>9</sup> ABS Cat., 1301.0 – Year Book Australia, 2006, 20 January 2006.

<sup>10</sup> ABS Cat., 7123.1.55.001 – Agricultural State Profile, NSW 2004-05, 25 July 2006.

<sup>11</sup> ABS Cat., 1301.0 – Year Book Australia, 2005, 21 January 2005.

## 5.1 Where is Australian Farming Heading?

Australian farming is undergoing significant change. Firstly, there is an ongoing reduction in the number of farming operations. The number of 'commercial' farm enterprises in Australia has declined by approximately 15% over the past twelve years, and the number of 'non-commercial' farm enterprises (those producing between \$5,000 and \$22,500 in annual gross output) has also declined at about the same rate. These changes in farm numbers are a result of either consolidation into larger-scale enterprises (more likely in broad-scale farming regions) or subdivision into small units that no longer meet the \$5,000 minimum output threshold (more likely in coastal areas and close to larger regional centres).

Just as significant as changes in total farm enterprise numbers over the past decade has been changes in farm enterprise types. The most notable decline has been in the number of specialist sheep enterprises, down from more than 26,000 in 1990 to approximately 11,000 in 2002. This decline is not surprising, given that sheep numbers were at virtually an all-time high in the late 1980s and that dismantling of statutory marketing arrangements for wool, which occurred in 1991, led to very significant price declines for both wool and sheep for an extended period.

Almost as significant as the decline in sheep enterprise numbers has been the decline in the number of mixed-enterprise broad-acre farms. These are either sheep-beef, or grain-sheep-beef farms. Part of this decline is undoubtedly due to a switch to specialist grain enterprises, which have more than doubled in number from around 7,000 in 1990 to more than 15,000 in 2002. Farm consolidation is also likely to be a significant factor in this change.

## 5.2 Farm Profitability

Farm profitability has suffered in recent years. As a generalisation, the 1990s are considered to have been a period of low profitability for farmers in Australia, especially the early part of the decade, and especially relative to previous decades. As a simple indicator of this, over the 1980s and 1990s, average farm operating costs increased sevenfold while average farm cash operating surpluses increased only threefold (ABS 1999)<sup>12</sup>. The dramatic decline in wool prices in 1991 in combination with generally poor commodity prices and a drought in 1994 saw the real net value of farm production decline for an extended period. Farmers Terms of Trade (a ratio of an index of prices received by farmers and an index of prices paid by farmers) experienced a strong negative trend over a number of years.

Over the 11 years to 2001, the average annual rate of return (including capital appreciation) for Australian broad-acre farmers was 1.27%. Excluding 1990/91 when the major decline in wool prices occurred, the figure improves to an annual average rate of 2.7%, a rate most investors would still consider a poor rate of return.

A further reason for this may be the apparent increasing reliance smaller-scale farm operators, who have been under most pressure, have on off-farm income to remain financially viable. For broad-acre farms with estimated annual output of less than \$100,000, average off-farm income now exceeds \$30,000, of which salaries and wages constitute more than \$22,000 pa. Off-farm wages and salaries has been a steadily increasing source of revenue for this group, which constitute 35% of total 'commercial' broad-acre farmers, and a much higher proportion of the total farmer population.

## 5.3 International Competitiveness

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<sup>12</sup> ABS (1999), Livestock and livestock products, Australian Bureau of Statistics, Agriculture 1997-98, catalogue no. 7113.0.

Australian farmers have been driven hard to become internationally competitive.

Given Australia's relatively small domestic market, it has long been recognised that to expand and prosper, Australia's farm sector needs to be internationally competitive and to secure export markets. The desire to optimise farm resource allocation efficiency and to maximise competition in the farm input and post-farm sectors led Governments to de-regulate most marketing arrangements for farm products over the past two decades and withdraw from involvement in those markets. Perhaps the most cataclysmic, but inevitable de-regulation was the dismantling of the Reserve Price Scheme for wool, which occurred on 11 February 1991. That event, and the subsequent need to dispose of a 4.75 million bale wool stockpile, had a major impact on farmers and farm communities Australia-wide as both direct and indirect consequences progressively reverberated through all sectors of agriculture. Smaller in scale, but perhaps no less significant for participants in the relevant agricultural sectors, has been progressive de-regulation of marketing arrangements in industries as diverse as cereal grains, oilseeds, eggs, horticulture and sheep-meats. Many of these occurred as a result of competition policy, which required individual State governments to review any anti-competitive State-based legislation or regulations that existed.

The size of the domestic market means that Australian agriculture is geared towards export markets. Indeed around 65% of all product produced on farms in Australia are exported, and agriculture accounts for about 25% of Australia's total merchandise exports. These exports are crucial for the livelihood of all Australian's, as issues with the balance of trade and current account deficit will ultimately impact on interest rates and the well-being of all Australians. Additionally, the Australian economy is still heavily dependent on agriculture, accounting for about 12% of the national Gross Domestic Product (GDP) and 17% of the labour force when all the production, inputs and the value-added activities are included.

