

**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO ASPECTS OF AGRICULTURE IN NEW SOUTH  
WALES**

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**Public forum at The Crossing Theatre, Narrabri,  
on Thursday 6 September 2007 at 5.00 p.m.**

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**PRESENT**

The Hon. A. Catanzariti (Chair)

Reverend the Hon. F. J. Nile  
The Hon. M. J. Pavey  
The Hon. C. M. Robertson  
The Hon. M. S. Veitch

**ALSO PRESENT:**

George Sevil, Max Kershaw, Richard Busby, Graeme McNair, Malcolm Gett, Daryl Young, Meryl Dillon, Phillipa Morris and Michael Foster.

**CHAIR:** I welcome everyone to this public forum of the Standing Committee on State Development inquiring into aspects of agriculture in New South Wales. The inquiry will be examining the contribution of agriculture and agriculture-based products to the New South Wales economy, impediments to sustaining appropriate levels of production, capacity and growth in the agricultural industry and initiatives to address those impediments. This public forum is intended to allow members of the community to raise issues of interest to them. If you have not registered to speak but would like to, please see one of the staff members and they will add your name to the list.

When speaking please keep your comments brief and to the point to give everyone a chance to speak. Committee members may ask questions to follow up a new point. We will speak to the mayor shortly and give him a little longer than others so please do not hold that against us. He tells me he has a lot to say. Before we commence I would like to make some comments about aspects of the hearing. The Committee has previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines covering the broadcast of proceedings are available from the table by the door. In accordance with the guidelines, only members of the Committee and witnesses may be filmed or recorded. Other people in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee the media must take responsibility for what they publish or any interpretation placed on anything that is said before the Committee.

With respect to the delivery of messages and documents tendered to the Committee, witnesses, members and their staff are advised that any messages should be delivered through the Committee clerks. I also advise that under the standing orders of the Legislative Council any documents presented to the Committee that have not yet been tabled in Parliament may not, except with the permission of the Committee, be disclosed to the public by any member of such Committee or by any other person.

Committee hearings are not intended to provide a forum for people to make adverse reflections about others. The protections afforded to Committee witnesses under parliamentary privilege should not be abused during these forums. I therefore request that witnesses avoid the mention of other individuals unless it is absolutely essential to address the terms of reference. I welcome the mayor to the public forum.

**Councillor GEORGE SEVIL**, Mayor, Narrabri Shire Council: Thank you for allowing us to give our full submission. We have gone to a fair amount of trouble to produce this submission so I would like to deal with it in full. It is an overview of agriculture in the Narrabri shire and what it means to us. Mr Kershaw, the General Manager, who will work the slide machine, will assist me. On behalf of the Narrabri Shire Council and broader community, I welcome everybody to the public forum on the contribution of agriculture to the New South Wales economy.

I would like to thank the members of the standing committee for organising and attending the public forum today and giving our community an opportunity to speak about this important industry. It would be remiss of me not to highlight the point that Narrabri shire is one of the largest agricultural producing shires in the State, if not Australia. Actually, we are the second largest producing shire. As such, everyone in the shire has a very proactive interest in the long-term sustainability of agriculture.

Agriculture in New South Wales is worth approximately \$7.9 billion per annum, with the New England and north-west region producing some \$1.9 billion. Narrabri shire is in the heart of the Namoi Valley and, being located in the New England and north-west, is an area well renowned for producing some of the world's highest quality cotton, beef, wheat, fat lambs and wool.

*Slide 1: Mining and Natural Gas Details and Data*

Natural gas and coalmining projects are also emerging to complement existing local operations and offering a wide diversity of employment and ancillary business opportunities. Agriculture in Narrabri shire employs a majority of the working population.

*Slide 2: Areas of Employment in Narrabri Shire—1991-2001*

This slide highlights the areas of employment within Narrabri shire for the years of 1991 to 2001 taken from the national census data. It is clearly evident that agricultural-based industries are the major employers. Unfortunately, the labour-related data from the recent 2006 census is not yet available but one could imagine that the number of mining employees would have increased within this time, as well as other industries, due to greater economic activity such as the growth in the hospitality and retail trades. It is also notable that the number of employees only decreased slightly in agriculture in the mid-1990s but in the 2000s I believe that that decrease in the local agriculture sector has increased dramatically as a result obviously of the ongoing drought.

It is imperative that emerging industries such as mining and natural gas complement and work with the existing agricultural industry to ensure the sustainability of those endeavours. We, as the State Government, local governments and the corporate sector, need to facilitate agriculture and mining and understand one another's interests to work together to achieve mutual benefits where possible. There should not be a situation of agriculture versus mining.

Wee Waa, some 40 minutes drive from Narrabri, is known as the cotton capital of Australia and historically is the area where irrigated cotton was first grown in this country. Cotton is the major agricultural industry in the Narrabri shire, with a majority of production being based on irrigable land around Wee Waa. Out of the five largest individual exporters of cotton in Australia, two of them are based in the Narrabri shire. These are the grower-owned cooperatives of Namoi Cotton and Auscott Limited. The drought, international cotton prices and demand, as well as water availability and licensing issues, have impeded the growth of this industry over the last five years and this can be seen in these figures produced from the Cotton Australia Annual Report for the Namoi Valley.

*Slide 3: Cotton Production in Lower Namoi 2003-2007*

The reduction in production value and number of growers is clearly evident. Market steadiness is needed and water licensing and availability issues addressed to ensure employment and industry stability. Narrabri shire plays a significant role in the advancement of the cotton industry through the Australian Cotton Research Institute Facility located between Narrabri and Wee Waa. Some of the research projects being undertaken at this facility include looking at more efficient use of nitrogen fertiliser; increased water use efficiency; integrated pest management, the most effective insect and weed management strategies; development of new varieties to overcome the effects of hot and humid weather conditions in cotton crops, which affect production and quality; research into links between cotton quality and crop management; and development of new technologies to increase in-field decision-making for growers.

Bollgard and Roundup Ready cotton varieties are also being developed to lessen the chemical burden on the surrounding environment and improve sustainability of the industry. The wheat industry in Narrabri shire is also a large employer of the workforce, particularly at busy times such as sowing and harvest. A majority of the wheat produced is on dry land farms, with suitable weather conditions and rainfall levels being required to grow a winter crop to its maximum capacity. Most wheat is grown on broad-acre properties north of Narrabri in the Bellata and Edgeroi areas, but it is pretty much all over the shire. The most predominant areas are to the north and the northwest. Production levels of wheat over the past five years have been supplied to us from Graincorp. That is on the slide, so I will not go into that.

*Slide 4: Grain Harvest figures from the past 5 years—Narrabri Area including Moree*

These figures are based on grain stored with Graincorp and are not entirely accurate as many growers utilise on-farm storage to reduce pooling and storage costs, as well as taking advantage of better market returns.

To the north of Narrabri we have the Wheat Research and Plant Breeding Institute, which is vital in keeping the national wheat production at the forefront of world developments. Research projects being run at this centre include: working with winter crops, mainly wheat, to achieve best results; breeding and research programs on field pea production; production of mustard seed for the biofuel industry; research into triticale production, which is a hybrid wheat and rye seed; and research into agronomic practices to gauge the impact of tillage levels on various wheat, field pea and barley germs.

The expansive floodplain of our shire makes agricultural land most suitable for cropping, but of course large areas of the shire are utilised for livestock production, and on many occasions we have achieved world-class results with our livestock. One example is Inglegreen Pork, which is on the back road to Wee Waa, and it is said to be one of the largest piggeries in the Southern Hemisphere.

We also have many niche or cottage industries that have grown up in recent years in our shire. Those include grapes, jojoba, olives, Dorper lamb, goats, peanuts, and citrus.

