

Comments on: "Agricultural Competitiveness" Green Paper

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Recommendations

1. That the White Paper contains an overall national economic narrative which clearly articulates the role of agriculture within the economy. This national economic policy framework requires articulation of the drivers for change in the economy.
2. That the White Paper clearly articulates a coherent understanding of the agricultural economy and its drivers for change.
3. That the White Paper clearly articulates national economic policy framework within which agricultural policy inheres.
4. That the White Paper clearly articulates an agricultural policy framework which is consistent with the preceding.
5. That the White Paper clearly articulates individual agricultural policies which are relevant, internally consistent, and consistent with other agricultural and broader national policies.
6. That the White Paper require a clear role for economic analysis in identifying desirable changes to existing policy, and consideration of new policy options.
7. That the White Paper be clearly evidence-based. That is, its prescriptions are supported by good and clearly-identified empirical evidence and analysis

1. Background

The issues paper for the Agricultural Competitiveness White Paper lists its key areas of interest as:

1. Food security in Australia and the world through the creation of a stronger and more competitive agriculture sector;
2. Means of improving market returns at the farm gate, including through better drought management;
3. Access to finance, farm debt levels and debt sustainability;
4. The competitiveness of the Australian agriculture sector and its relationship to food and fibre processing and related value chains, including achieving fair returns;
5. The contribution of agriculture to regional centres and communities, including ways to boost investment and jobs growth in the sector and associated regional areas;
6. The efficiency and competitiveness of inputs to the agriculture value chain—such as skills, training, education and human capital; research and development; and critical infrastructure;
7. The effectiveness of regulations affecting the agriculture sector, including the extent to which regulations promote or retard competition, investment and private sector-led growth;
8. Opportunities for enhancing agricultural exports and new market access; and
9. The effectiveness and economic benefits of existing incentives for investment and jobs creation in the agriculture sector. (<http://agriculturalcompetitiveness.dpmc.gov.au/>)

Of equal importance to the items that were included in this list, are the key issues that were excluded. These excluded issues are important because, unless the right questions are asked, the wrong answers are likely to eventuate:

- i. Because of the importance of trade to Australian agriculture, having a coherent national economic framework is absolutely critical to understanding the future well-being of the agricultural sector. While national agricultural policy-making might be constrained by the realpolitik of government policy making, making good agricultural policy demands that it be rooted in a sound understanding of the overall economic environment.
- ii. For example, improving market returns at the farm gate requires focus on both production and supply side issues, and also the demand side. Of critical importance on the demand side is the Australian dollar exchange rate, because this determines the domestic Australian dollar price of exported agricultural commodities and food import competition. While the exchange rate is a macroeconomic issue whose direct management is outside the policy scope of an agricultural White Paper, discussing agricultural policy without considering the central role of the exchange rate is like attempting to breathe in a vacuum.
- iii. Considering ways of improving market returns at the farm gate also demands an understanding of likely future developments in world agricultural commodity markets – both in the context of opportunities for new markets and products, and threats to existing markets from changes in those markets or increased pressure from existing or new competitors.
- iv. While science is never known with certainty, the weight of current scientific evidence firmly favours the likelihood of major – if not severe – climate change in Australia as a consequence of human-induced global warming. This expected climate change is likely to affect both the averages and distributions of climate variables (e.g. rainfall and temperature) and climate patterns such as seasonality and variability.¹ While some of

¹ e.g. p.66: “Australian farming is characterised by extreme seasonal fluctuations—including recurring droughts. The Bureau of Meteorology and CSIRO have predicted that droughts are likely to become more

these climate impacts may be manifested as increased frequency and longevity of drought (see section 3.5 below), drought is not the only possible consequence of climate change. For example, severe frost damage in northern NSW and southern Queensland in mid-August 2013 because the crop was 2 weeks early is quite possibly a consequence of climate change. Conversely, there were severe late frosts in southern NSW and Victoria in October.² Changing frequency, incidence and severity of floods and fires are also possible impacts of climate change on agriculture. Because the future is uncertain, it is ultimately unknowable whether or not climate change will – and if so how – affect Australian agriculture. But it is certainly desirable to frame future policy so that it is adaptable to such future events – and, certainly, not to ignore the possibility of future climate change.

- v. foreign ownership in Australian agriculture (although, fortunately, this issue is at least mentioned in the Green Paper, it is not well handled – see below)
- vi. variation in returns across agriculture (again, fortunately, this issue is at least mentioned in the Green Paper, although again not well handled – cf. section 3.1 below)

2. Key Issues

2.1 General framework

The Green Paper is long on platitudes and piety but short on consistent and coherent analysis. The Paper is largely a “grab bag” of populist proposals, without a strong, coherent theme running through the document to provide a framework for long-term policy viability. The lack of an overall narrative, and lack of a national economic perspective within which agriculture operates, appears to have encouraged both the writers of the Green Paper, and those who made submissions, to consider problems and policy solutions in isolation from other proposals and also in isolation from the national economic narrative. This kind of thinking leads, for example, to a failure to think about “knock-on” effects of implementing particular policy proposals, especially where there are unintended consequences or collateral damage.

Platitudes and pieties include:

The question of the appropriate policy settings for a healthy agriculture sector extends beyond the economics of yields, productivity and prices; it also encompasses the issue of the ownership of the nation by the people in the most seminal and tangible form. Farming is a statement of who we are. Families on the farm are both the overwhelming driver of the economics of the farm as well as the owner of the asset. The concept of a family farm being small and inefficient is a misrepresentation of the reality that is today’s business-oriented enterprises focused on market needs. Policy settings need to enable business success [sic] to be mindful of increasing returns to those who contribute most of the work and carry so much of the risk. Family farms are a cornerstone of Australian agriculture and rural communities and policy must reflect this fact, and the aspirations of those Australians who would seek to participate. Family farms are the best stewards of the land because they’ve been on it for generations and care about maintaining it for future generations. (pp.x-xi)

It is asserted that “But to take advantage of this capacity, we need to ensure environmental regulations and processes affecting new development are based on science and not emotion” (p.ix) however the argument quoted above (Green Paper pp.x-xi) is simply one of emotional

frequent and severe in parts of Australia (Hennessy et al. 2008).” But, with climate change, these “extreme seasonal fluctuations” are likely to change into the future; the past is not necessarily a good guide to the future.

