

Productivity Commission Enquiry – Future Drought Fund (Interim Report)

A submission from the Australian Fodder Industry
Association.

July 2023

AFIA 
Australian Fodder Industry Association

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ABOUT US

Fodder

Fodder is a part of life in most farming operations, with approximately 38,000 properties involved in the commercial production of fodder crops annually according to AgriFutures (See: <https://agrifutures.com.au/wp-content/uploads/2021/10/21-088.pdf>).

In broad terms, we consider fodder to mean hay and silage but more specifically our industry encompasses cereal hay (oats, wheat, barley), straw, pasture hay, lucerne (often referred to as alfalfa), vetch hay, and silage (fodder prepared by compressing and fermenting green forage crops under anaerobic conditions).

Australia has a number of farmers for whom fodder production is their main enterprise, however, almost every farmer in Australia 'touches' fodder regardless of their farming system or enterprise including grain, livestock, horticulture, equine and poultry businesses. In addition to domestic production and markets, Australia has been exporting fodder for over 30 years, with exports valued at \$600 million in 2022. Fodder production occurs in most States and Territories and like many agricultural enterprises, is based in and around our rural and regional communities.

The Australian Fodder Industry Association

The Australian Fodder Industry Association (AFIA) is the independent, national peak body for Australia's fodder industry. Since our establishment in 1996 our network of members, sponsors, supporters and engaged participants has worked for over 25 years to help the fodder industry grow.

Our vision

A growing customer base with strong confidence in the Australian fodder industry's products and delivery.

Our mission

To connect everyone who touches fodder (across both industry and government) through a central hub to 'seize and solve' – seize opportunities and solve challenges – to grow the industry.

Our values

- **Collaborate** – we welcome passion and diverse views and leverage collective experience and wisdom.
- **Challenge** – through strategic thought leadership we will challenge the status quo, discuss and debate, and drive change where it is needed.
- **Communicate** – we will be open and transparent, make evidenced-based decisions and communicate our reasons.
- **Accountable** – we will own our actions and be responsible for outcomes.


- **Quality** – we will do our job well, drive continual improvement, and get it right.
- **Fun** – we belong to a great industry! We will learn and grow with others and have fun along the way.

Strategic priorities

Our 2022-25 strategy centres on three strategic priorities:


1. Connect – connecting all players.
2. Support – supporting participants.
3. Improve – improving the outcomes

PRIORITY ONE: CONNECT




- **Link:** AFIA will establish and facilitate strong connections with everyone who touches fodder.
- **Listen:** AFIA will listen and understand the needs of participants to drive all-of-industry solutions.

PRIORITY TWO: SUPPORT



- **Science:** AFIA will seek industry-relevant and coordinated R&D which delivers tangible benefits.
- **Share:** AFIA will share learnings and information through a variety of platforms.
- **Story telling:** AFIA will package information in an easy-to-read format, to suit the needs of different target audiences for learning, advocacy and promotion.

PRIORITY THREE: IMPROVE



- **Profitability:** AFIA will drive ongoing improvements to realise the value of fodder and increase profitability.
- **Performance:** AFIA will improve our organisational value proposition, through relevant outputs and deliverables, to achieve financial stability.

BACKGROUND

“The Future Drought Fund (FDF) continues the policy shift, from in-drought assistance to building resilience to drought before drought occurs. The FDF can play an important role in protecting Australian agriculture and regional communities from the effects of a changing climate”. (Productivity Commission, Future Drought Fund Interim Report, Executive Summary, Key Point).

The Australian Fodder Industry Association (AFIA) is aligned with the Commission’s key point as articulated above, and believes it has a role to play in helping to protect Australian agriculture and regional communities from the effects of a changing climate. As a national association, AFIA has found it very difficult to engage with and ‘navigate’ the Future Drought Fund programs, particularly to secure a focus at a national level for fodder-related initiatives (which are instead often viewed on a regional/local scale and through a specific commodity lens), yet we note the significant impact drought has on the Australian fodder industry and its customers.

Drought and climate impact on fodder

As noted by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), farmers actively manage the risks posed by drought, climate change and price (See: https://www.agriculture.gov.au/sites/default/files/documents/EffectsOfDroughtAndClimateVariabilityOnAustralianFarms_v1.0.0.pdf). For those farmers who run cropping operations, when drought conditions are likely, they actively monitor commodity price forecasts and weather predictions and take actions through reducing their cropping area and inputs such as fertiliser applications. For those running livestock operations, they prepare for drought by holding or increasing stocks of grain and hay, but also reduce the size of their herd.

In April 2019, Meat and Livestock Australia (MLA) noted that the impacts of drought and flooding in North West Queensland would see the national beef cattle herd reduced by 7.7% “resulting in the largest drop in the national herd in decades”. The statement concluded that, “Even if there is a consistent string of reasonable seasons, it is expected to take a number of years before the national herd is back to its longer-term average of 28 million head”. (See: <https://www.mla.com.au/news-and-events/industry-news/cattle-industry-weathers-tough-start-to-2019/>).

