Inquiry into Government Drought Support

A Submission to the Productivity Commission

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Having attended one of the public hearings and after reading the draft inquiry report from the Productivity Commission, the AFIA believe there is a case for further Government assistance in the fodder industry.

The following points summarise the view of the Australian Fodder Industry Association (AFIA).

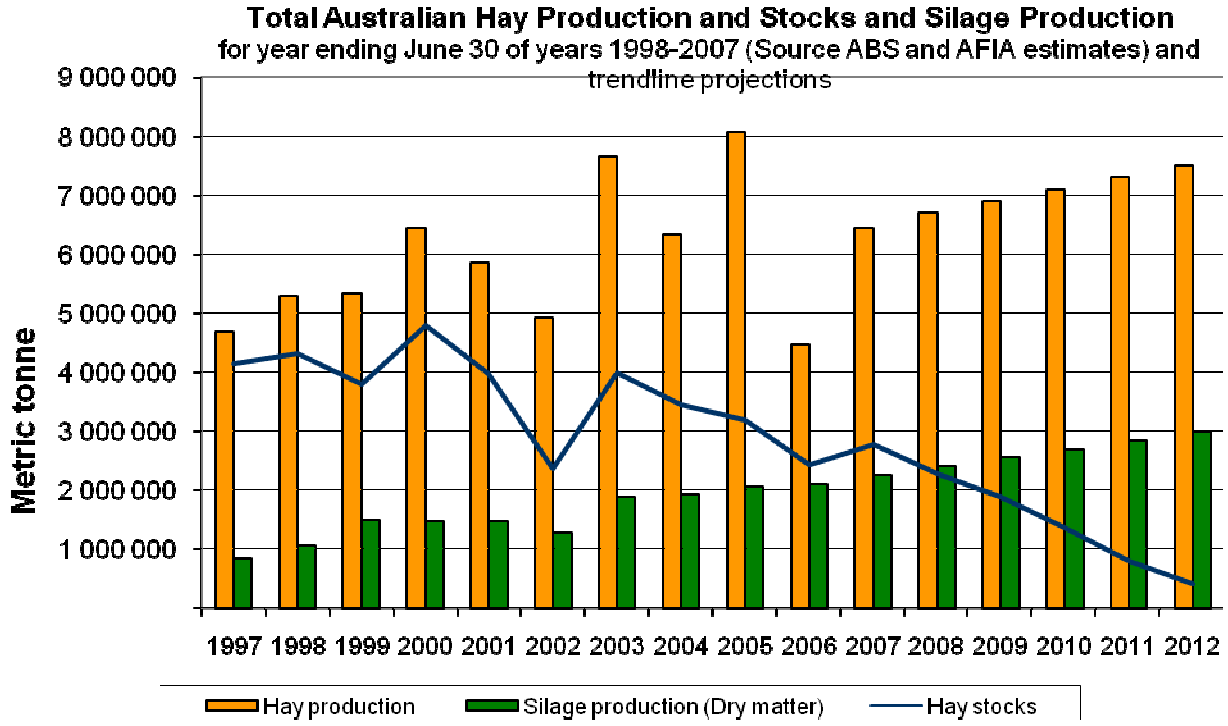
The significance of fodder

Livestock producers have an increasing dependency on fodder. Hay and silage is now part of feed rations throughout the year and supply is particularly critical during drought.

With around 7 million tonnes of hay and 2 million tonnes of silage (dry matter) produced each year, Australia's fodder industry has a gross value of production of around $2 billion. This is larger than the sugar, chicken and barley industries.

