

Regulation of Agriculture
Productivity Commission
Locked Bag 2, Collins Street
Melbourne Vic 8003

I thank the Commission for this opportunity to participate in the Draft Regulation of Agriculture and do so to highlight the affects of regulation direct and indirect, whereby the price taking status of agriculture the world over, is unable to constantly recover the costs incurred, thus depleting ability to grow or survive.

This submission endeavours to ameliorate this situation by providing information and experience from other nations, Australian history provided from early settlers and personal experiences, all with a constructive alternative, the objective.

From the Draft it would appear that the business of farming is not fully understood----not a surprising outcome from an industry that is divided into those represented by farm lobby groups and the majority of farms, who for various reasons, do not belong to any group. Therefore additional information is submitted.

Yours faithfully

James A Beale
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PO Box 465
Tumut NSW 2720

Introduction

From P3, "Why Regulatory burden matters". "Most Australian farms are small business, and regulatory burdens can have a significant and disproportionate impact on small business. For farm businesses, reducing regulatory burden means less time spent dealing with regulation and more spent on productive-enhancing activities.

For the community, less regulatory burden can mean lower prices (because of lower farm costs) fewer taxpayer dollars spent on regulation and improved living standards."

This is too simplistic, it fits in with economic theory, but is contrary to the experience of rebuilding industry 1946-52. It provides explanations as to why farming in Australia has been declining for decades.

It is the indirect effects of regulation that has the greatest impact on the farm business due to regulations imposed on Crown land management, roads, National parks, forestry, reserves and local government, all of which have varying effect, depending on the location of the farm business and its size.

The statement ignores that the community are the most demanding for farms to provide bio-diversity, animal welfare, clean water, comply with vegetation laws, etc. All the cost is borne by agriculture to provide the benefits demanded.

Economic theory requires consumers of benefits to pay.

This is not possible in Australia, as of now, because our regulatory system does not provide the mechanism for paying.

The OECD did make the suggestion, but was not understood, due to the difference in the basis of rate assessment for local government.

The overall result is farm decline as set out in box 1.1 and page XXII Government Drought Support. (Copy attached). Farms are in ongoing financial drought, due largely to inappropriate regulation and consequently putting the environment and national estate at hazard.

The enclosed "Drought in context" does not mention specifically, regulation, but the 9 items suggesting Productivity Commission examination are basically due to inappropriate regulation. The Hon Dr Mike Kelly MP Member for Eden-Monaro did apply for a Productivity Commission enquiry, but a Cabinet reshuffle apparently altered Government priorities.

Also enclosed "From the House of Commons"; It is worthy of note, that while what the Rt Hon Philip Snowden said about site values being known in NZ and Australia, the UK Government did not follow such a regulation. These two documents were written for the NSW Farmers' Association and give the background for rural financial drought, not just agriculture.

My submissions to the Agriculture Productivity White Papers endeavoured to show that farm business is not just another normal business. In Australia the business of farming differs considerably from its European counterpart, leaving to one side the problem of prolonged drought, distance, soil types, population densities. In the UK, land is protected and works in partnership with tourism, while ensuring food security and environmental benefits.

The accusation in Australia that EU farmers are subsidised is not true and arises out of political manipulation here to achieve control of inflation at the expense of farmers and their support communities.

Farmers are farmers, not conversant with the intricacies of promoting their industry or identifying the causes of the underlying cancer debilitating their existence.

Box 1.1 listing farm decline does not mention that 60% of farms are reliant on off farm income. The question is, why, or how has this decline happened?

Inappropriate indirect Regulations

To have a regulation that stipulates Crown land has a lesser responsibility than private land for weed and animal control, creates a condition that makes controlling this problem impossible to reduce the costs incurred on farms.

Built on that is, no logging in native forests, therefore no ability for silviculture to reduce the build up of fuel for a mega fire that invades private property. Weeds and animals (native and feral) affect costs on farms tens of kilometres away.

National parks are the same as forestry, but worse because of size and local roads act as a conduit . The Victorian fires were spread along roads because of a regulation prohibiting the removal of litter from roadside trees, to promote biodiversity.

For irrigators, charges for maintaining water delivery infrastructure are imposed on the farm, but should be a community responsibility, same as roads.

The extra cost of power distribution in rural areas is also a whole of community benefit and the cost should be shared.

The genesis of inappropriate indirect regulations

Circa 1905, NSW had small national parks, few in number and financed by visitors, larger areas in the Snowy Mts were summer grazing leases, managed using Aboriginal burning advice. Forest reserves were protected and managed in perpetuity and financed by royalties. WWII and the aftermath of building demands saw rainforest areas managed on a cut out get out basis.

Financing a few national parks was not a drain on the state budget.

1973, conservation became an issue because of sand mining and the bad management of rain forests. The conservation movement now embrace, wilderness concept, animal liberty, live exports and anything to do with climate change.

It is a matter of history that governments took advantage for purely electoral advantage, the mass media had a policy of supporting conservation while industry had to advertise.