Value-adding opportunities show the diversity of production in this area. Some examples include: wheat from the Bellata area is sent to Tamworth to be made into pasta by Bellata Gold; sorghum is used by Nutrimix and added to stock feeds; jojoba is made into beauty products; cotton seeds are crushed by Cargill and made into oils for cooking and for use in beauty products; olives are converted into olive oil and beauty products; cotton is ginned and compacted before haulage; and locally grown grapes are made into some of the world's best quality wine. More value-adding and vertical integration opportunities are evident, and this should create additional wealth in local business, but these need to be fostered whenever possible.

One of the major impediments confronting the agricultural industry is transport of agricultural products to port. This problem must be alleviated with the upgrade of rail lines within the State and the development of the proposed inland rail line from Melbourne to Brisbane. This council has very strongly supported inland rail as an alternative way of getting our products to other markets.

*Slide 5: Proposed Far West corridor for Melbourne to Brisbane Inland Rail Link*

This slide shows the proposed route for the Far West Corridor, which is the adopted route. It is the most desired route for the Narrabri shire. Narrabri is home to an inland port with storage and facilities owned by IPS Logistics Australia and Auscott. IPS alone moves over 100,000 tonnes of containerised agricultural product from its site each year. This gives an indication of just a small portion of the product being transported from this region. The far west route is the optimum option as recommended in the study done by Ernst & Young. It is imperative that there is support from the New South Wales Government and the corporate sector to further this project.

State and local planning processes need to be given a more definitive direction to address ever-increasing land use conflicts, especially between mining and agriculture. There is a need for an integrated State, regional and shire based strategic direction for agricultural production.

It is essential that the State Government recognise and proactively support the State's agricultural sector. In my opinion this could be achieved in several simple ways: first, development of an integrated agricultural plan for the State; two, address transport challenges—ports, rail and road; third, increase the viability and usability of rail to ports as the preferred transport system for bulk agricultural freight, both inwards and for export; fourth, address planning legislation to reduce emerging land use conflicts; fifth, increase funding for the Department of State and Regional Development and make it more accountable for outcomes; sixth, effectively engage the local agricultural sector on water and natural resource management issues; seventh, promote a government culture of "supporting and encouraging the agricultural sector"; and, eighth, encourage and sponsor research for the agricultural sector.

That concludes my presentation. It was a little lengthy, and I thank you for your time. I believe members of the Committee have been given a copy of the submission. Thank you very much.

**The Hon. MICHAEL VEITCH:** Councillor Seville, on page 6 of the submission you talk about the need for an integrated State, regional and shire based strategic direction for agricultural production. What do you actually mean by that? Could you elaborate on that for the Committee.

**Councillor SEVIL:** That is a difficult question, but we need to sit down with the State Government and discuss issues. Probably too much is being done from the Sydney area and not from out in our area. This session is one avenue that enables us to get our thoughts together, and then come up with something later on.

**The Hon. MICHAEL VEITCH:** On the same page you spoke about planning processes. Earlier today we had discussion about a minimum lot size. Could I get your views on minimum lot size, and the clash that occurs between agricultural pursuits on the urban fringe of your communities?

**Councillor SEVIL:** We are still in the process of developing our LEP, and the debate about lot sizes is ongoing. We have not yet set our minimum lot size, but we are conscious of the value of our prime agricultural land, and we wish to adhere to a formula that does not allow prime agricultural land to be subdivided into hobby lots—definitely not at this stage. We are fortunate in that around Narrabri and Wee Waa there is country that could be used for hobby farms as it is not highly productive, prime agricultural land. So we are a little fortunate in that respect. But we have not set what our minimum lot size would be for prime 1(a) rural areas.

The State Government suggested 800 hectares originally. We do not agree with that. Our current LEP says 100 hectares, which is 250 acres. There was a suggestion in the new LEP, which has not been formulated yet, of it being 400 hectares. I think it will be somewhere in between—perhaps 200, or maybe we will stick to the 100 hectares.

This is a difficult issue because for highly irrigable land, close to the river and other areas, 400 acres of totally irrigated country could be highly sustainable. So sustainability is one of the criteria. Some argue against sustainability because they have off-farm income. But, to me, that is not an argument for chopping up prime agricultural land into small blocks just so they can live there and earn their incomes somewhere else. So we might end up with quite a few different zonings, possibly more than two.

**The Hon. MELINDA PAVEY:** What is your concessional lot policy for the shire, given that during our drive around today we saw a lot of properties that had two, three and four houses, obviously for the staff and managers who work on the properties? Do you have a concessional block policy that is different from that in other areas of the State?

**Councillor SEVIL:** No, we do not. It is one dwelling per 100 hectares. If it has been subdivided to 100 hectares, it should have only one dwelling on it, unless someone has purchased extra land. I think that is pretty much it, Mr Kershaw?

**CHAIR:** Would you state your name and position for the record?

**Mr KERSHAW:** Max Kershaw, General Manager, Narrabri Shire Council. The sessional lot issue is quite a dilemma for local government in rural New South Wales. Many lots have existing entitlements that may go back many decades, and as you develop a local environment plan you can actually extinguish that dwelling entitlement. This council has not done so in its current LEP, but it is currently looking at the issue in its draft LEP.

**The Hon. MELINDA PAVEY:** Is it an issue, in terms of work force requirements, to have more homes closer to and on the properties themselves?

**Councillor SEVIL:** It sometimes becomes an issue if the development applications request that and that is not in our guidelines. But our zoning guidelines are pretty specific: there is only a one-dwelling entitlement for 100 hectares.

**Reverend the Hon. FRED NILE:** Mayor Seville, one of your recommendations was to promote a government culture—and you quote the Committee's own words of "supporting and encouraging the agricultural sector". Do you have any practical suggestions on how that government culture would or should change to do what you want? Obviously, you think it needs to be improved from, perhaps, focussing on Newcastle, Sydney and Wollongong.

**Councillor SEVIL:** You are pretty much answering the question for me. Like many rural areas, we feel forgotten because the emphasis of State Government spending appears to be, and is—and maybe there are arguments for it because of the population—that it is east of the Divide. That is why we appreciate the fact that you are up here today and listening at this level. I would encourage members to get out and about and see rural areas, because New South Wales does cover from Tibooburra right down to Nowra and up to Byron Bay. It is not the biggest State, and I understand that

every week there are thousands of people coming to Sydney, but there are acres and acres of good land and good opportunities west of the Divide in our regional centres and places like Narrabri, Tamworth and Moree. We just want you to be aware of and start thinking about New South Wales as the whole State.

**The Hon. CHRISTINE ROBERTSON:** We were at the cotton research centre today. This is jointly funded and grant funded by the Department of Primary Industries and the CSIRO. The centre is having a difficult problem with succession planning and professional requirement issues. You spoke about lot sizes for hobby farms and so on. Will the area that is not classified 1(a) agricultural land have a different definition for smaller lot sizes, because it certainly attracts professional persons if they can have a bit of land around them?

**Councillor SEVIL:** That exists now. We have 1(c) and 1(b).

**The Hon. CHRISTINE ROBERTSON:** What sizes are they?

**Councillor SEVIL:** Five acres—

**The Hon. CHRISTINE ROBERTSON:** And these blocks are all right, are they? They are not up in the scrub or something?

**Councillor SEVIL:** I think they are 5 acres and 25 acres, and then rural 1(a).

**The Hon. CHRISTINE ROBERTSON:** Everyone gets stuck on the 1(a) issue, forgetting to register that they have smaller areas set aside.

**Councillor SEVIL:** We have this in our current LEP.

**The Hon. CHRISTINE ROBERTSON:** Because you are a growth area.

**Councillor SEVIL:** Yes.

**Councillor SEVIL:** There has been a suggestion that when we really get down to the nitty-gritty about the LEP and looking at irrigable land, it may be decided to have another zoning for irrigable land.

