

Draft Report Inquiry into Government Drought Support

Having read the Draft Report and Subs from all the farm lobby groups, ACF and Dr B. White sub 94, there is one major and consistent factor overlooked for there ever having been a necessity for NDP.

This is partially acknowledged p 159 “The second objective broadens a current NDP objective, to encompass a wide range of risks faced by primary producers, including those associated with commodity prices, input costs, climate variability and climate change.”

Under input costs and too important to be lost in that maze, is the way Local Government rates are raised and infrastructure water charges levied when these costs cannot be recovered. Sub 39 and this try to make that evident. Sub 39 made no contribution on the detail of EC, family support or exit strategy because many of the causes would dissipate to a large extent as time allowed for the proposed changes to take effect.

NSW Farmers' Association Sub 98 p35 did recognise rates as a problem but their proposition does not address the enormity of the problem, or the ongoing inequity and the collateral damage regardless of drought.

The importance of Local Government as the revenue raising vehicle (for the UK system of no rates on agricultural land, weed and feral animal control, water rates infrastructure recovery and stewardship payments) because the structure is in place and only requires the necessary legislation. Equity and better resource management is restored. It is not a new tax and embraces those who are not paying their fair share.

The other area not dealt with apparently by the farming lobby and being part of those “wide range of risks faced by primary producers”, is farm gate prices and costs. The blame is always pointed at the supermarkets and oil companies. As in industry a change in Australian Standards Association criteria sets the parameters right. Example: NZ imported pine was cheap. NSW hardwood were stronger, so a reduction in end section of hardwood gave the same strength as NZ pine and price equilibrium restored. In this case of reducing the necessity for NDP the change needs to come from a revamp of the Trade Practices Act.

While agreeing with the finding that the present EC arrangements should be terminated the advent of the world credit crisis and revelation of just how corrupt major markets have become, a time lapse on implementation would be necessary while the other strategies to replace EC are considered and implemented.

Reaching that conclusion and ultimately trying to save Government expenditure, while still achieving the original objectives of NDP, requires an approach free of influence from interest groups' subtle misinformation and repeated lies becoming the “truth”, the ill-founded beliefs based on lack of research and analysis, or the unsolicited and often fatuous advice handed out to the unwary by the metropolitan media.

The concern is that the Draft Report may be influenced by adulterated information largely because of misinformation or lies becoming the “truth” with repetition.

Page 112 re “This current inquiry, has been requested in response to widespread agreement that the current approaches to drought support and exceptional circumstances are no longer the most

appropriate. This agreement----- but also among farming lobby groups, many farmers and their service providers.” plus a quotation given from sub 15, p 2 is an example.

There would be tens of thousands of farmers with the same view who believe they are operating a normal business but overlook the fact that for several reasons they are running a very different business and that they and their lobby groups have not been pursuing strategies appropriate to their situation and advising their primary industry Minister of the basis of their plight.

Ten or twenty thousand saying the same thing does not alter the real situation. One of the reasons for this negligence, from observation at farmer meetings, is that they don't know that changes can be made for the better and/or prefer to stay concentrated on what can be done on the farm. As to the question posed re other industries in strife, the car industry with its tariff protection and the housing industry come readily to mind, but receive Government support for the same reason of public benefit as EC.

Page 60 “Drought can also lead to a greater spread of weeds etc.” This paragraph is undoubtedly believed by the author as a result of skilled propaganda from one or more environment groups wanting to protect their interests in National Parks. Denigration of farmers is not a concern to them. The fact is that weeds have to be controlled before a drought to stop seed set which applies equally to private land and public land but because the rules governing control are less onerous for Crown land such as National Parks, forestry and roads, these areas are the storehouse for weeds. The transfer of weeds by wind during a drought is insignificant by comparison with the normal vectors, native, feral animals and birds regardless of drought.