² <https://www.ppbadvisory.com/insights/d/2013-12-04/national-grain-update-december-2013>

rhetoric and not based on science. The preference for “science and not emotion” needs to be a general principle, not one taken up or abandoned simply on whim.

The lack of a coherent, overall economic framework or “narrative” means it is very difficult to know which, if any, of the proposals by either government or stakeholders is sensible because there is no “base case” against which to make an economic assessment.³ While it is difficult to predict future outcomes – although there are some brave attempts to do so in the Green Paper – it should be easier to predict some of the key drivers of both the Australian economy generally, including its international context, and what is likely to happen to agricultural drivers within this broader narrative. For example, it can be expected that developing countries will continue to become more competitive for many forms of manufactured consumer products, and that developed countries – and, increasingly, developing countries – will continue to be competitive in the production of major capital goods. Australia will continue to import capital in the form of finance, and capital goods and technology. Australia’s focus in production will continue to be in mining, agriculture & service industries, both for domestic production and for export, because these are areas which are internationally competitive. However, this does not mean that every mine, every service provider, or every farm or agricultural sector will be internationally competitive. Government will need to be astute to construct a policy framework which is not hostage to marginal firms and marginal industries, nor their lobby groups or media supporters.

World population will continue to grow, but this growth is likely to occur mostly in areas without the income or infrastructure to import Australian agricultural products, and without necessarily the taste for the kinds of agricultural products that Australia traditionally produces. However, the rapid growth of a middle class in many Asian countries, and changes in incomes and tastes in these countries towards traditional Australian protein products such as meat and milk products, and possibly some horticultural products, provides market growth opportunities.⁴

On the input side, Australia is likely to continue to have a relatively highly skilled, and therefore a more high cost, labour force than developing countries. However, as these countries develop, their own wage rates will rise.⁵ Australian wage rates are also likely to be ameliorated by the decline in the investment phase of the recent mining boom. Australia’s competitive advantage will be in using its scarce and costly labour in high valued industries – these industries will produce high valued products and services for international markets, or will be domestically high valued because import costs are prohibitive. There will, of course, continue to be pressures to import low cost foreign labour to work in lower valued industries, much as immigrant labour was used in the 1950s and 1960s in the highly tariff protected but low profitability industries of textiles, clothing, footwear & motor vehicles.^{6,7,8} A possible economic consequence of this

³ Political assessment, of course, is easier because it does not require an explicit “base case” – or, indeed, a base case at all.

⁴ It is pleasing that the Minister has abandoned the absurd slogan of Australia as the “food bowl of Asia” – e.g. <http://www.abc.net.au/news/2014-08-31/australia-not-the-food-bowl-of-asia/5680282>

⁵ e.g. <http://www.bloomberg.com/news/2014-01-06/china-wages-seen-jumping-in-2014-amid-shift-to-services-.html>

⁶ “Stakeholders raised concerns about high labour costs in Australia and the need to be able to access and attract more workers, both low and high skilled. All workers in Australia should be fairly remunerated and have minimum terms and conditions for employment.” and “While jobs for Australians are a first priority, many agricultural jobs are not being filled locally and this creates a need for imported labour (AWPA 2013).” (p.53)

⁷ The Working Holiday Maker (WHM – 417) and the Temporary Work (Skilled) visa (subclass 457) programmes provide a critical source of additional labour. For example, a 2011 survey of the horticulture sector found that 73 per cent of respondents used backpackers as their main source of labour (Hay & Howes 2012). Stakeholders consistently requested that visa programmes be extended and made more flexible. At present, some businesses report having to engage full-time office administrators to handle the compliance burden of superannuation arrangements as they relate to visa holders.

policy is to keep the price of labour down, thereby discouraging capital-labour substitution, and encouraging the retention of more labour intensive industries in which Australia does not have a competitive or comparative advantage. While undoubtedly of value to existing firms in these industries, and to some special interest groups, attempting to maintain low-valued labour-intensive industries may be to the long run disadvantage of the Australian economy, much as was past tariff protection. If, conversely, government listens to the pleadings of special interest groups, it will continue to attempt to find ways of supporting these low profitability industries. Government has done so in the past, and no doubt will continue to make these errors in the future. An economic consequence of this action is to retain – and even draw more resources into – low profitability and low valued industries which are a drag on Australian productivity.

One of the Australian Government's "agriculture policy principles" is "increases returns at the farm gate—by reducing costs and unnecessary barriers to productivity and profitability" (p.viii). Such analysis focuses primarily on the supply side of the economy, rather than a comprehensive analysis which acknowledges the equal importance of both the demand side together with the macroeconomic environment that conditions both the supply and demand sides. Considering both the demand side and the macroeconomic environment, the current Government probably has had a long-run detrimental effect on Australian agriculture by abolishing the Mineral Resources Rent Tax, because this could have been an effective way of keeping the exchange rate lower than it would otherwise have been which would have benefited both agricultural exporters and agricultural producers competing against food imports. Moreover, had an effective MRRT been enacted in, say, 2000 it would have slowed the mining boom and prevented the exchange rate ramping up to such high levels, with detrimental impacts on export prices expressed in Australian dollars – particularly for agricultural commodities – and would have also dampened import demand for agricultural and fishing commodities. Continuation of an effective MRRT would have effectively taxed the supernormal profits of overseas shareholders who own a substantial proportion of the value of mining companies.⁹

Occasionally the Green Paper lapses into absurdity:

Export markets provide farmer's [sic] with an important alternative to selling to the big two supermarkets. (p. xxxv)

Farmers export because it is profitable to do so. While some produce could be sold on either export or domestic markets – e.g. some meat, butter, cheese – other produce sold to supermarkets would not necessarily be easily exported, such as eggs and fresh milk. While this is a minor cavil it is indicative of the lack of overall economic narrative and the focus on ideology.