So the Australian economy is heavily dependent on agriculture, but there are dark forces on the horizon. Globalization is a term many people are now becoming familiar with. Australian farmers have been forced to accept this via reduction in farm subsidies and import tariffs, and through free trade agreements which attempt to "level the playing field" and to promote international trade. While these are good objectives, there is little doubt that Australia is leading the way in these initiatives, which is causing significant pain to the farming sector. Take for example farm subsidies.

#### **5.4 Industry Support**

Agriculture is the least supported major industry sector in Australia. Of the 38 member countries that make up the OECD, Australian farmers receive the second lowest levels of subsidies (4%), behind New Zealand (1%). By comparison, American farmers derive on average 18% of their annual income from government support, while the OECD average for farm subsidies runs at a massive 31%. On the domestic front, overall industry assistance by the Australian Government to other industries totalled approximately \$11 billion in gross terms in 2003/04. This figure is made up of an equivalent \$7.5 billion in tariff programs – virtually all of this directed to industries in the manufacturing sector. These factors mean that farm numbers will continue their rapid decline, as Australia seeks to compete via these measures but other countries do not. Over the last 30 years there has been a 60% decline in the number of people under the age of 35 entering farming as a profession, if this trend continues there will be a major shortage of farmers to produce food for both domestic and export purposes.

## 6. Evidence of Decline in Rural and Regional New South Wales

If the agricultural sector and regional NSW is to grow and compete in the global environment, regional economies must be connected with the rest of the country and the world. This requires infrastructure to connect roads to railways to ports, telecommunications, energy and water.

Much of the state's publicly funded infrastructure is in decline and needs urgent upgrading. In many metropolitan areas, this is being addressed through the emergence of public-private partnerships.

However, public-private partnerships are not viable for many projects in rural and regional NSW for a number of reasons, in particular an apparent lack of political will, regulatory impediments, and difficulties in collecting tolls.

The freight task for Australia is estimated to double by 2020. Transport infrastructure must be improved otherwise triple the current number of truck movements will occur on roads. This will lead to a serious road safety issue. Four rail lines have ceased operating in rural grain producing areas in NSW recently. This means an additional 14,000 B-double truck movements will be required to transport the same amount of grain on country roads in these regions.

The Shires Association of NSW estimates that there is already a \$156 million shortfall in funding for local government roads. Closing branch lines will only add financial pressures to affected local governments.

The major highways of NSW are also in urgent need of attention. More than 15 years after the investigation into the deaths of 55 people in two bus crashes recommended that the Pacific Highway (our number 1 rural produce transporting link) should be made dual carriageway along its entire length, only 30% has been completed.

An efficient telecommunications system is critical to Agricultural production which pumps \$39.58 billion into the Australian economy. From a social perspective, telecommunications are also a lifeline for rural people, keeping them in touch with each other and the world. A sub-standard telecommunications system means isolated people, and is a life and death matter in emergency situations. The telecommunications sector is currently undergoing perhaps its most extensive reforms in history. The Association is closely monitoring the transition from CDMA technology and the proposed roll-out of broadband infrastructure under the Australia Connected program. It is imperative that the NSW Government take a more active role in the national telecommunications debate to ensure that rural, regional and remote telecommunications customers across NSW are not disadvantaged by the current reforms. This is particularly important for remote communities who are about to lose their CDMA Wireless Local Loop landline services.

Mission Australia<sup>13</sup> recently released a paper titled, 'Rural and Regional Australia: Change, Challenge and Capacity'. This paper examines non-metropolitan disadvantage in the framework of five key areas: economic capital; institutional capital; social capital; human capital; and natural capital.

The study revealed:

- a "diverse story of disadvantage" for the 36 per cent of Australians living outside metropolitan regions;
- that country youths are less likely to finish school and more likely to suffer an alcohol-related death than those living in metropolitan areas;
- inequalities in health, job opportunities and quality of life for rural Australians, when compared with city residents;
- that only 62 per cent of students in regional centres completed Year 12, compared with 72 per cent of students in metropolitan areas;

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<sup>13</sup> Mission Australia 2006, 'Rural and Regional Australia: Chang, Challenge and Capacity'.

- that alcohol-related deaths among young people in non-metropolitan areas were 1.7 times higher than for the same group in the major cities; and
- that income levels in non-metropolitan areas tended to be lower, with almost 17 per cent of non-metropolitan households living on a weekly income of \$300 or less compared with 12.8 per cent of city dwellers.

The second study is the Association's own survey "Building Rural Community", carried out in mid-2005, which revealed the following:

- main factor inhibiting growth and development of all small country towns to be the impact of government regulatory compliance. Specifically, occupational health and safety (OH&S) and workers compensation; certification requirements for tradesmen, food handling, and disability access; and public liability insurance were identified as particularly vexing issues.