**The Hon. CHRISTINE ROBERTSON:** And make it 1(a)(i) or something?

**Councillor SEVIL:** For more highly productive land, intensive agriculture.

**The Hon. CHRISTINE ROBERTSON:** I think that would be politically popular round here. You mentioned increased funding for the Department of State and Regional Development and making it more accountable for outcomes. Has anyone around here done any work on what sorts of outcomes you would be looking for?

**Councillor SEVIL:** The general manager can comment on that.

**Mr KERSHAW:** To follow through on a couple of issues you raised about rural 1C land, it is a hub and spokes system. You have the central urban area and spread that 1C around, so it is a lifestyle issue. You gradually work it out that way. The other thing to take into account is that there are several village areas in our shire that have good infrastructure sitting there and they need to be encouraged to redevelop.

In relation to funding for the Department of State and Regional Development, this council would strongly encourage—and most of rural New South Wales would encourage—putting investment funding into State and regional development. We did a comparison in Victorian and Queensland shires and per capita New South Wales is well below the benchmark of what is being invested in those areas. Looking at that, yes, you can have a regional outcome through the integrated plan from State, regional and local councils to get some definitive outcomes to address issues such as transport blockages, with devices to government about cutting red tape; how to make things occur and

those sorts of issues. Unfortunately at the moment the investment in State and regional development is not seen as an investment.

**The Hon. MELINDA PAVEY:** It seems to me there is a lot of investment in treatment that is not driven by government but by the private sector. Are you wanting the Department of State and Regional Development to seed fund projects?

**Mr KERSHAW:** Yes, there is significant investment in the shire for all the right reasons. The agricultural sector is the backbone of the economy. The mining industries that are coming in are a bit of a windfall. How do we sustain and encourage agriculture and make sure they are here not just for five or 10 years but for 100 years? Primary production and output in this shire is at an historic high and should continue that way. Getting incentives on how that occurs I do not know, but the private sector is doing extremely well and the Government should not interfere with the private sector but should be there to facilitate and encourage; not actually become a speed hump.

**Reverend the Hon. FRED NILE:** It is good to see that there have been some opportunities from the mining sector with coal and gas. There have been tensions in other regions, as you know. I imagine you are taking active steps to try to have community cooperation. Is the community happy with that development?

**Councillor SEVIL:** Yes, at this stage, it has all been very positive. We have had consultation with mining companies right from day one and we have had cooperation. They make themselves readily available to the public, not just council. The relationship has been excellent. One mine is about to be developed next year, the underground mine closest to Narrabri, near Baan Baa, only 25 kilometres away. That will be tunnel mining whereas the others are open cut. There will be some land subsidence, but that does not appear to be an issue yet. The community has not jumped up and down about it.

**Reverend the Hon. FRED NILE:** Does open-cut mining have revegetation?

**Councillor SEVIL:** Yes, everything is going according to plan.

**CHAIR:** Thank you, Mayor Sevil. The Committee appreciates your submission and your contribution. On behalf of the Committee I thank you and your council and the Narrabri community for hosting the Committee today.

**Councillor SEVIL:** Thank you, and we appreciate your coming here.

**(Councillor Sevil and Mr Kershaw withdrew)**

**CHAIR:** The next presentation is from Mr Richard Busby, a landowner in Narrabri.

**Mr BUSBY:** Mr Chairman, distinguished guests, ladies and gentlemen. I am one of the local beef producers from this area. I have come to speak on three topics tonight. First, the subdivision of rural properties into small unviable holdings; secondly, my experience with the public consultation process; and, thirdly, the exceptional circumstances policy. I will deal first with rural subdivision. In recent times local government has found ways of getting around ignoring regional planning laws by approving the splitting up and the selling off of rural properties in the local government general rural 1A zone. This has sent urbanisation sprawling across the countryside, changing the primary usage of the land from agriculture to residential and recreational.

Some of the consequences in that change of land use have been: firstly, in many large areas land in the general 1A rural zone is becoming too expensive to justify purchasing for agricultural purposes. Secondly, this has resulted in a massive distortion in land valuations for rating purposes, because we now have agricultural properties mixed up with residential properties in the one local government zone.

The Narrabri 1992 Local Environmental Plan is in urgent need of revision because 100 hectares is most certainly not a viable living area. Thirdly, the loss in agricultural production from those areas is massive. In many places residential development is contributing to the fall in underground water levels. Next, I was forced out of the sheep and wool industry because of the domestic dollar tax brought about by rural subdivision in my area. My property still has the record price for wool in the Narrabri Shire. That country area is being wiped out from wool production permanently because of rural subdivision. However, the town now has to create the wealth to support small farms, instead of the farms creating wealth to support the town.

The second matter I would like to talk about is my experience with the public consultation process. I do not have time to go into all the details, but some years ago I attended a workshop put on by the Namoi Catchment Management Authority. There I watched the organiser deliberately organise the results on environmental issues so that farm economic viability was considered to be of low importance. It is a pity I did not bring that documentation with me today, because I could have proven that what I am saying is correct. That leads me to make two points: firstly, the only results from the public consultation process are what the organisers want. Those organisers I found are very big when it comes to university education but very small when it comes to commonsense.

**CHAIR:** The documentation you referred to can be forwarded to the Committee if you wish.

**Mr BUSBY:** I would be delighted to, I will send it to you. My second point is that while ever government refuses to face up to the real and really tough issues, when it rains the rivers will continue to silt up. When it does not rain, the dust storms will continue to blow across the countryside. Nothing will change. My third point is a controversial one, called "exceptional circumstances". I draw on overseas experience that has shown that rural welfare leads to rapid rise in land values. The farmer who judges his circumstances accurately and who does not require financial assistance cannot compete against a farmer who takes huge risks by paying too much money for land and machinery and then cropping marginal country and overstocking his property.

The bigger the mess a farmer can put himself in, the more money he will get from the Government. Farmers are business people. No matter how tough times get we have to be left to be accountable for our decisions. I believe it is wrong to make the taxpayer pay for our mistakes.

**The Hon. CHRISTINE ROBERTSON:** That was very thought provoking.

**The Hon. MICHAEL VEITCH:** Congratulations, Mr Busby, that is one of the things the Committee has confronted in presentations. We actually question the detail and the value of some presentations, but I congratulate you on yours. I may not agree with everything you said, but it was absolutely brilliant, and thought provoking as the Hon. Christine Robertson said. My question relates to exceptional circumstances [EC] and subsidies or supports during drought. Do you have a view as to the weaning off of supports post the drought? How long should that be? Also, what incentives should there be to prevent the need for such subsidies in future?



**Mr BUSBY:** The weaning off of supports becomes difficult. Many people are on financial support mechanisms because they were not viable in the first place. As soon as it stops raining they will put their hand up for wanting it again. That is a tragedy. In many cases it is not their fault; it is just that economics have changed so dramatically over the past 20 or 30 years, the cost of running properties is astounding, as is supporting a family. They are not viable, but what are they to do? This is the only profession they know. They do not want to leave their property, so they try to hang in as long as they can. Every time it stops raining they get into trouble. Weaning them off—it is a big decision whether to put them on it in the first place. Some people have to be helped to get out of the rural industry because they are never going to make it. Then when you get those fellows who get on it, they think it is pretty good and they want to stay there.

**The Hon. CHRISTINE ROBERTSON:** The political pressure is incredible.

**Mr BUSBY:** It would be. I sympathise with politicians with the predicament they are in. It is a terrible position for politicians to be in, and not just in this country.

