

AUSTRALIAN BEEF ASSOCIATION SUBMISSION TO THE PRODUCTIVITY COMMISSION REVIEW OF DROUGHT POLICIES.

Preview

The Australian Beef Association welcomes the Government's move to have the Productivity Commission review Australia's current Drought Assistance policies.

It hopes that the review will stand back and analyse Australia's agriculture from a World agriculture perspective. We believe that this is a rare chance to resist the urge to just move deckchairs and, instead, to make meaningful moves toward a more sustainable agricultural industry. Currently, Australia's agricultural industry is not sustainable. Government policy over the past 30 years has been re-active not pro-active.

Government's main role in drought mitigation should be –

Provision of water infrastructure through major dams and pipelines as is done in Europe and USA.

Provision of money to producers as has been done in Europe and USA since 1945.

Provision of roads, rail and port facilities for movement of stock and produce as is done in Europe and USA

Provision of regulation to ensure that markets give farmers a fair price as is done in Europe and USA.

1. ANALYSIS OF THE ROLE OF AGRICULTURE.

We believe that to analyse Drought Assistance in isolation is an exercise in futility. Before analyzing drought we ask that the Productivity Commission addresses macro issues including.

- Decentralisation—does Government want everyone crowded into coastal cities?
- Food production –does Government want to import a high percentage of food?
- Balance of Payments-Australia has accumulated an unprecedented \$600 billion debt during a mineral boom!! No mineral boom has ever become permanent. Does Government see farm export income as being important in Australia's long term balance of payment viability?

We ask that the inquiry recognises that the World's most productive and viable farmers live in countries with more reliable rainfall, better soils as well as far greater government assistance than Australia has given.

Free trade agreements with countries that support their agricultural industry are suicide for Australian agriculture. There is no way that it can compete.

Australian agriculture is very young by world standards and drought assistance and trade policy has been made on information gained from a very short time frame and with little regard for the Governmental approach to agriculture in older countries. In fact there is a ridiculous mindset in Australia that older countries should follow Australia's example! This philosophy has been deeply embedded in NFF thinking, has exposed Australia to ridicule in Europe and has contributed to the massive exodus by farmers from Australian Farm organizations over the past decade.

2. AUDIT OF THE STRUCTURE OF AUSTRALIAN AGRICULTURE.

ABA asks that the Productivity Commission to do an Audit of the number, size and financial position of Australia's farmers. ABA believes that Canberra has no idea of the makeup of Australian farming. ABARE total farmer number figures show only 60 % of MLA/ LPA meat animal registrations which, in turn, are far below RLPB figures in NSW and Shire figures elsewhere. As farms are broken up the number of farmers increases- it does not decrease. The constant reference to farms getting bigger is more of a war cry than a reflection of fact based on research. ABA requests that the Productivity Commission order an audit which makes use of all available data to establish an accurate figure on-

- The number of landholders actually producing livestock, crop, fruit, vegetables etc.
- A break up of their production levels.
- The latest bank debt figures.
- The Latrobe University 8,000 farmer survey which revealed a frightening level of poverty even before 2007.

3. ACKNOWLEDGEMENT OF AUSTRALIAN AGRICULTURAL HISTORY.

Facing the Reality of drought and poor soil in Australia. A few sobering facts.

Any serious analysis of Australian agriculture and drought should face the fact that scientists claim that there were never more than 400,000 human inhabitants, at any one time, before the white man came?

This contrasts with the very high density populations immediately to our North. Had Australia been a place with similar soil and rainfall it would have reached a far larger population.

Adventurers from other countries came, inspected and left long before Captain Cook. La Perouse's "Shit Eh" and after inspecting Botany Bay was a far more accurate reflection of local agricultural potential than the glowing report of Sir Joseph Banks. Banks' "Pollyanna" like vision of Australia's agricultural potential was to be repeated by Gove well intentioned, but disastrous, Soldier Settlement Schemes after both World Wars.

For thousands of years the Aborigines moved to where there was feed. They died if their population exceeded the that existed within weeks of walking. Experiences recorded by Durack, Kidman and others with cattle gave the same formula.

A dramatic example of Australia's contrast with European farming is given in --Barker's 'Droving Days' (in the NSW State Library). This book tells a story about Vicomte Oscar de Satge who had 3 million acres on the Georgina, 150 miles SW of Cloncurry, called Carandotta. Carandotta has since been owned by Kidman, Australian Pastoral Co., Tancreds, and, most recently, AACo.