Page 53 re “The effect of droughts on inflation etc.” does not allow that the retail system has been changing, with buying power increasing and historical evidence showing a reduction in choice of retail outlets from 1982-83 through to 2002-03. This does not explain why in 2007 prices were up for fruit and meat at a time when supply was plentiful and in contrast to the assertion that “meat prices initially fall as slaughter rates increase.” Producers were complaining that their prices were depressed artificially by the bogey of drought, while consumers were lead to believe the increase in price was due to shortage of supply due to drought. The RBA's comments on dairy production do not take into account the effect of Dairy Deregulation, and no collective bargaining against processor dominance. The price rises were due to lack of supply and the complaints came from dairy farmers with no ability to recover costs. Drought is made the scape goat.

Over the years the metropolitan media have been anti farming and logging, promoting corporate over family farms, highlighting the disparity in education rural verses city and inferring that environmental degradation on farms, needs government intervention. The media have backed the conservation lobby going to government and getting legislation passed that in many cases the result is contrary to good conservation and in no way helps in preparation for drought.

On education: studies in the 1960s & 70s showed that people with a high IQ were better suited to research, and academic based pursuits while those with a lower IQ were more artistic, imaginative and good at adapting or applying knowledge with hands on skills. In cross section farmers have the full range of IQ with the productivity growth to prove it.

Acknowledgement should be given that small farms do have positives in that they do provide unpaid environment stewardship on the land occupied, a labour pool for bigger farms and town activity and even staff for national parks.

On the other hand large corporate farms may produce more but have their down side. Staff do not have that same dedication to the land they work on and are subject to the other negative practices of corporate life. The greater the investment in labour saving machinery or further value adding, raises the query as to what business it is, or if it is two businesses, one farming and one farm contracting. Which one or in what proportion should support be given?

Managed Investment Schemes are an aberration, the consequences of which have to be lived with until such time as they can be structurally adjusted. The permanent plantation type bought up water licences at an unfair advantage to their competitors so they should have no better security of supply than irrigated fodder crops. The forestry based MIS have serious questions to be answered in relation to some of their claims as to justification of being carbon sinks, their location, ground water intervention etc. and should therefore be subject to a water licence and no drought support at any time in the future.

Concerns expressed P60 & 70 by the Wentworth Group, ACF and Department Environment, Water, Heritage and the Arts (DEWH&A) all illustrate the effect of drought on the environment and all point the finger at land managers. The land managers in other States did not build a weir to keep the sea out of the mouth of the Murray and run the risk of exposing acid sulphate soils.

The Australian Conservation Foundation's mixed concerns re "habitat conversions, over allocation of water for human use, invasive species" relate to past Government action, policies and poor quarantine, while over grazing and salinisation can be sheeted home to pressure initially due to Government or community action imposing conditions on land managers that gradually became beyond the ability of land managers to counter. Drought does exacerbate matters.

The DEWH&A's contention re existing drought support is only expressing what is already happening regardless of drought, but undoubtedly drought exacerbates the situation. Land managers have in the past over grazed in an effort to pay the bills or keep breeding stock. New technology is helping to keep production up, but as our present systems work, costs will follow the same trend, requiring something new to keep farming viable.

Individuals and organisations are entitled to hold differing views but if those views result in actions by governments, that subsequently are proved to be injurious to others or the environment, but they are not affected and bear no burden of responsibility for their misguided actions, then caution is needed with their proffered advice.

MIS are a good example of the power of minority groups lobbying and taking advantage of a weakness in the rural sector. Leading up to their creation there was a collapse in the wool industry, an over emphasised salinity problem that supposedly required growing more trees on farms but running counter to scientific results coming from DPI NSW and being used as a political tool, a need for job creation and a very sophisticated marketing campaign by the financial sector.

The evidence is that in the case of forest operations the trees are not likely to be grown to maturity because they are the wrong species or commercial imperatives intervene requiring early removal of thinnings containing a quarter of the volume normally achievable. The drainage into the Snowy River is reduced by one percent for each one percent increase in forest area and holds good for the same result in other lower rainfall areas.

It is asked that the Commission balances the input from parties whose members ultimately bear no cost or responsibility and could jeopardise land holders ability to preserve their assets and to prepare for drought. In asking for this it must be stated in all fairness that the ACF in conjunction with the NFF and Federal Government created LandCare which has been an outstanding success

due to the funding made available.