The Green Paper also notes that both the current Federal Government and its predecessors have:

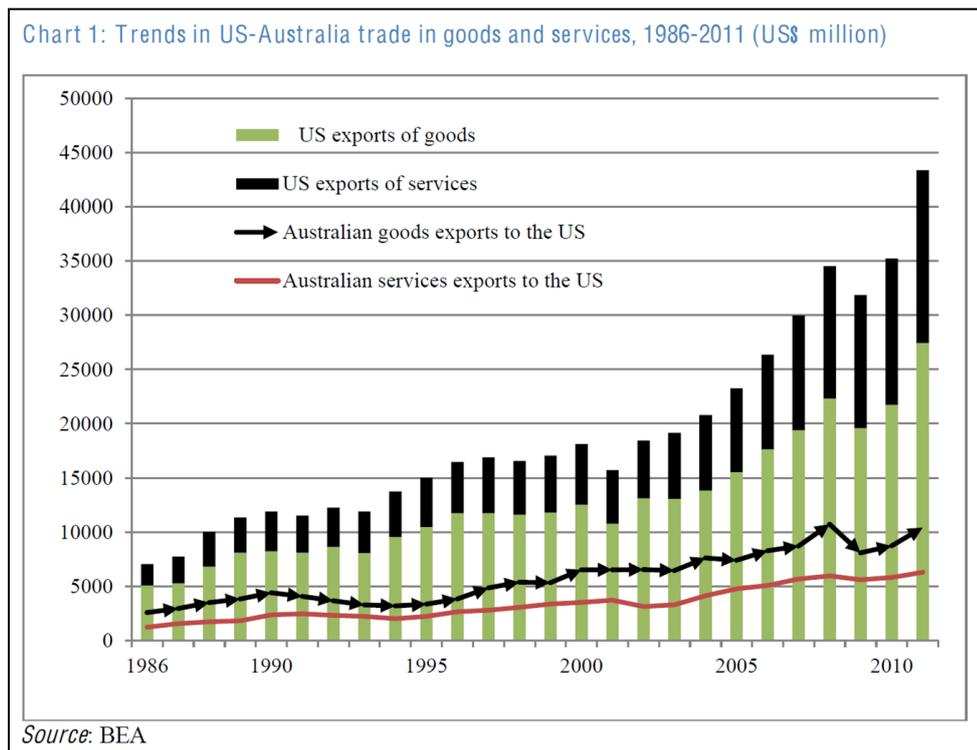
Stakeholders expressed the need for a clearer pathway from WHM to a 457 visa to permanent residency for 'valuable' 457 visa holders where farmers were willing to employ them longer term. This was considered a means to grow regional areas with people wanting to live in regional Australia. (p.57)

⁸ It is ironic that, at the same time as the Government is spending billions actively rejecting and discouraging refugees from entering Australia – people who might accept the kind of low paid work that some industries plead for – it can entertain "Policy idea 15—Strengthening labour availability" via visa arrangements for other foreigners (p.xxvii). Although the Green Paper doesn't mention the word "refugee" it does draw attention to a proposal for "Safe haven enterprise visas" "to encourage irregular maritime arrivals ... already in Australia and found to be in need of protection to work or study in a designated regional area" (p.60).

⁹ By 2000, the then Coalition Government was aware of the revenue from the Petroleum Resources Rent Tax and, in anticipation of expected minerals growth, should have been able to see the value of a more comprehensive resources rent tax framework.

Concluded free trade agreements with the Republic of Korea and Japan. Agreements are also in force with the Association of Southeast Asian Nations (ASEAN), New Zealand, the United States, Malaysia, Singapore, Thailand and Chile. (p. xxxv)¹⁰

While liberalising international trade is generally to the benefit of a small trading country like Australia, bilateral free trade agreements should not be seen as a panacea for a small country like Australia, especially when negotiating with the governments of large economies like the USA and China.¹¹ A case in point is the Australia-US Free Trade Agreement which, since its finalisation in the mid-2000s, has clearly benefited the US much more than it has Australia. Since the mid-2000s, US exports to Australia have increased approximately 110% whereas Australian goods exports to the US have increased only approximately 43% and Australian services exports to the US have increased only approximately 50% (see following graphs).¹²



source: Roger Farrell, 2012, Australia-United States trade, investment and AUSFTA: Closer regional linkages through lower barriers and WTO plus reforms, 21st Century Australia-US Alliance research project of the US Studies Centre [University of Sydney], November, http://www.alliance21.org.au/site/assets/media/docs/TradeInvestment/Farrell_AUSFTA.pdf

The preceding graph shows only that Australian exports to the US have risen much more slowly than trade in the reverse direction. More worryingly, as shown in the following graph, Australian

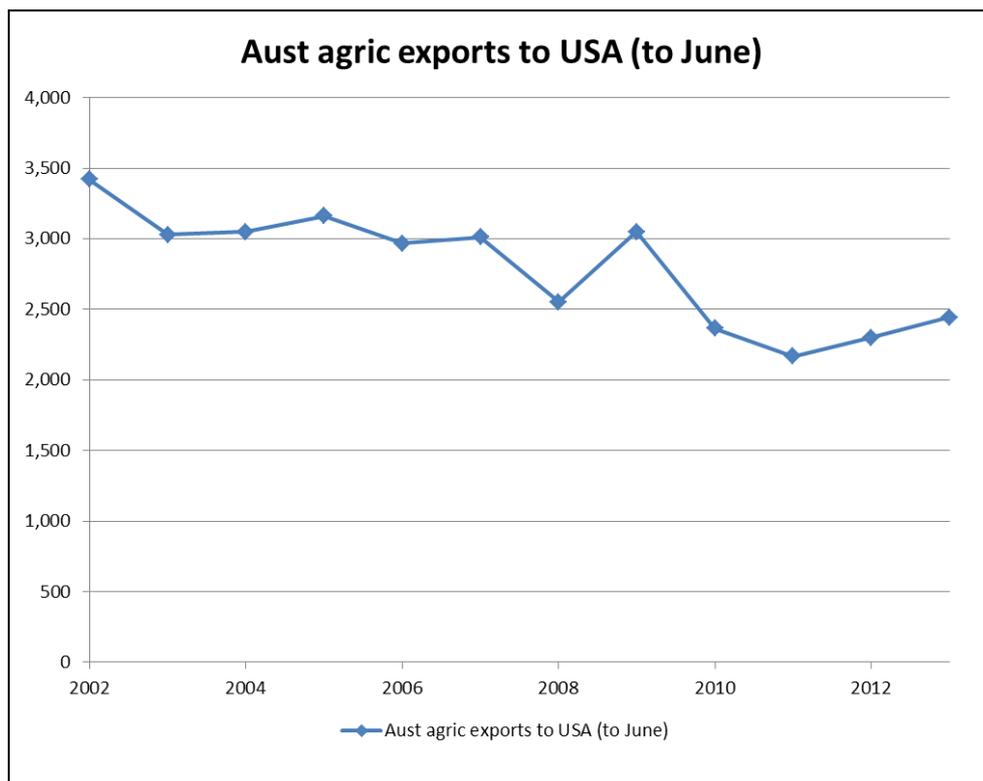
¹⁰ And, more recently, China: <http://dfat.gov.au/fta/chafta/>

¹¹ "At the same time, some stakeholders felt that our negotiators need to make sure that 'agriculture as a sector is not traded off against other sectors to secure a deal' In negotiations, the Government carefully assesses the likely benefits to the Australian economy against the likelihood of achieving liberalisation to try to get the best possible deal for Australia.