True conservation issues were suppressed so that for national parks, the policy of lock it up and throw away the key, was based on North American national parks where the balance between carnivores and herbivores was still intact.

The appropriate guide for Australian conservation is in the writings of explorers, early settlers and heeding Aboriginal practise in the Snowy Mts, but in those early years of conservation the mass media would not publish it. Perhaps if they had, those mega fires would have been prevented.

Validating this statement are photos of huge logs and stumps measured along the Murray River over 30 ft in diameter and about two to three thousand years old. Under Aboriginal care there were no mega fires.

Questioning future regulation

The most likely area for new regulation could be under climate change.

Over recent time consensus is that the cause of climate change is due to human activity, backed by evidence that from cc 1720 steel was made from coal, world population estimated at one billion in 1805, two billion in 1927 and seven billion and rising in 2000.

The proven solution to rising population is better living standards and for fossil fuel, a drastic reduction in use.

The popular remedy is carbon trading, growing more trees and reducing animal emissions. The last is the least problem because animal emissions are not from fossil sources and soil bacteria convert the methane to carbon dioxide. If methane from intense farming can be economically used, there should be no need for tax payer subsidy.

Carbon trading; Offsets were conceived as a practical aide to transitioning from fossil fuel to renewable. Naturally the concept was embraced by the fossil users as it gave longer life, the cost recoverable and a clear conscience.

For the financial sector, it was manna from heaven with every contract written. For the citizens of the EU their forest areas were an asset with very little risk. For Australia the concept has been embraced by all parties. 70% of the population live in 6 major cities, with no practical experience and subject to intense propoganda, the majority believe more trees are wanted. When the remedy comes without apparent expense to the populace and financial rewards offered to farmers, for so called carbon farming, the concept is too good to be true.

However, no regulation, or smoke and mirrors can alter our highly erodible soils, weather patterns, flora exuding plant inhibitors that exacerbate erosion, huge seed production from some species and flammability of our native species, all of which are a considerable risk to carbon farming. Government undertaking from the Kyoto Agreement locks up all trees prior to 1993, backed by vegetation laws, no compensation and a minefield of regulation.

From this, land clearing has become highly emotive and news worthy for the media. BUT from those early records the landscape now is nothing like an English park, and if left unmanaged is another mega fire in the making.

Closer to the western slopes, Monaro and coast, where regrowth covers large areas, to sequester more carbon 70 to 80 per cent of the trees should be removed to enable the remaining trees adequate light and water, to grow to full potential.

The reason is that tree growth is dependent on the number of leaves on a plant, water and light. Where a "blow down" occurs resulting in a mass of seedlings, it is the same as growing carrots, thinning is necessary.

A mature paddock tree has a canopy equivalent to dozens of crowded regrowth saplings, struggling for light and water. Trees planted at 6m spacing in 1985 are twice the diameter and half as high again as trees in a blow down cc 1973. Carbon content is more than seven times on the basis, twice the diameter is four times the area or volume.

There are other aspects of tree morphology that favour mixed species native trees over exotics, with the exception of *pinus radiata* grown in plantations.

Conclusion: LAND CLEARING IS DESIRABLE when a percentage of paddock trees are kept or introduced.

Community/ Social expectation

Animal welfare is fostered by a sophisticated propoganda machine that is accepted by the public without question. Seen on TV it must be right.

The majority of farmers know that if they care for their animals, the animals care for them. What the media would have the public believe is cruelty. The definition of cruelty is a desire to inflict pain and enjoy doing so, which is obviously not the intention of farmers and would be contrary to their interests.

Caged birds for egg production displayed on TV showed dishevelled birds that appeared to be grossly neglected. A replacement batch of hens for farm house use, were the same breed. Over their life span with 20 acres to roam in, they never grew more feathers and always looked dishevelled.

Fact: free range hens are subject to about 4 diseases that caged birds are isolated from.

At Young NSW 400,000 free range birds succumbed to bird flue and had to be destroyed. The kangaroo population has trebled since 1973 and many suffer death by starvation in droughts. On a 3K length of highway near Tumut 3 or 4 animals are killed each month. Over winter in the ACT panel beating has risen from 50 to 90% caused by animals. The media and animal welfare show no concern.

Submissions from those claiming social license, or lack of it, should be discounted where hypocrisy is evident.

Conflict over land use

Reading the Draft's remarks on land use and foreign investment, justified by land value, reveals that agriculture has not presented a convincing case against foreign investment or conversion to urban use by property developers.

The greyhound ban in NSW has prompted a demand that their race tracks are not made available to developers. The restructuring of local government in NSW favours developers, at the expense of rural populations and ignores the prime cause of shires not being fit for the future.

Rural and remote shires in all states are in financial drought in company with agriculture and for the same reason; non payment by beneficiaries beyond their borders.