Every town surveyed or visited as part of this research stated the negative effects of these regulations on rural communities, particularly OH&S. While all agree that a safe workplace is non-negotiable, it must be recognised that there is perceived to be a lack of understanding within many government departments of the difficulties these requirements place on small isolated businesses and contractors. For example:

- meeting compliance criteria for ongoing certification in many areas places undue cost on small businesses, particularly for private businesses. Finding replacement staff is often extremely difficult and very expensive. This is exacerbated by the distance from where courses for compliance are offered, which may be up to four hours one way and may also result in accommodation costs; and
- the costs and time taken for the OH&S courses are prohibitive, for example \$900 for a five-day confined space course to allow anyone near a silo.

The Association firmly believes that the future of rural NSW depends on the strength and resilience of small rural towns. It is perceived by some in rural and remote areas that governments are making decisions based on the premise that a town with a population of less than 5 000 people has no future. Yet towns of this size – and smaller – display optimism and energy, with most demonstrating a very positive outlook.

However, the research exposed a range of concerning challenges facing rural communities in NSW:

### 6.1 State of Services

- Health: a major area of concern despite some improvement;
- Education: highly variable depending on the region, particularly isolated areas;
- Transport: poor and declining;
- Banking: poor and declining;
- Police: police presence declining, exacerbated by overtime bans;
- Child care: not enough places, limiting employment for young mothers;
- Aged care: a major area of concern despite some improvement; and
- Employment: a major area of concern, exacerbated by shortages of professionals and skilled labour shortages.

### 6.2 Level of Innovation

- Leadership: clearly evident in innovative towns;
- Size and Geography: not significant in terms of influencing innovation;
- Technology: improving, but patchy;
- Professional Expertise: health, trade and engineering in short supply;
- Skills Development: back-up staff costs and travel to courses a major concern;
- Management: few small towns have introduced new ideas in management; and
- Volunteering: burn-out a significant problem, affecting cultural, sporting and recreational activities.

### 6.3 Government Assistance

- Successful Programs: *Rural Transaction Centres; Main Streets/Small Towns;*
- Awareness: few programs are well known and highly utilised;
- Application Process: problems with competitiveness and self-selection; and
- Participation: strong support for non-confrontational leadership programs to encourage community participation.

### 6.4 Major Inhibitors to Growth and Development

- Government regulation: compliance costs (OH&S; workers compensation) and public liability insurance are major problems for all country towns;
- Shire amalgamations: concerns about loss of services and representation;
- Housing/Land Shortages: an emerging problem in towns experiencing growth;
- Hobby Farms: improved cooperation required, particularly for weed control and bush fire hazard reduction; and
- Natural Resource Management Reforms: native vegetation and water reforms have created considerable uncertainty

The above studies reveal the 'value' placed on the diverse communities in rural and regional Australia. While many non-metropolitan areas have experienced growth and stability, there are still numbers of people living with high levels of disadvantage. How can we bring 'value' to their lives? It is the Association's view that this situation can be reversed provided government is willing to implement policies that will reinvigorate agricultural enterprises in the state.

## **7. The Way Forward**

In essence, the above information highlights that agricultural policies must be long-term, interdependent, region-specific policies that enable farmers, agribusiness and rural communities to innovate and respond to change. This infers that successful agricultural and rural and regional NSW policies should:

- Build human capital (i.e. competencies, skills, knowledge bases) through ongoing education;
- Enable individuals to contribute to the global economy by removing accessibility constraints (e.g. communications, transport, roads, rails and port network );
- Aim to attract and retain skilled workers in rural and regional NSW by providing a high quality of life (e.g policies and strategies to revive regional economies);
- Ensure that the mechanisms through which individuals and firms can interact, communicate and collaborate are provided efficiently (i.e. support industry clustering);
- Develop strategic architecture that enables niche industries to remain competitive (e.g. tax incentives, accelerated depreciation);
- Encourage import replacement( e.g. quarantine and biosecurity, animal welfare and rigorous testing of imported foods);
- Develop strong links to the large talent pools available in the metropolitan areas, i.e. position metropolitan areas as partners not competitors (strategic alliances); and
- Support a diversity of lifestyle and recreational opportunities, which help capture some of the consumption spending otherwise trapped in metropolitan areas (e.g. promoting local regions).

## ANNEXURE 1

### Recent Demographic Trends Impacting on Small Towns in Regional New South Wales

Growing or declining population can be an important indicator of the economic health of a regional community. A number of studies have analysed recent demographic trends and their impacts on regional communities and in particular their impacts on smaller regional centres.

According to ABS (1998)<sup>14</sup> the following towns in New South Wales lost 10% of population or more since 1986: Werris Creek (-18.4%); Barraba (-15.4%); Dorrigo (-13.2%); Wee Waa (-11.7%); Narrabri (-11.4%); Murrumburrah-Harden (-16.9%); Batlow (-12.9%); Scone (-18.8%); Nyngan (-10.5%); and Wilcannia (-34.4%). A number of further towns had large absolute declines of less than 10% - Moree (-945); Lithgow (-928); Gunnedah (-829); and Kempsey (-705).