"Other stakeholders, such as the National Farmers' Federation (submission IP536), suggest that farmers face barriers in capitalising on FTAs, which may affect uptake of preferential provisions. Barriers include a lack of information on market risks and opportunities (raised by the National Farmers' Federation submission IP536) and behind the border barriers such as compliance with rules of origin and delays and administrative costs (Wong & Wirjo 2013; Productivity Commission submission IP534). The Australian diplomatic network, as well as Austrade, has an important role in helping business benefit from FTA provisions." (Green Paper p.101)

¹² There are, of course, confounding factors such as whether there has yet been sufficient time for the full effect of the AUSFTA to have its full effects; the general appreciation of the Australian dollar since the AUSFTA was signed; the mining boom itself and the likely substantial import of mining machinery and services from the US; and the global financial crisis.

agricultural exports to the US have fallen substantially since the early 2000s and this fall does not appear to have been ameliorated by the AUSFTA.



data sources: ABARES *Agricultural commodity statistics 2013* and *Australian commodity statistics 2009*
http://data.daff.gov.au/data/warehouse/agcstd9abcc002/agcstd9abcc0022013/ACS_2013_1.0.0.pdf
http://data.daff.gov.au/data/warehouse/pe_abarebrs99001676/acs_09.pdf

3. Detailed comments

3.1 Farm profitability

p.2: “Intervention by government has had varying degrees of success for the agriculture sector. Bounties, subsidies, tariffs, import embargoes, price underwriting, two-tiered pricing for domestic and export markets and stabilisation schemes have been employed at different times to try to provide stable returns to farmers.” [emphasis added]

This comment attempts to rewrite history; the major interventions listed were primarily aimed at raising farmer returns; “stabilisation” was the rhetoric to camouflage this intention.

p.5: “On average, profitability in Australian agriculture is low, ...”

- do averages matter? why? (see following graph)
- can or will policy lift average profitability or simply the profitability of high-profitability farms?
- why do Australian land values remain high if profitability is low?

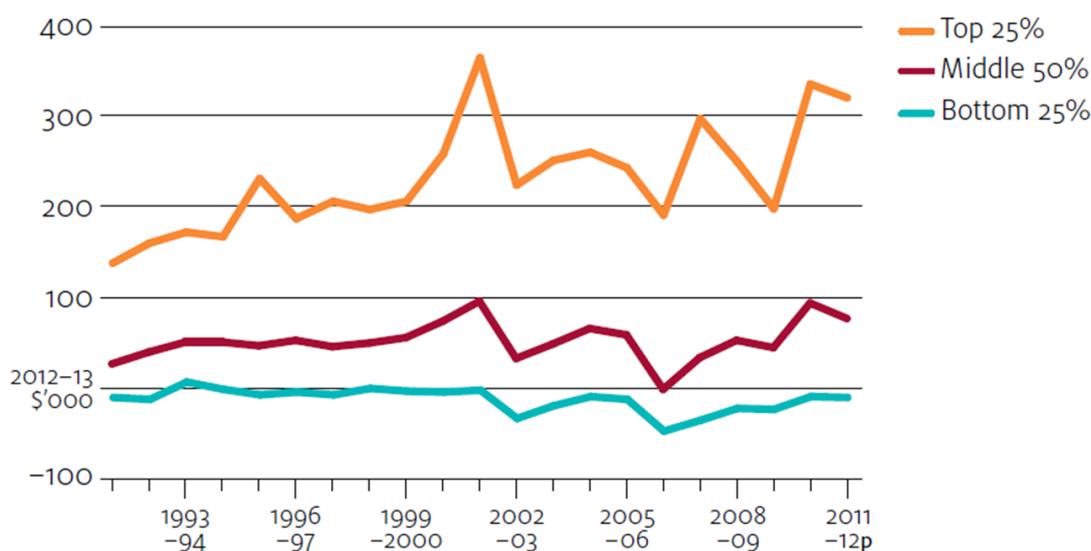
p.6: “There are [sic] a range of factors driving the relatively low profitability of farming.”

But this has always been the case – the key question is “has this relatively low profitability” changed over time? If it hasn’t changed, is there a problem?

It is probably the case that people are willing to take up farming despite knowing about this “relatively low profitability of farming”. What needs to be said about the psychic or non-pecuniary income from farming?¹³

It is also necessary to understand (i) whether the same farmers are always within the same income band of “top 25%”, “middle 50%” and “bottom 25%” or whether they change bands as circumstances change; and (ii) if farmers remain with a band, the motivations of farmers in the middle 50% and bottom 25% of the income distribution. If farmers in the lower bands have significant personal motivations additional to returns – or if their motivations are divorced from profitability – they may simply not be interested in changing their performance to move to another band.¹⁴

Farm cash income, broadacre farms



p ABARES preliminary estimate.

source: ABARES 2013 *Australian farm survey results 2010–11 to 2012–13*
daff.gov.au/abares/publications

p.6: “We need to improve the profitability of farm businesses. The top 25 per cent of farms earned significantly better rates of return than the average, driven by a range of factors, including differences in scale ...”

- why do “We need to improve the profitability of farm businesses”? Is it possible to do so?
- If “differences in scale” is a significant factor in the better performance of the top 25% of farms, how many farmers will have to leave their farms to lift the profitability of the remainder of the bottom 75% up to the level of the top 25%? The scale of all farmers can’t be lifted simultaneously – is the Green Paper proposing a return to the slogan “Get big or get out”?