The final recommendation of the Draft Report re public funding for agricultural research, development and extension is a necessity to keep production up, provide stewardship for land sustainability and provide food and fibre for the World. However to support and apply the research there will have to be suitable infrastructure because if crop and forest waste can be converted to biofuels, greater tonnages will be produced from existing land. There is a looming world shortage of phosphorus requiring GM technology to adapt some native plants' ability to take immobile phosphorus from the soil and use in modified conventional crops. Education will have to be wider than FarmBis to overcome the hysteria against genetically modified goods.

If in extending education it was to include business analysis and understanding systems beyond the farm gate, plus policy and strategy; then farmers and their lobby groups would be in a better position to plead their case before government and the public.

Future effort will be negated if the existing commercial practices are not restructured and as far as possible, without government being involved.

Farmers Declining Terms of Trade

The most desirable outcome is to negate "declining" and doing it with little or no cost to governments and strive for *inclining* terms of trade. Terms of trade are a function of human activity and are not subject to the laws of nature even if the majority think so.

The gloomy and blurred picture painted in Key points in 2. Agriculture and adjustment sends mixed messages depending on which side of the fence the receiver is sitting.

"Agricultural output is increasing, but the sector's share of GDP has declined"

How does it line up with GNP or input output statistics?

How does it compare with agriculture's capacity to generate new capital knowing the playing field favours all other industries?

Is agriculture worth the trouble when its product can be imported?

What will be the share in 2009 when the resources boom is muted?

"Around two-thirds of agricultural output is exported". This is a positive and a benefit Nationally but not understood or appreciated well by many, who unknown to them, derive benefit from exports.

"Farmers terms of trade have been declining but agriculture continues to exhibit strong long-term productivity growth". Nothing to worry about---agriculture will be fine!.

Realistically it means less money available to invest in new technology especially on small farms and less ability to prepare for drought.

The continued growth is explained in the next dot down and the fact that Australia unlike other advanced economies, has huge tracts of land yet to be developed in WA and NT

"The contribution to output of pasture and cropping activities has decreased as other activities, such as horticulture and intensive livestock, have expanded."

This is a bold statement because with free trade agreements sections of horticulture and the intensive live stock industries can be wiped out by disease, severely retarded by cost of labour differences (a days wage in Batlow is equivalent to forty in China), or put in a non profit situation by fluctuations in the exchange rate as has happened in the pork industry.

"Agriculture remains important to much of rural and regional Australia".

This is a gross understatement. It sends the wrong message to the city-centric and is a poor sop by way of justification to rural communities. The reality is that city, rural and remote populations should act as one and will benefit each other in doing so.

Farms as pointed out above are a very different business and that is given tacit recognition in such statements as in dot 3 “lack of diversified income sources are more likely to increase the vulnerability of farms to adverse shocks” and from box 2.1 non farm income is almost a prerequisite in the capital structure. That was not the historic case for farms where the norm was ability to provide from the natural resource base of the farm. That has gradually changed as the terms of trade have declined and more is sucked out of farms through increasing charges and a corrupt marketing system, that we now know is far worse than anyone imagined at the time submissions to this study closed. Are there other industries so dependent on constant outside sources of financial injection particularly for the smaller participants?

Box 2.1 displays the various forms of capital and implications for self reliance and ability to respond to drought and sudden shifts in farmers terms of trade, but there is no antidote for the increasingly often shift from out of the blue, completely beyond the farmers control, such as the draconian edict of no land clearing due to commitments to an international agreement or if a major development goes ahead, such as a motorway from Sydney to Bathurst that will under present conditions increase land prices over a vast area due to increased pressure from tree change seekers. The value of land going up increases local government rates that cannot be recovered.

Box 2.5 The age of farmers states the facts on the surface but ignores the underlying reason whereby this situation has been allowed to occur. Under the UK system escalating land prices do not prevent farming activities and younger members of a family can carry on farming. Therefore to change that situation requires a one off agreement and cost between three levels of government that will put farmers terms of trade on the incline, particularly small farms, and provide the means to prepare for drought and climate change in doing so.

The other area for improving terms of trade is in the market place itself.

The revelations since the close of submissions confirms the remarks made in Sub 39 concerning human frailty in markets and is now there for all to see in the international credit crisis, stock and commodity prices calamity.