**Reverend the Hon. FRED NILE:** Are you objecting to drought relief?

**Mr BUSBY:** I do not like it. I have never had drought relief myself. I have been able to survive without it. I have had freight subsidies in the transport of stock fodder, but that is all. I have received no other subsidy of any form. It is not easy, it is tough. A lot of it is your own personal resources and ability to be able to try to cope with a situation. But what is right for me may not be right for someone else. Someone else could be in an impossible circumstance.

**Reverend the Hon. FRED NILE:** You would agree this has been an extremely long drought of five or six years, but that is normal.

**Mr BUSBY:** It depends on the area. If you go as far south as Dubbo, yes, because last year Dubbo had its driest year on record, 2006. I thought someone might pick me up on this point, and I have brought the rainfall figures for Narrabri since 1871. In the last three years we have had only one year below average rainfall. I think Narrabri is probably fairly typical of the north-eastern corner of the State. Further south it is a different situation. I will show you the rainfall figures for Narrabri.

**Reverend the Hon. FRED NILE:** Are you objecting to drought relief of this area?

**Mr BUSBY:** In the long term I do not agree with it. I think it is causing a distortion in the rural economy, that is my personal opinion. That is a very controversial issue. We never got it in the past and all of a sudden all this money starts flowing in. How are you going to get people off it; that is the problem you have now. A lot of these properties simply are not viable.

**The Hon. MELINDA PAVEY:** In many cases the exceptional circumstances declaration and the money that comes is for freight subsidies, which you said you have received. It is not paying the overdraft but it may be helping people through the drought until they can look at their finances, take financial stock and they may be forced to sell anyway if they are not viable?

**Mr BUSBY:** You have a valid point. A certain amount of risk is acceptable for people. Human nature would accept a certain degree of risk in their lives. Once you start handing over money, the risk acceptance goes up, "Beauty, we can take a bigger risk." That is what happens. People just ratchet up the risk that they take and instead of paying \$200 a hectare for land they will pay \$300.

**The Hon. MELINDA PAVEY:** In your estimation how many farmers are surviving on drought handouts and if those drought handouts were not there, what percentage of the farmers in your region would be in difficulty?

**Mr BUSBY:** It is very hard for me to say because those who are getting it are very quiet about it. A lot of them have working wives. A lot of them go and do off-farm work. They see themselves getting into a sticky situation and will act before they get into that mess. That is what they should do. The big thing on the farm is to keep them out of a financial situation that they cannot get out of. Prevention is certainly the way to go. There is no cure to bankruptcy. Preventing bankruptcy is the way to go. You cannot cure it.

**CHAIR:** Mr Busby, we will have to wind it up here. If the Committee has further questions, we will put them in writing to you.

**Mr BUSBY:** And I will send the documentation to you.

**CHAIR:** Please provide that information before 21 September 2007. Thank you for your submission and your time.

**(Mr Busby withdrew)**

**CHAIR:** The next submission is from Mr Graeme McNair, a farmer from Narrabri.

**Mr McNAIR:** Thank you for the opportunity to speak. I am a farmer; I am not a professional speaker, so please bear with me.

**CHAIR:** Just say what you want to say because that is why we are here.

**Mr McNAIR:** I wish to speak about the effect of the cost price squeeze on agriculture or our terms of trade. What is the cost price squeeze? It really is the gradual erosion of profit margins from the farming community. Can I make a comparison perhaps to our teachers who, like farmers, are absolutely essential to our community? Teachers' salaries over the last 15 years have probably risen nearly 30 per cent whereas most farmers' incomes have probably dropped by that margin. The reason is that we just do not have any means of increasing our profitability apart from production. If we produce more we earn more money, but it does not work that way because we have droughts and other things that affect us.

The effect of this cost price squeeze is the lowering of the living quality of most people on the land. I live 100 kilometres west of here and, unlike Mr Busby, we have had six years below average rainfall. The average farmer in our area—I am also chairman of the drought committee out there—works a 70-hour week. The standard of housing and the standard of our social life are deteriorating because of the profit margin. If you cannot make a profit, what do you do? The first thing you do is that you work harder and all the social interaction starts to give way. That is what is happening in my area. The result of this particularly is that young people are not following on the succession of our farms. Because the profitability is not there, they are looking for jobs in the mines and other jobs.

Consequently, the average age of farmers in my area is approaching 60 years. If this continues the whole system will fall over because the knowledge that we have accumulated over the years to work our country will be lost. The land care is not going to be there because there will not be the people to pass the knowledge on to because the profit margin is not there. It is my belief that the family farm is vitally important, especially from an environmental point of view because most corporate farms, no matter how well they are managed, are really profit driven by their shareholders. If in the future corporate farms take over all the family farms, there will be massive losses to the environment because people who own the land will look after it.

One of the things we get thrown at us by so many people is to let market forces prevail. I think that is hypocritical because in so many cases in our community market forces are not allowed to prevail. If you were to speak to an academic or a teacher and you said, "We are not going to give you a wage rise. If you do not like your wages, find another job." That is virtually what is happening to our farming community. We are saying, "If you do not like the system or the money you are getting, get out and do something else."

I feel we discriminate financially against the farming community. As Australians we should accept the concept of equal opportunity for all Australians. If we do nothing, production will fail and, more importantly, the morale and mental wellbeing of people will plummet. Unless we do something about it, we will face a crisis in agriculture. My area, because it is west of here with a lot of marginal farms, will be the litmus test, where things will fall over first because it is marginal country. They are the first people who will feel these things.

Four years ago my drought committee did a profit margin workshop. With beef cattle in 2005 we estimated it took \$2.35 a kilo for a really good steer to allow people to make a profit margin and to be sustainable. Now the average price for that same beef is \$1.89 a kilo. There is nearly a shortfall of 36¢ below profit. Where we are at out there is a bit like wage earners before trade unions started. We are price takers, a bit like the wage earners were in the 1890s. It is a bit like Richard Busby said, that is why people are in trouble with the drought. There is just no profit margin left.

What would help us immensely would be some form of a union. Our National Farmers Federation [NFF] is not democratically elected. Therefore, people like us who are in the marginal areas really do not have a say in their farm organisation, which is our peak body, the NFF, or the Meat

and Livestock Authority. If we had some means of being able to elect the people who would speak up for us we might get a result. Thank you.

**The Hon. MELINDA PAVEY:** Thank you for your presentation. Do you get much support or any agricultural advice from the Department of Primary Industries or the rural counsellors in helping you? Tell us about those experiences?

**Mr McNAIR:** Rural counsellors have been a roaring success; there is no doubt about that. Without that many more people would have suicided. The Rural Counselling Service has been an absolute necessity in our area. The quality of the rural counsellors has been absolutely spot-on. We can only praise them immensely, but as far as agriculturally, we are in the Bermuda Triangle where I live. We have no beef cattle officer, we have no agronomist and our committee has just recently pushed, through the Department of Agriculture, to try to address some of the problems we have out there. We badly need a soil scientist but we are just left in a void really. Because we are on the edge of two shires we are told, "You can't use this bloke and you can't use that bloke". Consequently, we do not get much help.

The underlying problem is that say we sell something, we are price takers not price fixers. Most people in the community, no matter whether they are on the dole or what they do, they get a subsidy against the rising costs, but as a primary producer we get no subsidy against rising costs. If it continues, as I get older and our community gets older we will not be able to work harder to make up that shortfall and you are going to end up with a very big problem.

**Reverend the Hon. FRED NILE:** You would agree, then, that the price the consumer pays in supermarkets for meat and other things is increasing and the income to the farmer is decreasing? You are getting cents whereas the person purchasing is paying dollars.