¹³ On the general problem of interpreting farm income data, including profitability, see: Vincent, David P. “Economic Aspects of Farm Poverty”, *Australian Journal of Agricultural Economics* Volume 20, Number 2, August 1976, <http://ageconsearch.umn.edu/bitstream/22684/1/20020103.pdf>

¹⁴ It is also necessary to note that there will always be “top 25%”, “middle 50%” and “bottom 25%” bands, even if overall the sector improves its profitability.

p.7: “Key elements of the profitability challenge are realising better access to markets, adoption of the latest R&D, education, connected infrastructure, finance, less regulation, reduced costs as well as open and transparent competition.” (emphasis added)

Does this include “less regulation” on the purchasers of farm products such as supermarkets ? One person’s “good” regulation is another’s “red tape” (cf. following section 3.2).

3.2 Market power

Another of the Australian Government’s “agriculture policy principles” is “reduces unnecessary regulation at all levels of government—to give greater ownership and rights to farmers” (Principle 5, Figure 1, p.viii).

“Ownership” of what, and “rights” to what?

Is there any argument/evidence that farmers need “greater ownership and rights”, or is this just an ideological platitude?

p.24: “There needs to be greater transparency and responsibility in the supply chain. Farmers are always being told to find more efficiencies and savings but while the farmer makes the greatest investment to produce their crops, it’s clear the greatest share of profit sits between the farmers and the consumer.”

Just because marketing margins are high, and farmers receive a small percentage of the final product price, this does not necessarily mean that the “greatest share of profit” occurs post-farm – although this may be true. Marketing “margins” comprise the value of services added at each stage of the supply chain, together with profits (the return to capital). The key question is “what is the efficient level of costs and profits at each stage of the supply chain?” This question needs analysis not platitudes.

p.25: “For many producers, a lack of transparency and certainty in price ... Some stakeholders, such as Robert Mulkearns (IP433), suggested that government intervention was needed to compel public price information.”

The world is full of uncertainty, and decision makers control uncertainty as best they can. However, reducing uncertainty is a costly economic activity, and should be optimised, not eliminated or reduced to the lowest possible level. There is also an issue of who bears the costs and benefits of the management of uncertainty.

p.32: “iii. increase penalties for breach of the CCA including a general divestiture power enabling courts to break up a business that repeatedly breaches the CCA, ...” and “b. Reviewing competition laws to consider whether there are any barriers to greater consolidation among agribusiness firms—Consolidation could encourage emergence of major Australian agribusiness companies of global scale in agriculture sectors of traditional strength (such as meat, dairy, grains, wool, oilseeds and sugar).”

These assertions seem contradictory – on the one hand it is proposed to break up large firms, essentially the duopoly supermarkets, while on the other encouraging the emergence of agribusiness firms large enough to compete on international markets which would have competition implications within Australia. If such contradictions are considered, it behoves government to explain why such assertions are not contradictory.

It is ironic that one of the duopolistic supermarkets is owned by a firm that has its origins in agribusiness – indeed, as a farmers cooperative.¹⁵

¹⁵ <http://www.wesfarmers.com.au/about-us/company-structure.html>

It is asserted that:

The Government is committed to ensuring competition laws in Australia enable a competitive marketplace — for example, by preventing the misuse of market power and allowing for appropriate collective bargaining by farmers. The Government is also committed to reducing red tape faced by farmers and through the supply chain. (p.xxi)¹⁶

However, competition laws are themselves “red tape”. In the context of the Green Paper’s claim that “Regulation is important for both economic and social reasons, but it must be effective and efficient” (p.xxi), what is “desirable” regulation for one group can easily be “red tape” for another. The key issue is not platitudes and pieties, but an effective analysis of the costs and benefits of regulation. And as Chris Richardson’s (Access Economics) recent paper points out, this is generally done only for government, not for “red tape” internal to the private sector.¹⁷

p.xxii: Stakeholders suggested that the Government:

- a. introduce options to increase price transparency throughout the domestic supply chain;
- b. introduce new marketing mechanisms that might restore balance of power to the producer; and ...

- of course, these options also require “red tape”.

3.3 Finance and Debt

Another example of the Green Paper’s impoverished analysis is:

Australia’s foreign investment regime is very open and we have traditionally relied on foreign investment to meet shortfalls in domestic savings. (p.xxv) [also 3 times on p.49]

This argument is conceptually wrong. A correct economic analysis is that accessing overseas funds provides more capital at lower interest rates than would be possible without overseas borrowing. That is, the equilibrium level of available finance is greater, and at lower interest rates, with an open financial market than is possible in a closed financial market. Put another way, there are only “shortfalls in domestic savings” compared to the present if the Australian finance market were partially or effectively isolated from international finance markets, as indeed it was prior to the deregulation of Australian financial markets in the 1980s.

p.34: “The level of debt in the agriculture sector is a major concern for stakeholders and the Government. While the overall level of debt in the sector is not high relative to farm assets or other sectors nationally, it is clear that segments of the sector and geographic regions face unsustainable debt burdens. As a consequence many farmers may not be in a good position to service their debt when faced with an unexpected downturn.”

This assertion seems contradictory. If some “segments of the sector and geographic regions face unsustainable debt burdens”, then on face value – if “the overall level of debt in the sector is not high” – there is clearly a problem with farm profitability in these segments and regions. The key issue would seem to be to focus on the reasons for problems with farm profitability rather than problems of debt which are only a consequence of these underlying problems. If the debt is addressed by subsidies, the underlying problem still remains and, indeed, may be exacerbated.

¹⁶ the definition of “red” tape often seems ad hominem: “regulation that I don’t like”.

¹⁷ <http://www2.deloitte.com/au/en/pages/building-lucky-country/articles/get-out-of-your-own-way.html>

p.35: “Rural debt levels have risen over the last decade to a total of \$64 billion in 2012–13, with bank lending to businesses in the agriculture, forestry and fisheries sector making up \$61 billion (RBA 2014f). Most of the rise in gross debt over the last decade occurred prior to 2008 and debt has been relatively stable since then. Key drivers of the increase included lower interest rates, increasing farm scale, structural change towards more capital intensive operations, and the availability of interest-only loans (ABARES 2013c; ABA 2014). Higher debt in the 2000s was also supported by rising land values, with these often not backed up with higher returns that could be earned from that land (ABARES 2013c).”