Another study, commissioned by the ABA (1998)<sup>15</sup>, examined trends in the position of local government areas from 1976 to 1996. Of the 700 Local Government Areas (LGAs) across Australia, the study examined the 456 which it defined as "rural" that is, containing fewer than 17 500 people in 1996. Of the 456, 215 LGAs have been subject to "... a process of sustained population loss since 1976" (ABA 1998: 2).

According to the ABA:

The result is a process of demographic erosion that has reduced the number of people in 215 rural municipalities from 883 747 in 1976 to 778 452 in 1996 which is a decrease of 12% (ABA 1998:2).

Nugent (1998)<sup>16</sup> has analysed NSW population movements between 1991 and 1996 revealing complex intrastate demographic trends, the continuing domination by Sydney of the State's population, a pattern of inland migration to the coast and interstate and very low growth or decline among inland regions. According to Nugent's analysis, inland regions' average annual growth between 1991 and 1996 was a low 0.03% (0.63% from 1986-1991), and the population of most inland Statistical Local Areas actually fell in the latest inter-census period. Most growth occurred in larger regional centres or due to the opening of new mines or other events specific to the area concerned. Coastal growth slowed in comparison to earlier periods, while remaining higher than the State average.

Analysis of the 1991-96 period in New South Wales further clarifies the scope of the problem. The following trends occurred:

- non-coastal centres grew at a significantly lower rate than the rest of the State, and while towns over 10 000 grew strongly (10 000 to 20 000 towns grew more strongly than those over 20 000), towns from 3 000 to 10 000 actually lost population. Interestingly, towns from 500 to 2 000 also grew relatively strongly;
- 88% of coastal centres experienced population increase, with coastal towns having an average growth rate over the period of 16% compared to 5.7% for all rural centres;
- the lowest growth across all rural centres in New South Wales occurred in the 5 000 to 10 000 band, the highest in the 1 000 to 2 000 band. Many of these, however, are coastal resorts;
- of 15 towns with over 20 000 people in 1991, 12 have increased their population (those that did not were Armidale, Broken Hill and Goulburn);

<sup>14</sup> ABS Cat., 4102.0 Australian Social Trends, 1998, 3 June 1998.

<sup>15</sup> Australian Bankers' Association (1998) Demographic Trends and Services Provision in Australia, Report prepared by KPMG Management Consulting

<sup>16</sup> Nugent S (1998) "Why Sydney Keeps Growing – Trends in Population Distribution in New South Wales 1991-1996", People and Place, Volume 6, No 4



- In 1997-98, 61% of urban centres in regional New South Wales continued to grow. (These figures are based on an internal NSW Government analysis).

Hence there are a number of conclusions to be drawn about demographic trends in relation to smaller regional centres in New South Wales:

- not all small regional centres are losing population;
- not all larger regional centres are growing strongly;
- coastal locations and locations close to the metropolitan region have tended to grow more strongly;
- regions are not simply losing population to Sydney - intra-state migration is far more complex than this; and
- inland regions are generally faring poorly in terms of population growth.

As regards to inland regions there is a general tendency for people in the 15–24 age group to migrate from small population centres at a faster rate than other age groups<sup>17</sup>.

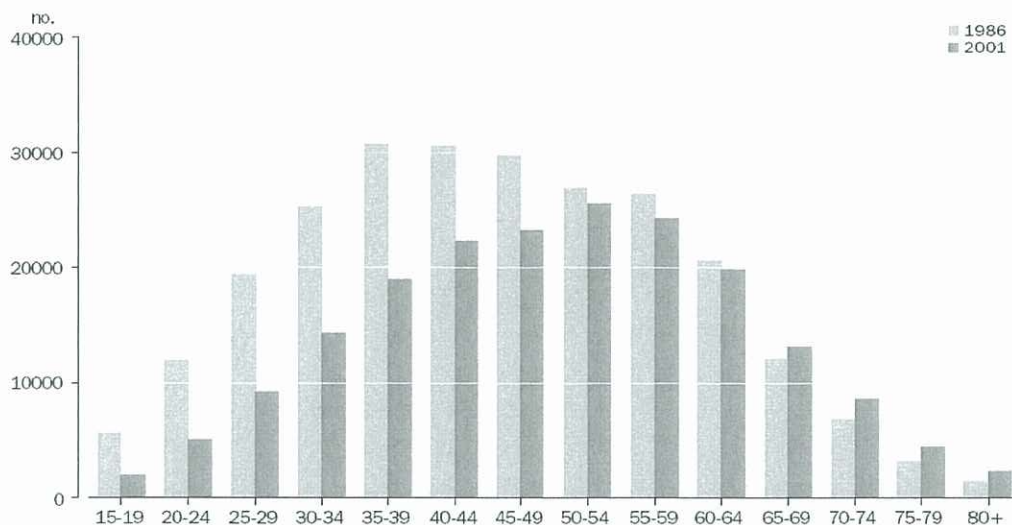
In 2001, the number of people aged 15–24 in regional areas was 36 per cent less than the number of 5–14 years olds in the area 10 years earlier<sup>18</sup>. In other words, there has been a net drift by young people away from regional areas.