**Mr McNAIR:** I agree. One of the things we tried to establish with the workshop was to work out the price people should be getting for a certain product, be it wool, beef, cotton or whatever, and bring it to the attention of people. We need help in establishing that cost of production. That is one thing that would really help this situation, if somebody in the Department of Agriculture, if someone like an economist could say, "This is the true cost of production for people to have a level of profitability."

**The Hon. CHRISTINE ROBERTSON:** To give you a tool?

**Mr McNAIR:** Yes, to give us a tool to say, "Look, hang on, we are 60¢ below this level of profitability."

**Reverend the Hon. FRED NILE:** You mentioned that you wanted a union. Who would they make the demand on?

**Mr McNAIR:** It is just people working together. When I sell my beasts in Gunnedah or Narrabri I am one person against a multinational company. The auction system has failed because there are no longer a lot of players; there are generally only two or three multinationals buying and we are a group of individuals selling. We take our stock along and say, "Please give us a price?" instead of saying, "Look, this is what it really cost to produce this animal. We need this margin to make a profit."

**Reverend the Hon. FRED NILE:** You want a cooperative approach?

**Mr McNAIR:** Yes.

**The Hon. MICHAEL VEITCH:** During your presentation you spoke about corporate farms. Are you concerned that the farming sector is consolidating into the hands of a few large companies? What are your views about that?

**Mr McNAIR:** I find that a lot of those large companies in the area are really funded from elsewhere and after a while they find that the profit margin is not there and they leave because they are not prepared to work for nothing, and I think that establishes itself. In the meantime they are

driven by profit and they are the ones that will knock out all the trees and do all the bad practices, in my opinion, because naturally—and perhaps rightly so—they are driven by a profit margin to their shareholders whereas we silly farmers are looking to hand it on to somebody, and that is the difference.

**CHAIR:** Thank you for your submission. The Committee may have further questions. Please give your address to the secretariat and reply to any questions by 21 September 2007.

**(Mr McNair withdrew)**

**CHAIR:** The next speaker is Mr Malcolm Gett, a pork farmer from the Narrabri area.

**Mr GETT:** Distinguished guests, ladies and gentlemen, after what Graeme was just talking about, I was not sure whether this is the right forum but I want to talk about the pork industry nationally, which is in absolute crisis. However, I will give you a little bit of background first. The farm gate value of the Australian pork industry is a \$1 million while at the end of the supply chain it is nearly \$3 billion, about \$2.8 billion.

The production and farming section employs approximately 15,000 people, and at the end of the supply chain it employs up to about 35,000 people. The whole of that is in jeopardy for two reasons: first, the drought and grain prices but, secondly, and more importantly, the subsidised pork that is coming into the country from America, Canada and Denmark. American farmers are subsidised to the tune of approximately 30 per cent, the Canadians approximately 20 per cent and the Danish up to 48 per cent. It would be very nice if someone would come along and pay 30 per cent of everybody's bills, wouldn't it?

Up until the end of May this year 104,000 tonnes of pork had come into Australia, and up until the end of May of 2004 there had been 60,000 tonnes come in. So pork imports have virtually doubled as at this year. As an industry, we are a bit unique compared with any other agricultural industry in Australia because we are the only industry that competes all the time against imported product. We are slapped around our ears with it every day we try to do something. Every time we look like getting price rises, more pork is brought in. If you go across the road to Woolies or Coles, or any of your local supermarkets, you will see that at the moment up to 70 per cent of manufactured pork on the shelves is imported.

That leads me to the last part of my presentation, which is quarantine. The Federal Government has made the quarantine rules easier and easier over the last ten years. The horse flue has come in at one site, which is the Eastern Creek quarantine station in Sydney. All of the meat that comes into the country goes to dozens of sites. The Australian Quarantine Inspection Service says: We can control it; we've got a handle on it. But, if they cannot control one site, how are they going to control all of the sites round the country that imported products come to?

Two years ago beef from Brazil, which has foot and mouth disease, was found on the Wagga Wagga garbage tip. About two years ago there was a truckload of Canadian pork tipped into a river on the Pacific Highway on the North Coast of New South Wales. It is about time that the Federal Government made up its mind whether it wants a pork industry in this country or not, because the people who are in the game are just sick of it; they are just fed up.

**CHAIR:** Are you involved in pork only?

**Mr GETT:** I run cattle and farm as well, but it is mainly pork.

**The Hon. MICHAEL VEITCH:** How many sows?

**Mr GETT:** Twelve hundred sows.

**The Hon. CHRISTINE ROBERTSON:** You would appreciate that this is a State committee and therefore we cannot make direct representation to the Federal Government. But I cannot imagine there is anyone who would disagree with you on the issue of imported pork. This Committee can formulate a recommendation to request our Minister for Primary Industries to approach the Federal Government on this issue. I am not saying we will do that, because we still have to debate matters and make resolutions.

**Mr GETT:** That is fine. The other point is that New South Wales is the largest pork producing State in Australia.

**The Hon. MELINDA PAVEY:** Another concern that pork producers and feedlot operators would have relates to the grain issue.

**Mr GETT:** That is right.

**The Hon. MELINDA PAVEY:** And the ethanol industry.

**Mr GETT:** Yes.

**The Hon. MELINDA PAVEY:** Very strong representations have been made to country-based members by people concerned about the increasing cost of grain due to ethanol. Because the United States, Canada and Brazil are doing a lot more about ethanol production, I was led to believe that the price of pork is increasing substantially due to the cost of pork production in North America.

**Mr GETT:** That is correct.

**The Hon. MELINDA PAVEY:** Are you seeing any benefits of that because your product is cheaper than imported pork, which has risen in price?

**Mr GETT:** No. There is no benefit at all.

**The Hon. MELINDA PAVEY:** None?

**Mr GETT:** No.

**The Hon. MELINDA PAVEY:** Is that because North American pork is that much cheaper to produce?

**Mr GETT:** Yes, again because it is subsidised. Even grain prices are subsidised. Our grain price today is about \$420 a tonne. Corn in America is about \$180 a tonne.

**The Hon. CHRISTINE ROBERTSON:** Because of subsidies?

**Mr GETT:** Yes, they have subsidies on top of that.

**Reverend the Hon. FRED NILE:** The meat industry has conducted a campaign encouraging the buying of Australian beef and lamb and so on. Do you have a pork association?

**Mr GETT:** Yes, we have, and there have been quite a lot of advertising campaigns. One of the problems is that the local farmers spend their money on advertising, but while we are advertising it we are also advertising imported product.

**Reverend the Hon. FRED NILE:** You have got to say "Buy Australian pork."

**Mr GETT:** Yes. But walk into the supermarket and you cannot tell what is imported and what is Australian.

**Reverend the Hon. FRED NILE:** So it should be better labelled.

**The Hon. MELINDA PAVEY:** The seafood industry has done a very good job on that front. Go to Woolworth's now and you can find out where the seafood is from. Maybe some targeted work could be done by the pork industry with the government to have better labelling.

**Mr GETT:** It is labelled, and it will say "Product of Australia". In the small print it will say "Made from local and imported products". That is how they get around it—maybe even if the plastic that is wrapped in is imported. It is a grey area.

**The Hon. MELINDA PAVEY:** Do you export pork?

**Mr GETT:** Not personally. But 87 per cent of pork produced in Australia is consumed locally.

**The Hon. MELINDA PAVEY:** Where does the other 13 per cent go? Is it Asia?

**Mr GETT:** Mainly to Singapore and Japan. When you go into a supermarket over there you can tell what products are imported by what is cooked, like ham, bacon and so forth. But if you buy ham that has a bone in it, it is Australian, and any fresh pork is Australian.

**The Hon. MICHAEL VEITCH:** Mr Gett, I would like to ask you a question about transport, an issue for rural New South Wales that has been raised in a number of submissions made to this Committee. You are the first pork producer that has presented. Are you encountering issues regarding transport?