De Satge didn't sink bores as the run of good seasons of the 1880's continued. He left on a world tour owning 100,000 sheep and 20,000 cattle. In his absence in 1892 he lost 90,000 sheep and 15,000 cattle. Between 1896 and 1904 Australia's cattle herd fell from 12 million to 7 million. The sheep flock fell from 100 to Queensland was worst affected with a 64% fall for cattle and 57% for sheep. The Western Division of NSW reached 1 million sheep in 1895 and has not exceeded 8 million since.

During the post WW11 period Government was conscious of rural export income, it built dams and roads. The Snowy Scheme greatly increased irrigation potential. Subsidies on moving stock and fodder in drought came in to keep the national herd and flock in place.

Australia reached a peak in livestock numbers in the mid 1970's with an estimated 650 million dry sheep equivalents plus 14 million people. We are now on an estimated 480 million dse with 21 million people. High southern rainfall/tableland expansion in stock numbers through 1945-1970 was built on superphosphate application to grow legumes and increase nitrogen in the predominantly poor granite soils. This has become uneconomic under current fertilizer, wool and livestock prices. There are also concerns at the low amount of legumes to maintain nitrogen in the huge Buffel Grass expansion in the North.

The northern herd has increased but has traditionally fallen badly in the Northern droughts of the past 200 years. This is illustrated by the failure of **every single one of** the large public companies who have run cattle in Queensland from Vestey's through to the current AACo troubles.

Exploding prices for fertilizer and fuel along with prices currently being paid for cattle, sheep and wool will see the number decline continue whilst current Government immigration policy sees the human population expand

If one lives in a desert one irrigates or moves between oases. When we live in a land that sometimes can give us superb herbage cover and at other times a desert, we have a management problem that has so far beaten most. The small number of properties owned by one family for over a century in Australia is a depressing illustration of what drought has done since 1790. The Canberra mantra that Australian farmers, working a frequent desert, can compete with overseas farmers in better soil and rainfall, backed by their Governments, beggars belief.

4. PERSPECTIVE ON CLIMATE CHANGE.

ABA members have severe reservations on the Garnaut Report findings, any predictions on future change by the Australian Bureau of Meteorology, or anyone else who claims to know what the future holds.

Almost all regions in Australia have experienced drought in one in five years or less over the past 100 years.—See alan.peacock@dnr.gov.au for a 90 year monthly rainfall map. Choose a town on the map and follow it through 90 years to see that one drought in five years is a rare, favored district—one in four is more common.

We are aware of a more severe drought than any in the past 100 that occurred in the middle of the 1700's. The Murray River became a string of stagnant water holes—See "The Red Marauder" By Michael McKernan. We are informed that coral research on coral on the Great Barrier Reef illustrates that the Burdekin River was dry between 1660 and 1673. We have no reason to doubt that there have been worse droughts before that one. A study of English history illustrates the great climate fluctuations in that relatively fortunate island over the past 1000 years. ABA agrees with moves to reduce pollution but does not believe that CO₂, SO₂, Methane or other gas emissions are causing Global Warming or climate change.

5. PREVIOUS AND CURRENT GOVERNMENT ASSISTANCE MEASURES

Government's main role in drought mitigation should be –

Provision of water infrastructure through major dams and pipelines as is done in Europe and USA.

This seemed to stop around 1980. Environmentalists seemed to scare Government into inaction and the "privatisation" cult gave it an "out".

Irrigation farming is currently in a perilous state. Continued discussion on allocation of water seems to avoid the obvious idea of obtaining more water for the system. Whilst Libya, Egypt, China and Pakistan can emulate the water transfer work done during previous empires we find it sad that Australia can't face up to a major transfer of water. It should be noted that the Indigenous people had their highest populations in the Lower Murray-Darling Basin as that was where the best water/soil combination lay. This did not happen by chance but by trial over centuries.

Provision of roads, rail and port facilities for movement of stock and produce as is done in Europe and USA.

Again, Government abnegated its responsibility in the race to privatization.

Provision of money to producers as has been done in Europe and USA since 1945.

Australia has failed to understand the reasons for this assistance. Europe and the USA regard food production as the same way that they regard defense budgets. They regard it as an essential service. Australia has naively tried assistance in WTO Rounds.

Provision of regulation to ensure that markets give farmers a fair price as is done in Europe and USA.