It is agreed among world leaders that, using hindsight, there was not enough supervision or regulation to prevent the calamity.

The ABC TV screened a Four Corners program, which again, confirmed the weakness in Trade Practices legislation.

CC 1973-4 when the legislation was enacted those in the retail timber industry were advised that goods sold in bulk could only be sold at the one price, if repackaged into smaller deliveries or further processed into smaller quantities the same principal applied of only one price to all customers for that level of service.

The program showed that milk processors have different prices where the small buyer buying in the same containers is penalised to make up for losses selling to big buyers.

It would appear that the differential in fuel prices between country and city raised in Sub 39 could be going along the same path.

If memory is correct the legislation was altered during or after 1976 so that what is happening now

may be legal, but clearly not in the spirit of equal competition. In such a changed market place dominated by buying power, to the extent that a “special” on pumpkins as in the Four Corners program, the reduced price is borne by the grower but it is the supermarket that benefits from increased turnover.

The regulations of 3 decades past is clearly not appropriate for the present.

Therefore the recommendation that the Trade Practices Act be reviewed and revised is a reasonable request with obvious benefits to all rural and regional businesses. The cost to Government is nil while giving farmers greater ability to prepare for drought.

Chapter 7 “A new policy framework”

From Key points “The National Drought Policy should be replaced by an expansion of the objectives of the *Australia's Farming Future* initiative, to clearly place the responsibility for managing climate variability and other risks with farmers and farm-dependent businesses.”

This is another reason for *inclining* terms of trade, because it is axiomatic that land no matter who owns it, it has to be husbanded. In Australia that has happened for millennia up until 1860, so now with the Aboriginal populations' management abandoned, Western commercial systems are required to implement Draft Recommendation 7.1

The Australia's Farming Future initiative is unknown to the vast majority of farmers and therefore, unless it adequately addresses the basic requirement that farmers should be paid for all the services they provide to all citizens of the Nation, then it should be amended to do so. A repetition of the missed opportunity in Creating Our Future report is to be avoided.

To clarify those services supplied by farmers: being the actual goods produced and sold on existing markets (direct payment); the environmental control of weeds, feral and native animals and any restrictions for native plant or animal habitat (indirect payment required).

Indirect payment by removing all charges on government services on rural land (not the dwelling), infrastructure maintenance charges on water or Rural Land Protection Boards' rates, plus stewardship payments. A requirement that Crown land be maintained to the same standard as private land.

“Assist primary producers to adapt and adjust to the impacts of climate variability and climate change”.

The emphasis over the last 25 years has been on technology that has delivered better land management, achieved better productivity and stresses the need to keep ground cover. (It is hard to quantify the damage done by rabbits in removing ground cover in the past).

The limiting factor has always been the availability of finance to buy the necessary inputs. Farmers at Finley NSW have de stocked to the point that most have no stock.

All of this is adaptation to climate variability/change in a practical way. The problem is re stocking (may be at a lower rate than before the drought to manage the unknown of climate variability) and having the finances available to do it at a time when supply is limited and prices high.

There may be a few farmers expressing difficulty in adjusting but they would be in the minority. Those on EC help are there because of the declining terms of trade that has constantly been ignored by farmers and governments. Governments need to be like industry, constantly looking to improve their systems.

The Productivity Commission could provide the necessary impetus by recommending a change in rate revenue raising in local governments, thereby saving the Federal Government expenditure and at the same time removing one or more contributing factors to cope with climate variability/change.

Functioning of markets are very important, while research will produce new markets, or cost savings if the information is disseminated quickly and effectively but securing a low risk method of retaining past cash surpluses for quick use after a variable event is the most important goal to achieve.

Financial instruments to counter the effects of drought should not be considered. The range of risks in agriculture are just too great. Normal fire and crop insurance should be an essential part of farm costs.

The reason for my views being so different to the majority of my farming colleagues is that after 30 years of farming I still draw on my industry experience in production, marketing research, development and technical innovation. I served the timber industry as a councillor of the NSW Country Saw Millers Association and the Timber Advisory Council to the NSW Government.