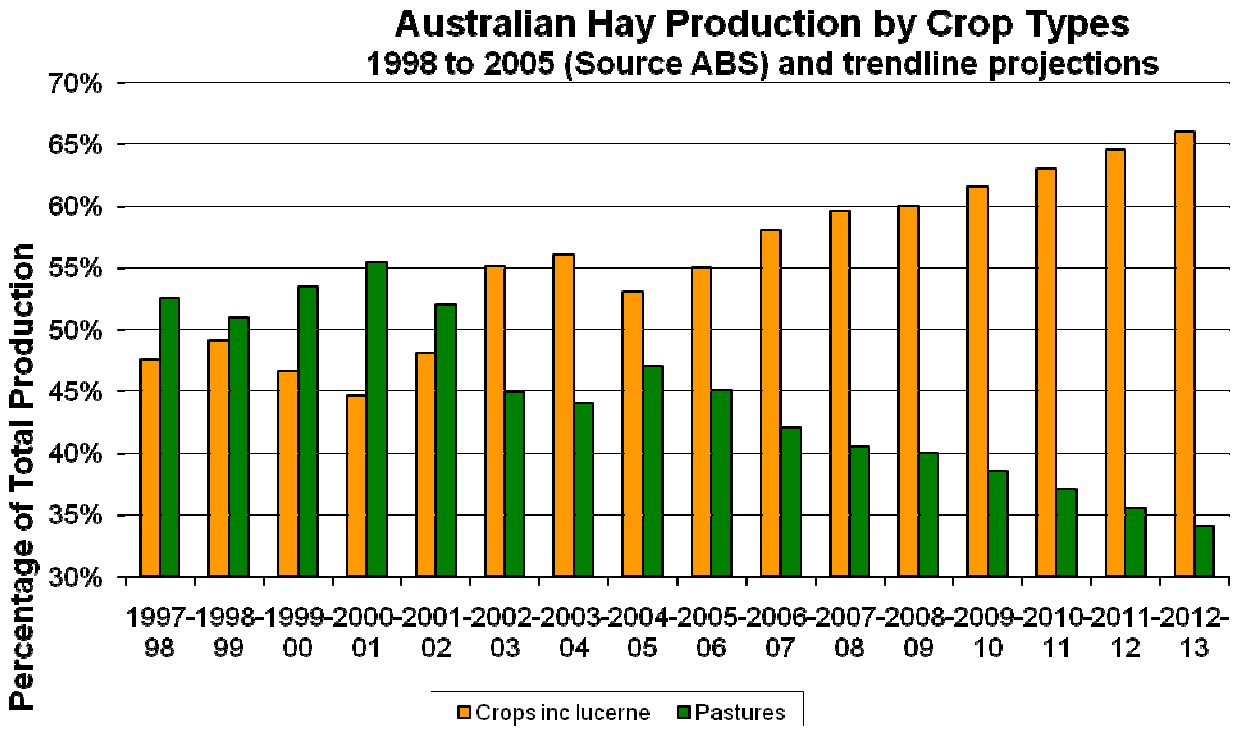
Australia's livestock producers are increasingly vulnerable to shortages of fodder. Shortages are causing price spikes in the hay market during times of drought and have been a key factor in destocking.

There is an alarming trend toward less conservation of fodder over time as shown in the statistics collected by ABS.



The need for fodder RD&E

Around 80% of fodder produced is in the form of hay and more than 50% of this hay is now produced from dedicated crops such as cereal hay. With a lack of irrigation water and plummeting lucerne production, breeding of high quality dryland crops for fodder such as vetch, peas and oats is urgently needed.



RD&E effort is needed to give farmers tools to manage the risks of short growing seasons. Cereal and dryland varieties through breeding can offer improvements in productivity.

Fodder breeding programs

Commercial plant breeding companies are not investing in this area as the trading of seed of open pollinated varieties threatens their investment. Unlike the larger grains industry, many of these fodder crops lack the scale of production required to allow a private breeding program to remain viable.