**Mr GETT:** No, not really. We have issues with abattoirs, but not as far as transport is concerned.

**The Hon. CHRISTINE ROBERTSON:** Where do you go for your abattoirs?

**Mr GETT:** We have to go to either Young, Booyong, which is just near Byron Bay, or a place called Frederickton, which is just north of Kempsey.

**CHAIR:** What problems do you have with abattoirs?

**Mr GETT:** All local abattoirs that used to be here have closed down.

**The Hon. MICHAEL VEITCH:** There has been aggregation within the abattoir industry.

**Mr GETT:** That is right. It is an industry that is extremely tough to do well from.

**CHAIR:** Mr Gett, would you be kind enough to give us your address and contact numbers in case we have other questions?

**Mr GETT:** That will be fine.

**CHAIR:** Thank you very much for your presentation. I am sorry you find yourself in that situation, which is not good for rural Australia as well.

**Mr GETT:** Thank you.

**(Mr Gett withdrew)**



**CHAIR:** The next presentation is by Mr Daryl Young, Manager, Australian Agricultural Crop Technologies.

**Mr YOUNG:** Mr Chairman, honourable members, ladies and gentlemen. I would like to present to the Committee an initiative that we are working on. It has some benefits for the agricultural community. First, I will give you a brief on the company. We are a seed propagation company, started in 1995, and we have developed, in conjunction with plant breeders, commercialised varieties of different seed types.

The opportunity that I will talk about today is in respect of mustards or feedstocks for biodiesel. We have several initiatives. We have border germ plasma and we have just instigated a grant from the Australian Research Council in conjunction with the I. A. Watson institute, which is located on the Moree Road, so that we will now be able to further our work in breeding some mustard varieties that are suitable for the area.

In conjunction with that, we have been able to acquire some funding from the Rural Industries Research and Development Corporation, or RIRDC, to see how biodiesel can fit into Australian agriculture. We need to understand where biofuels, in total, both ethanol and biodiesel, have worked worldwide. That has been in Europe and the United States of America, where there have always been some forms of government assistance.

Australia has ample reserves of both coal and gas, but Australia will end up with a shortage of liquid fuels—there is ample proof to show that is the case—and that will lead to rising costs of moving product to and from the farm, and therefore a real issue. So, conceptually, what we have tried to achieve in our initiative is the development of a model that will work so that the Australian farmer will be able to produce his own biodiesel. The easiest way for me to express this is to read the foreword, and to answer any questions that members may have. This is the foreword from the report that we have developed with RIRDC. It says:

Regional Sustainable Models around biodiesel production deliver positive results not only for primary producers in increased returns per hectare of land but also to the local community in increased jobs, infrastructure and industry. The wider economy may also benefit through reduced imports, reduction in trade deficits, reduced dependence on fossil fuels and reduced toxic emissions.

The grain growing industries need to invest in research and development to develop sustainable rotations that deliver economic advantage on a rotational basis rather than just as individual crops. Monoculture increases susceptibility to crop diseases, pests and soil degradation. Fertiliser and fuel consumption need to be minimised not only as expenses but also for environmental reasons. This report utilises these basic fundamentals to research the relationship between sustainable crop rotations for delivery of overall economic advantage. The proposed Regional Sustainable Models utilise oilseed crops with high isocyanine-glucosinolate contents for soil biofumigation, biodiesel manufacture from the oil and livestock feed from the by-products, delivering a unique opportunity for agriculture.

This report recommends all sectors including government, industry and private enterprise be involved in providing a national approach and commitment to maximise the benefits attainable from production of biodiesel from locally grown feedstocks. Ongoing research and development are essential parts of realising all the benefits mentioned in this report. This report recommends a strategic approach for development, investment and formulating policy.

There is extra information available to the Committee from the proposed workshop and also the outcomes of the workshop. But, essentially, I am saying that there is an opportunity for agriculture to invest in the energy sector on sustainable, economical and environmental bases.

**Reverend the Hon. FRED NILE:** Mr Young, you said in the brochure that you just gave us that biodiesel feedstock can be grown locally and converted by the local community. How would you do that? You would need a biodiesel plant, and what would that cost?

**Mr YOUNG:** You do not need a plant. It is dependent on the community and what it wants to do. In Narrabri shire, for example, we have a crushing facility that crushes over a million tonnes of cotton seed a year. With a reduction in cotton, Cargill will be looking to facilitate a shortfall in product to crush, so that automatically presents an opportunity to keep viability and jobs in the area by introducing another crop. In respect of the biodiesel function of taking that oil and turning it into biodiesel, you have the ability to lease or hire equipment to do that process on a cents per litre basis. You can start off using current utilities, and work your way through to developing specialised models to work with.

**The Hon. MELINDA PAVEY:** Have you done an estimate of cost of production?

**Mr YOUNG:** Yes. The whole model has been economically proven. Effectively within the model itself and by good use of the by-products, you can effectively produce biodiesel at around 32 cents to 50 cents a litre.

**The Hon. MELINDA PAVEY:** How does the taxing situation work on that, the fuel excise tax?

**Mr YOUNG:** From a taxing point of view biodiesel does not meet the mineral diesel standards so it does not qualify for a farmer to get the 31.8 cents rebate. Effectively, if you produce your own biodiesel you have to pay the subsidy. If you buy mineral diesel you get the rebate.

**The Hon. MELINDA PAVEY:** How many farmers do you work with that have shown interest?

**Mr YOUNG:** At the workshop in Canberra we have more than 100 people coming, and 62 of those are farm groups.

**Reverend the Hon. FRED NILE:** It is very good if Australia can become more self-dependent.

**Mr YOUNG:** That is for sure.

**CHAIR:** Thank you Mr Young for your submission.

**(Mr Young withdrew)**

**CHAIR:** The next contributor is Meryl Dillon, the Chair of the Northland Inland Regional Development Board.

**The Hon. MELINDA PAVEY:** And a councillor.

**Ms DILLON:** Yes. I am here tonight representing the Regional Development Board, but I am also a councillor on Moree Plains Shire Council as the Hon. Melinda Pavey very kindly pointed out. One reason why the board felt it was very important that we make a submission to this inquiry is that agriculture is our most important industry in the region. Not only that, we have the two most productive agricultural shires in Australia within this region, that is Moree Plains and Narrabri Shire. This is an important issue in our region.

We have identified agriculture in our strategic plan. We also have two projects currently in the board that deal with agricultural issues. One is in relation to food and wine and it is about promoting food and wine and different methods of production and the ways in which that can bring increased economic benefit to the region. Also we have a forestry project that looks at ways in which we can encourage greater forestry within the region. They are really important issues for our region.

Our board thought some issues needed to be highlighted, ones that have been raised by the board and issues we have raised with the Minister for State and Regional Development. One big issue in the region is skills, and we had made submissions to the Government's skills inquiry. Agriculture in particular has some issues because of the fluctuating nature of agriculture in our region. It tends to have highs and lows caused by drought and commodity prices. We have an ongoing issue in needing to recruit people into the industry. We are looking at ways to increase training in the agricultural area and not just agriculture itself but some allied industries.

A lot of scientific industries are related to agriculture, but there are a lot of service industries as well. That has been a big issue for our region, particularly when we compete with the mining industry that comes into the region. We felt that that needed to have greater emphasis. It is interesting that some of the issues we raised resonated with other submissions. Succession planning is another one that we thought was really important, and not just for the farmers themselves, but for the businesses that operate in our communities. We have small communities that may have one mechanic. If that mechanic gets to an age when he wants to leave the industry, how do we recruit a new mechanic to come into our community and fit in with the community? It was not just about the farming issues alone.