Over the past 25 years Australian Governments have progressively abandoned agriculture. Privatisation doctrine has prevailed as de-regulation was and is seen as the way forward. Australia's supermarket duopoly is unmatched in market power anywhere in the Western World. Woolworths has the highest profit margin in the Western World.

A sustainable price for product helps to tide producers through drought periods. ABA maintains that the Australian supermarket duopoly "mark up" gives cattle producers 25-28% of the consumer dollar as opposed to 47% obtained by US and UK cattle producers. It notes that other industries appearing with us at the ACCC Grocery Inquiry have similar stories.

Successive Governments have abnegated their responsibility to agriculture. The Howard Government created undemocratic commodity bodies, privatized as untouchable companies.

The Peak Council system introduced and funded by the former Government through levies on producers is a form of compulsory unionism and has been an unmitigated disaster. Even the Senate Select Committee of 2002 recognised this with regard to the Meat industry but the Ministers would not act on their recommendations. .

AWB, MLA and AWIC pay huge salaries (CEO's on up to \$500,000) with no perceivable benefit to producers. AWB's scandalous behavior in Iraq is well documented. AWIC must rank as one of the greatest failures of all time as the wool industry halved on its watch. MLA takes four times the US levy and those funding it get 40% less for their feeder cattle than the US producers. Another disaster.

ABA believes that the above organizations should be wound back or abolished. They are unaccountable to anyone themselves. ABA points out that Australian producers are receiving less for their cattle than US, Brazilian, Japan, European cattle producers YET –They pay huge sums on MLA levy (\$5 as opposed to US \$1) and NLIS (estimate beast sold) whilst Government pays for the UK system and US and South America have no system

For meat the US Stockyard and Packers Act of 1921 should be studied and the relevant sections introduced to Australia's meat industry. If WE and Irish cattle producers can be paid on the day of sale, why can't Australians? Answer-Simply because Government has not acted.

6. CURRENT MONETARY ASSISTANCE MEASURES.

ABA believes that some of the current arrangements for financial assistance to Australian farmers are either inappropriate and /or inequitable.

• EC Relief Payments,

Exceptional Circumstance payments have been crucial but only because the framework of Australian Agri been seriously flawed. Currently these are keeping a large number of farmers and their families from starv However their allocation is inequitable.

ABA recommends a move to the European model where farmers receive payments as custodians of the en Each farmer who receives 70% of his income from farming could receive a flat payment --- the average N

Ranger's salary or less. The state of his /her land would be periodically assessed by local authorities to ensure compliance with the guidelines.

This approach would--

Aid decentralization and the viability of country towns.

Avoid desperate overstocking to make ends meet.

Reduce the spread of weeds.

May include re-afforestation clauses.

Would be equitable.

- **Exit Grants.**

ABA does not support this program. Hardly anyone qualifies for this \$150,000 grant.

- **Interest Rate Subsidy.**

This appears to be assistance to banks rather than farmers. It must have the effect of Deepening the debt of a farmer whose bank apparently does not believe in his/her long term viability.

- **Farm Management Deposits,**

ABA strongly supports their retention. Financial reserves are vital in any drought. FMD's encourage prudence.

- **Professional Advice and Planning Grants,**

ABA supports the Rural Counseling Service which sees skilled people facilitating nervous farmers on where they can get help and assisting them in filling out the frightening paper trails. However Farmbiz has been a feed trough for consultants and ABA supports its abolition. Advice on drought feeding etc. is usually available from departmental officers. Paying "consultants" who are often failed farmers makes little sense.

- **Irrigation Management Grants and rate rebate schemes.**

ABA has little knowledge on this—only sympathy for those caught in the tragedy.

- **Freight subsidies.**

ABA believes that these are a very fair and productive means of assistance.

It believes that the freight subsidy during times and areas of extreme drought has

Encouraged sensible use of our fragile environment and saved base breeding herds/ flocks.

Survival of the breeding herd/flock must be No. 1 in any farm drought recovery program.

So many high profile herds came, existed for a 15 or 20 years and then disappeared—illustrating

The huge role that drought plays in our national genetic evolution—to say nothing of

Our economic performance.

On some places, European type fodder conservation on a large scale has led to a sense of being 'drought proof' which has financially broken many as feed, water or money ran out

Freight subsidies help preserves the national herd/flock. They are widely used in the USA. The \$20,000 threshold is too low and ABA suggests a lifting to \$50,000.

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