The livestock industry (dairy, beef and sheep) is the major customer of the Australian fodder industry. Despite the critical role that fodder plays in sustaining livestock, the fodder industry often only gains attention in times of weather events such as drought and floods. When significant weather events occur, farmers seek urgent product supply, while governments often implement short-term responses/policy initiatives to support animal health and welfare in affected areas. Little attention is given to the fodder industry in

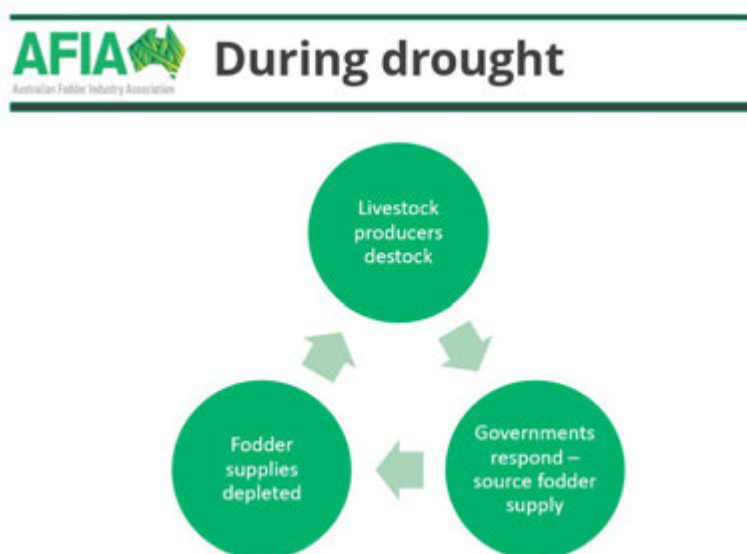
'normal times' to ensure that the sector, and its customers, are prepared for climate change and adverse weather events.

Drought – the livestock/fodder cycle

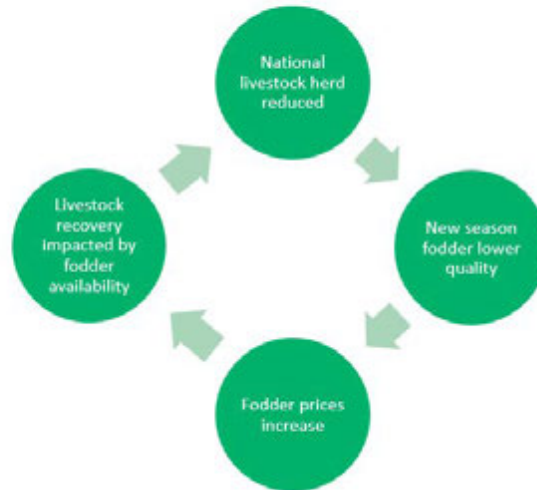
Traditionally, drought results in the following livestock/fodder cycle:

- Drought is predicated/arrives.
- Livestock producers respond by destocking.
- Governments respond through short-term policy actions such as facilitating the distribution of fodder to needy areas. (Due to the urgency of supply/animal welfare needs there is often little focus on the quality of product – both nutritional metrics and biosecurity implications).
- Fodder supplies are depleted (often lower quality product is significantly reduced).
- The reduction in the beef herd results in an increase in cattle prices, with flow-on effects to consumers.
- Drought conditions conclude.
- The national livestock herd is severely reduced/impacted and requires several years to rebuild the herd.
- New season fodder supply is of lower quality, impacted by drought recovery conditions.
- Fodder prices increase as a result of scarcity of supply and the fact that available fodder is of a high quality (that which was not made available to the market during the drought)

Such a scenario, specifically fodder availability, impacts the livestock industry's ability to recover, and in turn, the agriculture sector's contribution to the broader economy (as illustrated below). An alternative scenario is one where farmers/livestock producers produce and conserve fodder in good seasons, rather than having a 'buy on demand' approach. This would result not only in drought preparedness, but in additional benefits such as less fuel and transport costs, less impact on roads, less overall environmental impact, and less potential risk to animal welfare.



AFIA  **Post drought cycle**



This raises the question as to whether such a scenario could be alleviated by future-proofing fodder through a program which incentivises farmers to focus on fodder as part of their routine business/farming system (rather than only focussing on it in times of crisis), and in-turn build resilience within their own farming system.

Such a program would enable farmers to:

- a) Maximise the production of quality fodder/hay.
- b) Implement optimal storage conditions.
- c) Invest in infrastructure for longer-term storage.

Is there a role for Government, through the Future Drought Fund, to support such an initiative – for example, by facilitating farmer education on how to produce quality fodder and manage optimal storage systems, and through financial incentives (such as tax incentives) to support the construction of infrastructure? Is there an option to adjust the Farm Management Deposit Scheme to allow these funds to be utilised in times of drought? Could tax incentives be introduced to encourage farmers to product and store fodder in good seasons, in preparedness for drought? If so, how could such an initiative be considered by the various programs of the Future Drought Fund? The Australian Fodder Industry Association (AFIA) believes that fodder plays a critical role pre-, during, and post-drought and that several initiatives, such as this, could be considered to improve drought resilience on a national scale.

RESPONSE TO INTERIM REPORT

The Australian Fodder Industry Association (AFIA) welcomes the opportunity to provide this brief response to the Productivity Commission's Future Drought Fund Interim Report ("Review of Part 3 of the Future Drought Fund Act").

We make the following comments:

- Interim finding 1 – “The intent of the Future Drought Fund is sound, but it is too early to assess its impact”. AFIA questions if the Future Drought Fund has had any impact, thus far, on the importance and conservation of fodder – a subject of significant focus in times of drought.
- Interim findings 2 & 3 – AFIA, with its expertise and national network, would welcome the opportunity to assist in the improvement of the Future Drought Fund, where it relates to fodder and drought preparedness.
- Information request 1 – AFIA would support the recognition of “climate change resilience” as a priority for the Future Drought Fund.
- Information request 5 – For the next Funding Plan, AFIA would welcome changes which better articulate and identify priorities for funding and eligible activities, the sequencing of programs, and how the different programs work together.
- Interim recommendation 5 – AFIA supports continual business improvement and would welcome a review of the Drought Resilience Adoption and Innovation Hubs to clarify expectations and improve collaboration and communication between each Hub and with the broader agricultural community.

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For more information contact AFIA:

info@afia.org.au www.afia.org.au

PO Box 527 Ascot Vale VIC 3032



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