Marketing was raised earlier. We used the term in our submission about "price takers". In fact, we need better marketing skills within the agricultural sector. We believe the State Government may be able to assist with that. We had issues, in this area in particular, in relation to government regulation. We operate across borders in many instances and we are not the only part of New South Wales that does that. It is confusing and somewhat frustrating for people to have different regulations in different States and have to comply with both. Sometimes you have to be licensed in two States. There are a whole lot of issues about that. We would like to see some continued emphasis on cross-border issues and reduction in red tape.

We have not fared very well in some telecommunication outcomes. We understand it is mostly a Federal issue, but we would like the New South Wales Government to monitor that issue and make sure that the outcomes for our region are quite good. The board has been involved in telecommunication projects over time with the support of the Federal and State governments.

The climate change issue has been really interesting. There have been a lot of climate change sceptics within agriculture and they have been somewhat slower than other sectors to accept that climate change is upon us. It can in on people and particularly if we are going to have deeper, longer droughts, we need to make sure that our communities are better prepared for some of those outcomes. That leads me to research. The Committee has visited one research facility in this area. It is really important that research continues to be supported, because it is a major issue, particularly when things constantly change. In many ways sometimes farmers are somewhat less quick to adapt to change and, therefore, they need to be sure of the science. They feel that is important for them. They will interrogate things closely to make sure that what is being said is true.

Another issue affects not only our region but across the State and that relates to transport and infrastructure. Our region does not really have a transport plan, I am not talking only about roads but also rail and air and the ways in which they integrate with one another. It is really important that we have that because if we do not we end up with a whole lot of competing issues. At the moment we have two proposals for an inland rail through this region. One proposal is a New England route and the other is a plains route.

Unless we can get together and start to work out what is best for our regions rather than our own backyard we will always have these problems. It is really important that we have that and then it is all about the way they interface and where. We need planning in that area. My submission has other recommendations that are probably more specific to our board itself. That is all I have at the moment.

**Reverend the Hon. FRED NILE:** What impact has the drought had on the Moree council area?

**Ms DILLON:** It is very hard to say. Some preliminary statistics from the last census show that there has been a drop in population by 1,500 people. As a councillor, we are a little less supportive of that, but we have to say there is some validity in it. Whether it is all to do with drought or other issues might be interesting to know.

**Reverend the Hon. FRED NILE:** Does the farming community get the support it needs through drought release?

**Ms DILLON:** Interestingly Moree Plains is one of the few areas in the State that has not been in constant drought. While we have had seasons that have been less than optimum, we have not been in drought for periods that other councils have. We have only recently come back into it, we have been out for a long time. We had a flood in the middle of times when other parts of the State were in drought. It is hard to make that assessment.

**Reverend the Hon. FRED NILE:** Climate change is not affecting it?

**Ms DILLON:** No, we go from drought to flood to drought. It is wonderful.

**The Hon. MICHAEL VEITCH:** Does your board have a strategy to grow agriculture as an industry in your part of the State?

**Ms DILLON:** That is very difficult. The Regional Development Board does not get involved in the on-farm, behind-the-gate matters. We work on the business climate and those sorts of things that happen outside the farm gate. No, we do not specifically have that.

**CHAIR:** The Committee has heard from different areas regarding red tape, which you have mentioned. I believe there is a lot of red tape, but one of the concerns I have is that so-called red tape regulations were put there some time ago. How do we distinguish between which ones should stay and which ones should go? In other words, we do not want to throw the baby out with the bathwater. What is your recommendation on that?

**Ms DILLON:** Perhaps it is not about eliminating them completely but probably the way in which they are administered that can be dealt with. I thoroughly agree that controls come in because something needs to happen to change the situation. It is probably about the way in which they are administered. It is particularly difficult for people who come from isolated areas. There is a perfect example in a small community of ours where we have lost our local post office. In many instances post offices were an opportunity to do a lot of things, deal with a lot of business. If you are isolated and have to comply with a lot of regulations, whether about paying fees or other things, that becomes somewhat prohibitive. It is not necessarily about stopping regulations but more about administration of them.

**CHAIR:** Thank you for your submission and your presentation.

**(Ms Dillon withdrew)**

**CHAIR:** Ms Phillipa Morris, a landholder from Narrabri, will address the forum.

**Ms MORRIS:** No, I live near Gravesend, which is in the Gwydir Shire, about two hours from here. The subject I feel worth talking about is soil health and how lower farm incomes are followed by higher inputs, high levels of risk, loss of rainfall use efficiency as organic matter and soil carbon and top soil are lost. Present policies, including advice and subsidies, tend to encourage greater use to retain livestock in expectation of rain, although this is starting to change. Once a great is the receives financial assistance in the form of freight subsidies, interest subsidies and income subsidies—which for some comes through Centrelink—they are likely to spend these on livestock feed. They retain livestock, they destroy the soil even further, they run out of credit and are no longer able to survive and they leave the land.

The consequences of these policies are serious welfare problems for animals, serious welfare problems for the humans who lose their income and often physical and mental health and soil degradation on a grand scale. If you have been to the saleyards recently you will have seen drought-stricken cattle going through many, many saleyards and there is a widespread assumption that this starvation and death is somehow an inevitable consequence of drought, not a result of management choices.

The human cost is enormous and the background to that cost is again that the majority of graziers believe that it is essential to retain livestock during drought in order to have stock when the drought is over. They believe that these consequences are inevitable and they have no control over what is happening and that their planning, insomuch as it takes place, is on the vague assumption that at some time there will be a return to normal seasons.

The hypothesis is that once humans intervene in a natural landscape, animals die or leave when the feed runs out. When humans are involved we delay restocking until after ground cover is lost and then often restock the country before it has had a chance to recover and before grassing sets seed. At that point a cycle begins. As the ground cover is fully replaced, the soil cover continues to diminish, the land is continually exposed to sunlight and wind, the rainfall use efficiency decreases further, it dries out faster so that the next drought come sooner and is worse than the one before. By this stage the capacity of the soil to retain moisture is compromised. Large rainfall events might allow some moisture to be absorbed but it also causes loose topsoil and organic matter to run off. Then small rainfall events become irrelevant because the surface is simply unable to hold moisture. And that is something I am seeing on my own property, which was degraded farmland when I bought it and we are trying to build up soil cover again.

Some things I think should be considered is redefining drought so that it becomes seen rather than as an inevitable consequence of rainfall deficiency being a consequence of management decisions. I also think the role of lending institutions that permit customers to borrow up to the point of having minimum equity in their property, which in turn encourages high-risk management practices, leads to additional land degradation as farmers take ever greater risks to try to meet their financial commitments.

I also think that the terms of reference of the agriculture debate need to be widened to include things that are now considered to be fringe or alternative like holistic management in that context and the use of programs like FarmBis can be used constructively to allow people to resume training and widen their understanding of business and ecological processes. The mantra that is the key to the holistic management approach is that I am a grower of grass, I feed the surplus to livestock and I sell the surplus livestock. Thank you.

**Reverend the Hon. FRED NILE:** You said that you purchased a property that was degraded to restore it. Did you succeed or did you sell it?

**Ms MORRIS:** No, I have it and I am succeeding, but restoring degraded soil is not an overnight thing; it takes years. I am achieving something but I think that when you hear reports about drought-stricken country, what I am trying to say is that the drought is the result of that soil being unable to hold moisture rather than simply an absence of rainfall. But I am achieving good, sound feed on just over 50 per cent of my average annual rainfall at the moment.

**The Hon. MELINDA PAVEY:** Could you put it into the context of your stock-carrying capacity? We had evidence yesterday from Bruce Gardiner and Judi Earl from Holistic Management Australia. Could you give as an example of the stock-carrying capacity that you have currently and that of your neighbours with a similar rainfall and similar pressures?