### **The Ageing Farming Population**

A study conducted by the Victorian Department of Primary Industries has revealed that the number of young farmers is rapidly declining in Australia, falling by 60% in 25 years<sup>19</sup>. Just 3300 people aged under 25 entered farming between 1996 and 2001, leading to a significant shift in the age profile of farmers over the last twenty years (see Figure 1).

**Figure 1: Australian Farmers by Age (1986 vs 2001)**

AUSTRALIAN FARMERS BY AGE COHORT IN 1986 AND 2001



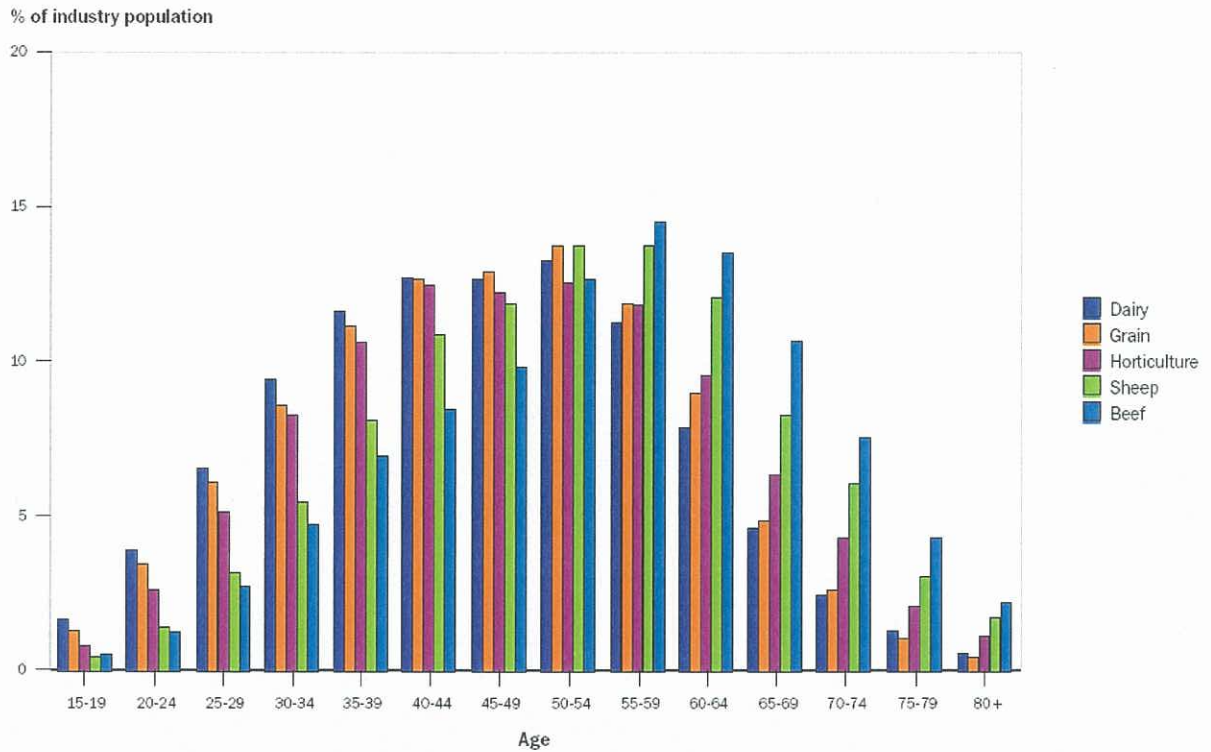
The exodus of rural youth to coastal cities in search of jobs has resulted in the median age of the Australian farmer being 50-52. However, as seen in Figure 2, there are significant differences in the average age of farmers by commodity sector.

<sup>17</sup> Country Australia: influences on employment and population growth, Australian Bureau of Agricultural and Rural Economics Research Report 01.1, 2001.

<sup>18</sup> Population Distribution—Youth Migration, unpublished Australian Bureau of Statistics data, 2003, p1

<sup>19</sup> *Young farmers thin on the ground.* ABC NewsOnline. 10 February 2004.