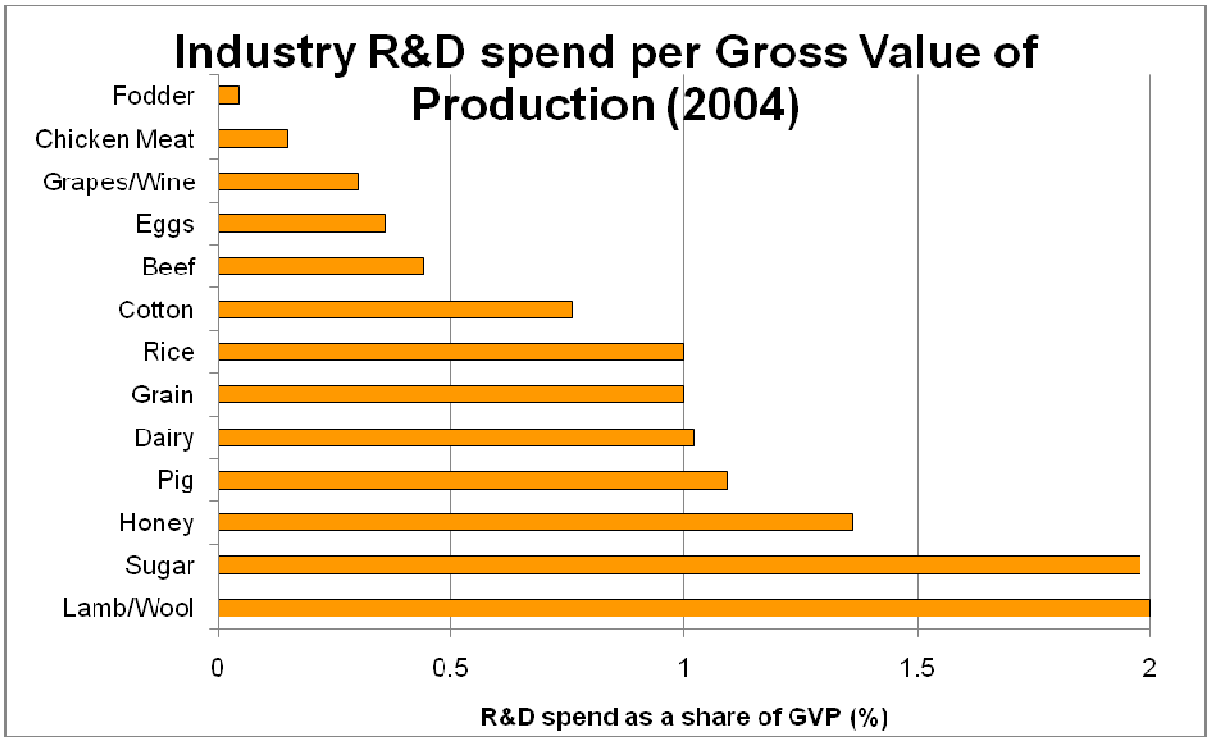
Innovative tools such as additives and inoculants, and improved infield testing of quality and moisture can reduce the time hay remains exposed to weather damage in the field. Improved fodder quality through better assessment tools can boost milk production and achieve target live weight targets earlier.

Current funding

Unfortunately the fodder R&D effort in Australia is poorly funded. Fodder is a feed input for many industries. There is no coordinated research effort in to hay and silage. Fodder R&D remains no single industry's problem.

The dairy industry is a major consumer of fodder using an estimated 62% of the total production. Dairy Australia has conducted some high quality projects for silage. A small fodder R&D program has been coordinated by RIRDC.

According to RIRDC, the direct investment into fodder-specific research in 2007 was just under $900,000, or 0.045% of the gross value of the product. By comparison, the direct investment in research by the other major rural industries in Australia is approximately 1% of the value of their industries.



The case for Government investment

Government assistance has been provided to establish stock containment areas during drought yet there is no focus on the hay and silage that is needed to feed stock inside these areas. The current policy of providing subsidies for the freight of fodder to drought areas does not provide incentives to increase production and is distorting to the market.

Government investment and help in rallying cross industry investment into this area is needed to avoid further risk of low supplies. With better tools, Australian farmers will have improved risk management, a viable fodder industry and greater self reliance for times of drought.

A mandatory levy matched with Government funds can address these issues.