**Ms MORRIS:** I am carrying fewer stock than my neighbours at the moment because I originally made mistakes in establishing the rotation so I actually have grown too many annual grasses and not enough perennial grasses, which I have now rectified, but the condition of my stock is infinitely better than that of my neighbours and whereas they are losing cattle with pulpy kidney and bloat, mine are in extremely good health. Although at the moment in the short term I am understocked, I have other compensations for that and I also have a huge potential to increase my stock over the next three to five years.

**The Hon. MELINDA PAVEY:** But the bottom line is that you have been profitable through this drought?

**Ms MORRIS:** Yes.

**The Hon. MELINDA PAVEY:** Whereas your neighbours may not have been?

**Ms MORRIS:** I do not know what my neighbours' profitability is. All I know is what I see when I look at their country and the state of their livestock. Their cattle would have to weigh 100 kilos less than mine.

**Reverend the Hon. FRED NILE:** How large is your property?

**Ms MORRIS:** It is only 500 acres. But, again, as the management improves the stock capacity will increase dramatically and is increasing dramatically.

**The Hon. MICHAEL VEITCH:** You touched on financing and lending practices on farms. My concern is that the agricultural sector, because of the current drought, financially would be unable to grow and move beyond the drought for a significant period of time because of the debt level.

**Ms MORRIS:** The debt level has skyrocketed and there is no evidence that it is going to decrease. A stockbroker who is a friend of mine was horrified at the level of risk taken by farmers because if a farmer plants a crop and it fails, all of his money goes down the drain whereas if a stockbroker buys some risky shares, he always offsets that risk with something more solid. I cannot see any prospect of farm debt decreasing. I spoke recently to a banker based at Moree and an increasing number of farms have to be sold as the owners have just borrowed up to the hilt.

**CHAIR:** Thank you very much for your contribution.

**(Ms Morris withdrew)**

**CHAIR:** We now have Michael Foster from Narrabri.

**Mr FOSTER:** I am a Business Manager with Auscott, although I do not represent that corporate farmer. I am here as a member of Namoi Water Committee, which was formed to challenge shire rates. Distinguished guests, ladies and gentlemen, I am here representing the irrigators of the Narrabri shire. Irrigators have been paying an unreasonable share of rates in the shire; indeed, not only this shire but wherever irrigation activity is carried on throughout the State. Irrigators throughout the State are paying an undue amount of rates. The reason for this is that water is traditionally tied to land.

Back in the mid-1990s the Council of Australian Governments started to move to have water separated from land in the belief that water efficiency would increase if irrigation water became more valuable when it was put on the open market. Therefore, it would be used more cautiously and economically. As a result of that, any land that had an irrigation licence attached to it became exponentially valuable. It was not the land that became valuable; it was the water. That was caused by a combination of fellow irrigators wanting to expand their operation in the belief that it would get dearer but also there was a lot of speculation that water would be separated from the land and sold as a separate commodity. Therefore, it was an opportunity to get in, buy property and sell the water off at a healthy profit.

As a result changes were made to the Water Act 2000. That put a huge deficit on to local councils in land values. The value of rates is established by land values. In this shire land values decreased by \$270 million, which was the value of the water. Sorry, I will go back a step. Last September all of the irrigation land was revalued, excluding the water. As a result, it left Narrabri Shire Council in this case \$270 million less of land values that they traditionally calculated their rates on.

Basically, irrigation land values have been increasing much faster than dry land farming properties. We got to the situation, and have been for the last 10 years, where based on the water—with a full water allocation, I might add—there is about 6 per cent of the total land mass in the Narrabri shire that we can actually irrigate from, so 6 per cent of the land mass is paying 50 per cent of the farmland rates for the shire. If you bring it back to the people, there is something like 1,740 assessments in the Narrabri shire farmland assessments and of that there are 267 assessments with an irrigation licence attached, so 267 irrigators out of the 1,700 are paying 50 per cent of the rates.

Even more to the point, when you break that down further, 60 irrigators in the shire of 1,700 ratepayers are actually paying 23 per cent of the shire rates, which is quite outlandish. I know council representatives are here today and I do not blame them. It is something that is being forced on council by the Federal and, more to the point State governments, I believe. They have known this was going to happen for a long time and there should have been provisions made somewhere in the system or more prudent management or decisions made to help manage this problem because it was quite obvious to everyone that it was going to happen one day.

All of a sudden it happened and now we see that the State Government has changed the Local Government Act where local government councils can now subcategorise farmland. Traditionally all farmland was valued based on the one law. In more recent times legislation has been put through where we have seen subcategorisation in this shire. The shire has categorised irrigation land into 10 subcategories based on the amount of land that they had got developed—nothing to do with the water they have got or which they had, but based on land development.

Quite frankly, that is a means of extracting the same amount of money from the irrigators who have been supporting council for many, many years. I do not mean to be hard on the local government council, but I really think it is going to take time for council to get the pendulum back to where it should be, where all farmland is based on one ad valorem. Because of rules governing local government councils, they can only increase rates by a maximum of 20 per cent per year. Other regulations are put in place to control councils from hitting farming communities, or all ratepayers for that matter.

But I really do believe this problem has been brought about particularly by State governments, and the State Government should help local government councils out financially to enable them to overcome a problem that was not of their making. The problem was caused by

predominantly State governments, but somewhere along the line the Federal Government had a bit to do with it as well.

**Reverend the Hon. FRED NILE:** What is the solution? How do you solve the problem?

**Mr FOSTER:** It is going to take time. Everyone within council and in the community that I have spoken to believe that the one ad valorem is the ideal system both from an administrative point of view and a fairness point of view. Going back to 1990 or 1992, ad valorem for all farmland was something like 0.9 of a cent in the dollar. With increases in irrigation land rates, it got down to about 0.42, which meant the amount of rates being paid went from a balanced situation to a position where the weight on the scale went from one side to the other.

We have to get it back to square one again, and that will take time. There are a couple of solutions. Council could restrict its expenditure in accordance with the reduction in rates. However, I do not really believe that is an option. Certainly, from a council's point of view, it is not. I think the real solution will come from the State Government getting in and assisting local governments for at least five years in order that they can get things back into focus and where they should be.

**Reverend the Hon. FRED NILE:** So the State Government would subsidise the councils?

**Mr FOSTER:** Yes.

**Reverend the Hon. FRED NILE:** I do not think that suggestion would be very popular.

**Mr FOSTER:** I realise that. There are not many really popular decisions on anything that we do, but at the moment we have a situation that is not local government's fault, but they are the ones expected to solve the problem. Interestingly enough, when irrigators knew this was coming, and discussions took place and submissions were made, the rule of the day then was that there was one ad valorem for all farmland. So irrigators took that on the chin. Irrigators are paying \$20 to \$30 a hectare for local government rates, when the guy next door, using the same road and the same services, is paying about \$3. There is no way in the world the rate is based on the services we receive. I do not think there is any equity in it whatsoever.

**CHAIR:** Thank you very much for your time tonight and for your submissions.

**Mr FOSTER:** My pleasure.

**CHAIR:** Before closing, is there anyone in the gallery who would like to make a statement or ask a couple of questions?

**Mr BUSBY:** I congratulate you people for coming up here and hearing the public and hear first-hand what are whinges are.

**CHAIR:** Thank you for that. It has been a pleasure to be here today. Our intent is to go to country areas because this is really a country issue. This gives us the opportunity to come and see you on your turf and gives you the opportunity to talk to us at meetings such as this. In saying that, I thank everybody for being here tonight. I thank you for your hospitality here at Narrabri.

**(The public forum concluded at 6.55 p.m.)**