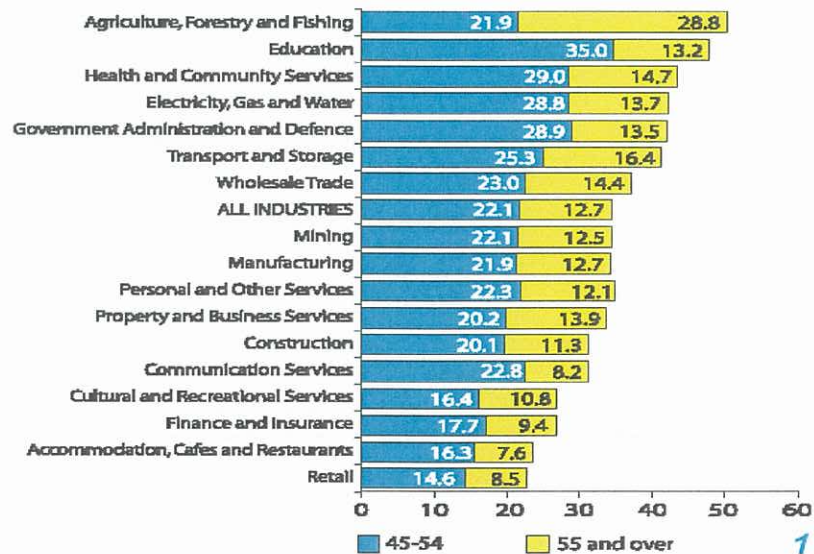
**Figure 2: Average Farmer Age By Commodity Sector**



The age profile for industries more broadly shows quite a difference in the proportion of the workforce aged 45 years and over. Agriculture has the highest proportion of workers aged 45 years and over (about half) and Retail Trade and Accommodation, Cafes and Restaurants have the lowest proportions (less than a quarter of their workforce).

Figure 3 shows the proportion of persons aged 45 to 54 years and 55 years and over currently employed in each industry. The figures for the Agriculture, Forestry and Fishing sector suggests that with the ageing workforce, there will be a greater need for up-skilling of the workforce especially as the industry adopts new technology to improve efficiency and productivity.

**Figure 3: Percentage of Workforce Aged 45 Years and Over by Industry<sup>20</sup>**



The Association recognises the importance of skilled workers in maintaining the viability, innovativeness and sustainability of Australian agriculture. Education, Training and up skilling of agricultural related workforce is a priority issue for the Association.

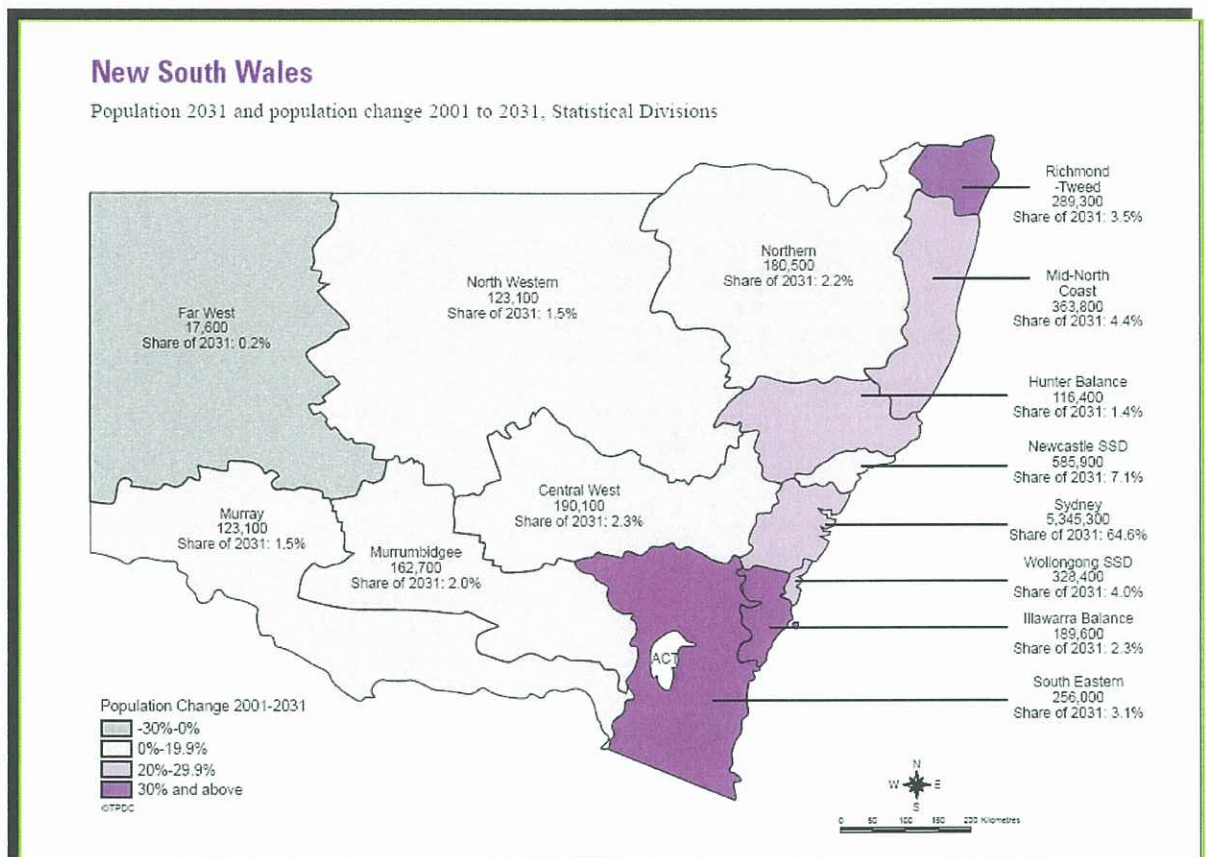
The Association has been concerned with the lack of skilled workers and its impact on rural and regional economy which is in deep slump even as agriculture has undergone massive changes in the way it does business.