Developers cannot be condemned for wanting comparatively cheap agricultural land while present planning regulations and building codes do not provide for concentrating dwellings into smaller areas, less demanding on services etc. Why not take the advice of the OECD and follow the example of other advanced economies?

It would appear, that regulating shire rates on land value, is the root cause of not only financial drought in rural areas, but also the destabilising of the national economy.

Perhaps, the U K Government foresaw the potential for trouble in the Australian system, where rates per acre vary depending on ambition, inexperience of councillors, leaving the minority of farmers in those communities paying a disproportionate share.

The size, therefore affordability and distance from major population centres affects the value. The buyers have not had their working capital taxed.

The farm's working asset is taxed when, because of natural disaster, or commodity downturn , no income is made. (See sub by Anton Neal)

In the UK rural land is protected from subdivision, old barns, derelict houses can be made habitable, but the land is used for agriculture only. Land values are very high and are a tradable commodity, but not rated.

The UK model shows that agricultural land has value in monetary terms and aesthetics, but more importantly produces food, fibre and wood products in close proximity to users. Tourism is a partner and helps in creating wealth for the nation.

Urban dwellings areas for the most part do not have a direct capacity to create wealth, but having more dwellings within a given area, savings in delivering power, water, sewage etc, saves the misuse of agricultural land and its wealth creating capacity.

The greyhound racing fraternity being owners of land, are determining, or shaming the Government into determining future use. Farmers under threat of mining activity have paid disproportionate

rates to maintain roads that prospectors and mining staff use to access their property. The farm has also provided environmental benefits without payment over many years to the wider community. Not only the farmer, but the community too, should be demanding bond money for restoration work and before any expansion of a mine, an area as big as the proposed expansion should be restored first.

Urban expansion is the greater evil because of its demands on limiting agricultural productivity and the permanency of the change.

Foreign ownership of rural land

Rural land is a creator of wealth with a profit for the owner and the nation. If the owner is Australian the profits stay in Australia to be reinvested here.

To say foreign ownership has always been with us is not strictly true, because it was aunts, uncles and family connections establishing themselves in the Colonies before Federation and nationhood. History has a warning for us from the potato famine in Ireland, when readily available wheat was sold by foreign British land holders leaving the workers to starve.

Goods produced on a foreign owned farm can be value added in the foreign country, or sold here and the profits sent overseas, either way it diminishes Australia's ability to create wealth for its citizens.

Land, particularly agricultural land is an asset capable of creating wealth, given the right regulatory conditions. By practising the same as 1946-52, where capital was made by savings, value adding and restricted borrowing, the need for foreign ownership is questionable.

The conditions that have created the apparent need for foreign participation in maintaining, or developing our agricultural potential has been the drain of funds out of rural areas for generations, resulting in long standing financial drought and no reserves available for reinvestment, or capital expansion.

The Remedy.

The extent of financial drain out of rural areas is hard to define. Agriculture productivity depends on its support community and cannot be isolated.

An attempt in 2015 in a letter to the Member for Wagga Wagga to be sent on to the Premier of NSW stated inter alia:

Dissipation of funds out of rural areas to city and foreign owners:

From farmland local government rates	\$180 million per annum
LLS	\$ 56

Irrigation infrastructure, not actual water bought \$?

From general rural community

For poles and wires	\$ 1.08 Billion
For exorbitant profits on transport	\$? Billion

From the mismanaged environment

Car insurance covering damage from native species	\$?
Fire and property damage	\$?

NB the last four items have an effect on farm production costs, with cropping hard hit.

Forestry/timber/pulp industries must also be hard hit through transport.

The farm rates are an estimate update on 2005 LGSA and ABS figures. LLS and poles and wires from your letter and using ABS total dwellings in the State divided by three on the rough basis that one third of the population are in rural areas.

On transport costs; my neighbour cc 1995 was carting fuel from Sydney to Tumut at a cost of three cents, but the sale price was ten cents.

For Tumut the highest paying of all country towns; lack of competition does not hold up as an excuse with three, if not four outlets.

I attach a letter of mine to you April 2012 and the reply you got back from the then Treasurer. The message in my letter re a Productivity Commission study into Rural Reconstruction has become more urgent in the light of developments since 2012.

Regarding profits on transport, it is not competition putting restraint on fuel prices, rather the absence of a Price Justification Tribunal to provide suitable regulation that would also curb the buying power of super markets.

Changing the rating base for local government and spreading the total cost over all dwellings in the state gives equity for country and city. An environment charge from local government on weed, animal control and silviculture on Crown land would also share the costs equitably.

Such a change will take time to repair the damage of 160 years of neglect, but agricultural land excluded from rates, only the dwelling thereon will quickly put finances back in farmers hands to reinvest in productivity and drought preparation.

Being able to finance environmental outcomes, through weed etc control, opens up huge job opportunities and a series of new rural industries.

Enclosures

P XXII Government Drought Support

Drought in Context - Att 1

From the House of Commons Att 2

Mr Anton Neal sub to Assessing Local Government Revenue Raising Capacity.