From this argument, it looks like expansion in debt was economically rational, responding for example to the lower prices of debt (and also possibly to drought, a factor not mentioned here). The comment that “Higher debt in the 2000s was also supported by rising land values” seems odd in that – if as reported, a key driver of higher debt was “increasing farm scale” – then demand for land acquisition to increase farm scale would likely have driven up land prices in the absence of an increased supply of land for sale rather than “rising land values ... not backed up with higher returns”.

Note: the subsequent paragraphs in the Green Paper are sensible.

p.37: “New thinking would have us working with superannuation funds to create a product where the farmer gives superannuation equity for concessional access to finance.” (emphasis added)

The rules of superannuation entities would be unlikely to permit them to exchange equity for concessional finance because this would be to the detriment of contributors to the superannuation scheme. At best, superannuation entities could provide competitive finance through purchasing equity. cf. p.43 where this problem is explicitly addressed.

p.49: “6: Foreign investment” “Community feeling on the issue of foreign investment is strong” (p.49) and “Community feeling on this issue is strong, with mixed views received from stakeholders.” (p.50)

Given the extreme paucity of not only information about foreign investment in Australian agriculture, but also a framework for understanding the economic issues involved, the Green Paper might usefully recommend that government fund a study of how to assess the benefits and costs of foreign investment in Australian agriculture. It is hardly surprising that community feeling is “strong” about foreign investment in Australian agriculture given the lack of an analytical framework and coherent data.

p.xxiv: Policy idea 10—Improving access to finance: The Government wants effective finance mechanisms to provide farmers with the capital they need to grow. Stakeholders suggested a number of options for assisting Australian farmers to better meet their financing requirements including:

- a. making the existing concessional loans scheme permanent; and
 - b. creating incentives to encourage greater institutional investment in agriculture.
- Options could include creating superannuation products that exchange cash for partial equity in farms and the issuing of special Government bonds to finance agricultural infrastructure investments, with taxation concessions for investors. (emphasis added)

The question must be asked as to why the loans should be concessional? (see above comment relating to p.37 regarding concessional finance from superannuation funds.)

3.4 Rural services

p.xxvii: "increasing financial support for regional education by extending the Assistance for Isolated Children (AIC) allowance and providing living away from home allowances for students from remote areas studying tertiary agriculture"

A major issue for low-profitability industries is to ensure that the children of households engaged in those industries do not become trapped in that industry. The general social infrastructure – especially education opportunities – is a key to ensuring that current socio-economic problems do not persist over time.

Wilkinson summarised two earlier studies:

"Another way in which farm families have dealt with tough times is through parents discouraging their children from taking up farming as a career. The parents don't leave agriculture, but their children do not enter the industry. Where farms are small and viability is marginal, some farming parents have deliberately equipped their children with the education required for them to obtain remunerative city-based employment. In a study of an area in south west Victoria of predominantly small farms with low equity that had been taken up by soldier settlers about 20 years previously, 70 per cent of the children of respondents had left the district, mostly to go into 'white collar' jobs (Hawkins and Watson 1972)."

"The respondents in another study went even further (Bell and Nalson 1974). These dairy farmers on the north coast of New South Wales were under pressure from several sources, and 90 per cent of them said they wanted to see their sons leave the industry. They not only provided their sons with education, but also deliberately socialised them against the dairy industry and inculcated them with the notion of seeking more lucrative employment away from the farm. "Parents premeditatedly set out to break the traditional father-son dairy farmer occupational continuity" (Bell and Nalson 1974, p. 62)."¹⁸

Wilkinson also noted:

"These examples are now a generation old, but the processes they describe still have some currency. A more recent example is provided by Wilkinson (2009), who observed that whilst woolgrowers have tried not to encourage their children from taking up woolgrowing, they have also tried not to discourage them, and if a child did want to farm they would do whatever they could to make it possible, even if it meant selling a long held family farm and moving to an area where land was cheaper. For these farmers inheritance of the occupation of farming was a more strongly held ideal than inheritance of the family farm itself."¹⁹

If it is desirable to support the education of children in regional (and remote) areas, then it is vital these students should be supported in any field in which they have aptitude, and not to condemn them solely to an industry for which they may not have aptitude and where their future income prospects may not be as promising as other vocations.

¹⁸ p.3 in Wilkinson, Roger (2010), "Leaving farming: the experiences of some northern Victorian families", Working paper, Department of Primary Industries, Bendigo, January

http://www.parliament.vic.gov.au/images/stories/Deborah_Peterson_Supporting_Evidence_web.pdf

J.H. Bell and J.S. Nalson (1974), *Occupational and residential mobility of ex-dairy farmers on the north coast of New South Wales: a study of alternative occupations*, Dept. of Sociology, University of New England, [Armidale, N.S.W.] (this paper is relatively difficult to access).

¹⁹ p.3 in Wilkinson, Roger (2010), "Leaving farming: the experiences of some northern Victorian families", Working paper, Department of Primary Industries, Bendigo, January

http://www.parliament.vic.gov.au/images/stories/Deborah_Peterson_Supporting_Evidence_web.pdf

p.62: “Stakeholders also suggested a living away from home allowance for students from remote areas undertaking tertiary agriculture study.”

Why should agricultural study be privileged? Why not medical/education studies also? Or any studies to assist disadvantaged families? (as in “While recognising the financial burden of education on regional families, the Government considers that public funding should be balanced between individual assistance and investment in agricultural education generally.” p.62) See. also preceding argument.

p.54: “School education: Several stakeholders suggested that agriculture needed to be embedded as a core subject in our education system. The Government believes that it is appropriate for agricultural issues to be integrated through the education system in a way that builds agricultural literacy.”

It is ironic that this argument is being made at a time when Government and educationists are arguing that the school curriculum is overloaded and many existing themes in the curriculum should be removed,²⁰ and

Why should agriculture be privileged as an industry theme as opposed to mining, or forestry, or fishing, or car manufacturing, or health services etc ?

3.5 Drought

p.65: “However, there are community expectations of a role for government in providing appropriate support to farm families and otherwise viable farm businesses suffering severe droughts.”