Against this backdrop of changing population patterns, regional NSW is often seen to be experiencing a people crisis. This perception is fuelled by a negative image of regional NSW. A positive image is as important for attracting people as it is for attracting investment. If rural and regional migration trend to the metropolitan areas are not addressed then it will have dire economic and social consequences for rural and regional NSW.

### Changing Demographics

Current projections indicate quite dramatic population changes in NSW over the next 25 years (see Figure 4). Whilst the significant growth (>30%) in a number of coastal areas will present all levels of Government (particularly Local Government) with a range of infrastructure, planning and logistical challenges, the significant decline in the Far West (0% - ~30%) presents arguably a more pressing challenge, particularly in terms of the costs of land management.

**Figure 4: Projected Population Changes in NSW (2001 – 2031) by Statistical Division**



There has been considerable debate in recent months (prompted by the lingering drought) about the future management of so-called 'unproductive' farming country. Australian farmers some of the most efficient farmers in the world, recognised both nationally and internationally for operating at world's best practice. The fertile soils and highly productive

<sup>20</sup> Source: DEWR Job Outlook, June 2004

landscape of farming country across NSW are expertly managed by farmers, who provide immeasurable ecosystem services, such as maintaining and improving the quality of air, water and soil in the landscape, not to mention the management of pest weeds and animals. Recent suggestions that farmers be removed from 'unproductive' land and the land purchased by Government, raise as many questions as they are purported to answer.

The current drought is devastating some of the country's most productive land, including some of the safest cropping country in NSW. Even 'blue ribbon' farming country around Wagga Wagga – previously thought of as 'drought-proof' – has been devastated by the drought, with significant impacts forecast on production of the winter crop this year.

Assuming these suggestions to escort farmers from the land was to come to fruition, who would buy and more importantly manage the land that is taken out of production? The ecosystem services that farmers provide to the community at no cost would be lost, with a real probability that weeds and pest animals would over-run the land.

The welfare implications of these suggestions are also significant, with farmers bought out under such a scheme likely to place an enormous burden on welfare services. NSW Farmers Association conducted a Drought Impact Survey in April/May 2005, which found that 20% of farmers had been affected by drought for more than four years. This could equate to approximately 8 000 farmers, but could affect as many as 15 000 farmers and their families. Assuming these farm families would require a minimum of \$20 000/annum in welfare support to turn their backs on their farms; this would place the welfare impact – for NSW alone – at approximately \$300 million/annum. Applying the flow-on effect throughout the rural community of about four-fold, this translates to a likely cost of \$1.2 billion/annum.

#### **Adjustment to Change**

The public – predominantly metropolitan – debate surrounding drought assistance in recent times has exposed a range of misinformation about Government assistance in Australia. Despite comments in the Reference Group's<sup>21</sup> issues paper that 'Agriculture is one of the only industries in which businesses can receive ongoing support beyond the usual welfare services provided by governments', agriculture is in fact the least supported major industry sector in Australia.

Agriculture is the least supported major industry sector in Australia. The only exception to this is the dairy industry, which has had a structural adjustment program in place since deregulation in 2000. Overall industry assistance by the Australian Government to other industries totalled approximately \$11 billion in gross terms in 2003/04. This figure is made up of an equivalent \$7.5 billion in tariff programs – virtually all of this directed to industries in the manufacturing sector.

Direct budgetary assistance to the agriculture sector was \$4.3 billion in 2003/04, of this some \$2.3 billion was for CSIRO and Austrade. By comparison, the automotive industry received some \$2 billion in direct tax concessions. The services sector received around \$800 million in 2003/04 alone, and tariffs on manufactured inputs actually increased the service industries costs by another \$2.8 billion/annum. To date, the housing sector has received some \$5.2 billion in support via the First Home Owners Scheme. Meanwhile, drought support in Australia under the more sustainable; competitive and profitable Australian agriculture, food, fisheries and forestry industries for 2006-07 is around \$1.5 billion. However drought support has been just \$79 million/annum over the last three years, via interest rate subsidies, and \$137 million/annum for welfare support under the EC assistance program. When compared with the automotive industry, the housing sector, textiles, clothing and footwear (TCF) sectors, the amount given to agriculture is almost insignificant.

Of the 38 member countries that make up the OECD, Australian farmers receive the second lowest levels of subsidies (4%), behind New Zealand (1%). By comparison, American farmers derive on average 18% of their annual income from government support, while the OCED average for farm subsidies runs at a massive 31%.

<sup>21</sup> Issues Paper: Ensuring a profitable and sustainable agriculture and food sector in Australia, May 2005. Report prepared by Agriculture and Food Policy Reference Group established by Minister for Agriculture, Fisheries and Forestry, the Hon. Warren Truss MP

## ANNEXURE 2

### Overview of NSW Governments Regional Policies and Programs

Whilst the NSW Government has developed and implemented a range of policies and programs targeted at regional communities, they have achieved little within the farm gate. A sample of regional policies and programs is listed below.

#### Staying in Town Initiative

In December 2000 the Premier Bob Carr and the Minister for Regional Development and Rural Affairs Harry Woods launched the Government's Staying in Town initiative, designed to make government services more responsive to local needs. During the launch it was stated that the statement was very much in line with the Government's overall approach of "local solutions to local problems". It sought to provide a Government response to the forces of globalisation and the downsizing of services in smaller and more remote towns. The statement noted that under the current Government, regional NSW had benefited from around \$4.6 billion in new investment and 20 000 new jobs. The Staying in Town statement followed the release of the Government's Post Olympics Jobs Plan, which highlighted prospective infrastructure projects worth \$24 billion across the State.

#### Sustainable Rural Communities Resource Kit

The Sustainable Rural Communities Resource Kit was launched by the Premier in 2001. The Resource Kit is designed as a practical manual to assist in planning and undertaking a process of community renewal. It functions as a toolkit and reference manual for information about community sustainability and resilience, especially in rural and regional communities. The Kit was the result of an action research project undertaken in six NSW rural communities - Cooma, Moruya, Booroowa, Inverell, Moree and Cootamundra.

#### Government Access Centres

The NSW Government sometime back decided to extend the Government Access Program to a large number of smaller communities across the State. The Government Access Centres (GACs) provides a range of largely State Government transaction services to communities which otherwise would not have access to them.

#### Towns and Villages Future Program

In 2003 the NSW Government established the Towns and Villages Futures Program. The initiative is aimed at fostering economic growth and job creation in small regional communities. It helps communities and alliances of businesses to take a strategic and proactive approach to their economic development.

#### NSW Regional Development Advisory Council

In 2003, the Minister for Regional Development, David Campbell established the NSW Regional Development Advisory Council to provide advice on state-wide trends and issues across all regions of NSW. The Council brings together the chairs of the State's 13 Regional Development Boards and also provides a forum for the regional boards to come together and learn from each other's experiences.

#### Regional Development Act

In 2004, the Carr Government enshrined its commitment to regional development principles in new legislation - the historic Regional Development Act. The object of the Act is to provide a framework for strategic intervention in the economies of regional New South Wales for the following purposes:

- (a) to help fill gaps left by the market system,
- (b) to promote economic and employment growth in regions,
- (c) to assist regional communities to capitalise on their regional strengths, to broaden and reposition the industry base of their regions and to develop new products and new markets,
- (d) to develop regional or local solutions for regional or local business development problems.

### **Regional and Rural NSW Budget**

The Government also now releases each year a Regional and Rural NSW Budget Highlights document which details spending programs across a wide range of portfolio areas.

Key ongoing regional development initiatives highlighted include:

- Regional Economic Transition Scheme to assist towns suffering from economic downturns associated with restructuring or business closures;
- Country Lifestyles Program to sell the lifestyle benefits of regional New South Wales;
- Regional Business Investment Tours
- Hunter and Illawarra Advantage Funds
- New Market Expansion Program
- Town life Development Program
- The Department of Urban Affairs and Planning has introduced a Living Centres Program across New South Wales to manage changing environments and to transform towns and suburbs into vibrant centres. Regional project areas include Western Riverina, Far South East New South Wales, Illawarra and Northern Rivers.

### **Strong Regions, Strong Future, Regional Development in NSW,**

The Strong Regions, Strong Future, Regional Development in NSW was released by Hon David Campbell, Minister for Regional Development in October 2004.

The Minister said that the government's approach to regional development was driven by a belief in some basic ideas that includes:

- focusing on local solutions to regional economic development problems
- emphasising the formation of partnerships with key stakeholders
- engaging of community resources
- growing existing regional businesses at the same time as encouraging decentralisation from Sydney
- identifying and pursuing regional competitive strengths
- encouraging local and regional leadership.

The Minister said that the above initiatives addressed particular needs such as access to finance, the impacts of economic restructuring and the need to diversify the regional industry base.

While the government should be given credit for introducing various initiatives over the years as highlighted above, however these have not produced the desired results for the farmers or the rural and regional communities at large.

The Association is of the view that the poor outcomes of the above initiatives have a lot to do with the impediments that prevented the desired outcome of the various government initiatives.