- This is simply a political statement with no supporting evidence. And what is “appropriate” support? The NFF comment seems more reasonable:

“Government policy should facilitate preparation by farmers for future drought events. Policies need to recognise that preparedness requires time, skills and resources to be effective, and must also acknowledge that there may be future drought events which are beyond the reasonable capacity of farmers to prepare for.” (p.65; see also p.70)

However the concept of “beyond the reasonable capacity of farmers to prepare for” is undefined, especially if drought will have increasing frequency & severity because of climate change. (see below, comment on p.71)

p.69: “a. Introducing accelerated depreciation for new water and fodder infrastructure”

- supporting the retention of livestock on-farm for longer periods during drought probably increases the risk of land surface damage when plant cover has disappeared and could therefore lead to subsequent requests for land rehabilitation assistance.

There is a need to consider drought policy in a production system context, not as discrete financial policy propositions; e.g. might assistance for trucking livestock out be preferable to policies that encourage retention of livestock on bare paddocks?

p.70: “Another option—which falls within State and Territory responsibility—is removing or waiving stamp duty on insurance products.”

²⁰ e.g. Recommendation 17, p.247 in Donnelly, K. and Wiltshire, K. (2014), *Review of the Australian Curriculum: Final Report*, Canberra, http://docs.education.gov.au/system/files/doc/other/review_of_the_national_curriculum_final_report.pdf

- again, why should farming be privileged over the rest of the community, or is the proposition to eliminate stamp duty on all insurance products?

p.71: “What makes a drought event ‘beyond the reasonable capacity of farmers to prepare for’, is it the severity, the length or a combination of both? Is there a minimal length of time that farmers should be expected to manage—especially given the other forms of support available—before direct farm business support is provided? Should a drought that is ‘beyond the reasonable capacity of farmers to prepare for’ be defined as a drought that exceeds past drought records? Could this criterion be applied at a local level (that is, should assistance be made available when a drought occurs if it has never occurred before in the local area)?”

- how should this comment be interpreted in the context of expectations that drought is likely to be of increasing frequency & severity (cf. preceding). i.e. a dynamic policy response is required, not a static one for today only.

- cf. same page “Is it appropriate to treat a one-in-75-year drought differently from a one-in-20 year drought, and if so how?” The expectation is that the frequency & severity is changing, thus what is today a “one-in-75-year drought” might tomorrow be a “one-in-20 year drought” – hence the desirability of a dynamic policy response, not a simple static one.

3.6 Water

The section on “Water resources” (pp.72-78) is generally quite misleading and betrays a strong pro-irrigation ideology. For example:

“In 2011–12, around 59 per cent of the water used in Australia was for agriculture (ABS 2013c).” (p.73)

It is clear from the context that “water used in agriculture” means “(stored) water used in irrigated agriculture”. This section is primarily about impounded water resources, primarily for irrigated (crop) production. It thus overlooks the roughly 70 per cent of non-irrigated agriculture that depends on (rain) water.

If “irrigated land accounts for around 29 per cent of the gross value of agricultural production” (p.73) this means that about 70 per cent of the gross value of agricultural production is produced in dryland agriculture. Further, since production costs are higher in irrigation agriculture, then the net benefit of irrigation agriculture (value added) is likely to be substantially less than 29 per cent of value added in agriculture.

This conflation of “irrigated agriculture” with agriculture as a whole leads to erroneous conclusions; for example:

“Improving access to reliable water supplies and better managing existing water resources is essential for the continued growth of the agriculture sector” (p.xxx)

This assertion is primarily about improving access to irrigation water, not water for all of agriculture. Improving “reliable water supplies” for non-irrigated agriculture probably requires very different (policy) measures than those for irrigated agriculture – and, in a document focusing on longer term policy requirements, demands an explicit treatment of likely climate change.

Arguments about improving “reliable water supplies” for irrigated agriculture often ignore that irrigated agriculture and dryland agriculture are in competition for the same resources, including water. Providing both capital for additional irrigation storage, and water for additional irrigation, will economically disadvantage dryland agricultural production as it will intensify the competition

for agricultural inputs. The stock of capital available for dryland agriculture will be reduced, and the costs of inputs like labour, fertiliser and agricultural chemicals increased, thus putting further competitive pressure on dryland producers.

Similarly:

“Water availability for agriculture could be improved through implementing water efficiency projects, improvements to existing water infrastructure and, where demand is justified, developing new water infrastructure. Water availability for agriculture could be increased through additional infrastructure projects, including through identification of new dams or aquifer recharge projects.” (p.73)

Again, this argument is primarily about “water availability for irrigated agriculture”, not “water availability for agriculture”.

The use of economics in the Green Paper to guide assessment of new water projects is extremely misleading:

“In 2014 the Minister for Agriculture chaired a Ministerial working group to identify how investment in water infrastructure, such as dams and groundwater storage, could be accelerated and to identify priorities for investment that can deliver Australia’s water supply needs in the future.” (p.74)

The first issue to be examined ought not to be “how investment in water infrastructure ... could be accelerated” but whether such investment ought to be accelerated – or, indeed, occur at all. And the guidance in the Green Paper about how such assessment should be conducted is very misleading:

“Because major water infrastructure has long lead times, and requires substantial capital and maintenance for many years, any public or private investment needs to be based on comprehensive analysis of cost-effectiveness and feasibility.”(p.74)

What is required is cost-benefit analysis, not analysis of “cost-effectiveness and feasibility”. The theme of “cost-effectiveness” rather than cost-benefit analysis is continued in the Green Paper’s third principle in Figure 19 “Principles for Commonwealth involvement in water infrastructure projects” (p.75):

“the investment should provide the highest net benefit of all options available to increase access to water, taking into account economic, social and environmental impacts”
[emphasis added]

It ought to be mandatory to at least require that Net Present Value be greater than zero (i.e. benefits exceed costs), not just that it was greater than any of the other water investment options available. Further, it would be preferable if the criterion were not just confined to the “highest net benefit of all options available to increase access to water”. It would be preferable to ensure that an irrigation water project was better than any other use of scarce investment funds, not just limit it to those options that increase access to irrigation water. Other projects that the Federal Government might consider investing in competition with water investment might include dryland agriculture, rural roads (or roads in general), or rail, or education, or health infrastructure etc. In fact, the third principle in Figure 19 directly contradicts text on the previous page:

“Government involvement in water infrastructure development should be directed to activities that are in the national interest, deliver net economic and social benefits and broader public benefits.” (p.74)

p.75:

Figure 19, Principle 1 “projects need to be nationally significant and in the national interest”

– what does this mean?

- “projects should address a market failure which cannot be [otherwise] addressed” (Figure 19, principle 4)

– what market failures are contemplated here? Market failures generally arise from provision of irrigation schemes rather than justify provision of an irrigation scheme in the first place.

- “projects should align with the Government’s broader infrastructure agenda to promote economic growth and productivity” (Figure 19, principle 5)

– it is probable that, if the principles in Figure 19 are followed, the provision of capital for water schemes will reduce “economic growth and productivity” – as is suggested by the criteria for assessing water provision which studiously avoids application of cost-benefit analysis principles.

- “if providing capital, a consistent, robust analysis of costs and benefits is used and assessment is undertaken by Infrastructure Australia or similar expert” (Figure 19, principle 7)

– this argument is not necessarily consistent with dot point #3 – “the investment should provide the highest net benefit of all options available to increase access to water, taking into account economic, social and environmental impacts”, and cf. commentary on this point above.

p.73: “For example, CSIRO research indicates that 600 gigalitres per year of extractable groundwater could be available to irrigate between 50,000 and 120,000 hectares in northern Australia, depending on the crop type and irrigation efficiency (Grice, Watson & Stone 2013).” (emphasis added)

- but the key issue is whether or not it is desirable to do so from an economic perspective.

p.74: “Projects also need to be financially sustainable for water users and avoid any negative third party impacts.”

- the second part of this statement is pie in the sky – it is invariably impossible “to avoid any negative third party impacts.”

p.75: “Water availability can also be increased by improvements in existing water infrastructure. This can improve the efficiency of water use as well as saving water for other productive, urban or environmental uses.”

- the qualification in this assertion is only true if (some of) the saved water actually does become available for these other uses. More recent proposals for the Murray Darling Basin appear to reserve additional water from water efficiency improvements for irrigated agriculture.

p.82: “a. Dams and water infrastructure—The Government is seeking to identify new dam and infrastructure projects that can deliver Australia’s water supply needs in the future, including options for moving water from northern catchments to southern and from eastern to western.”

- it is quite unclear whether or not any – or, indeed, all – elements of major water diversions which might be included in an updated “Bradfield” plan would ever pass a cost-benefit analysis test. It should certainly not simply be assumed that “options for moving water from northern catchments to southern and from eastern to western” are economically desirable.

p.82: “b. Taxation concession for water reticulation infrastructure—Some stakeholders suggested introducing a 50 per cent per year deduction over three years (150 per cent in total) for onfarm water reticulation infrastructure.”

– if it’s economic these kinds of investments will be undertaken by farmers; if these investment are not economic, there is no obvious reason that they should be subsidised. The INFFER framework provides one possible mechanism for thinking about these issues (e.g. “INFFER (Investment Framework For Environmental Resources): Practical and Theoretical Underpinnings” at <http://dpannell.fnas.uwa.edu.au/dp1001.htm> see especially Figure 2: Public: Private Benefits Framework as used in INFFER).

3.7 Conservation

p.xxx: “Establishing a Green Army, at a cost of \$525 million over four years, for young Australians aged 17 to 24 to gain experience in pest and weed management and environmental conservation.”

And then what? Where are going to be the long term jobs in “pest and weed management and environmental conservation” that Green Army trainees would want to be the outcome of this training?

p.xxx: “Implementing a One-Stop Shop for environmental approvals to reduce duplication between the Australian Government and the States and Territories, while maintaining high environmental standards.”

Is “maintaining high environmental standards” a serious commitment or a platitude – see comments on native vegetation; e.g. Stakeholders “Policy idea 19—Natural resource management initiatives” (p.xxxi) “a. amending the Environmental Protection and Biodiversity Conservation (EPBC) Act 1999 to remove onerous on-farm conditions and provide right of way to national transport and infrastructure goals; and b. promoting more targeted approaches to pest and disease management and control.”

Clearly the objective is to not maintain “high environmental standards”.

p.xxx: “Implementing the Murray–Darling Basin Plan, including capping Australian Government water purchases at 1500 gicalitres”

Where does “1500 gicalitres” sit in terms of environmental protection? Documents of the Murray Darling Basin Authority relating to environmental protection for the Basin suggest that more than 2,000 GL per year was required “to achieve a number of key environmental objectives for the River Murray downstream of the Murrumbidgee junction (including the Coorong, Lower Lakes and Murray Mouth)”.²¹

Note: “prioritise water recovery through on and off-farm infrastructure investments;” (p.81) probably means that all this water will end up in agriculture, which wasn’t the original objective of the Basin Plan which was to protect environmental assets; it is a misnomer to call “capping Australian Government water purchases at 1500 gicalitres” an implementation of “the” Basin Plan.

²¹ p.v: http://www.mdba.gov.au/sites/default/files/archived/proposed/ESLT_MDBA_report.pdf

See also p.83: “c. Water markets—Stakeholders suggested greater flexibility in water use be encouraged within the Murray-Darling Basin Plan. More specifically, they suggested that water reforms continue to support irrigation businesses and rural communities, ...” which is a perversion of the original environmental intention of the Basin Plan.

but cf. the following

p.ix: “This enviable record, however, can only continue if we achieve the right balance between exploiting our natural resources for agricultural production and protecting them for long-term sustainable use. In some areas, we had exploited our resources too much—perhaps most vividly demonstrated by the over-allocation of water licences in the Murray–Darling.”

- it is fairly clear that the section about water resources is directed to supporting and expanding irrigation, not sustaining the water resource base and its associated environmental assets which was the original intention of the Murray Darling Basin Plan.

3.8 Research, Development and Extension

Another good example of the paucity of good analysis is the Green Paper’s very narrow view of productivity:

Labour productivity is a partial productivity measure and less robust than total factor productivity, which accounts for capital and other inputs, as well as labour. The choice of productivity metric was driven by data availability. (p.xi)

The authors of the Green Paper ought to have been aware of the unpublished study by Yu Sheng, Katarina Nossal and Alistair Davidson "Comparing agricultural total factor productivity between countries: the case of Australia, Canada and the United States" which at least provides an international total factor productivity comparison for agriculture.²²

Encouraging and impressive as these productivity gains have been, they are unlikely to be sustained at the same rates seen in recent decades. More importantly, a strong agriculture sector will not survive without sound and supportive government policy settings and a focus on removing all unnecessary impediments and regulations that stifle innovation, productivity, investment and growth in jobs. (p.ix)²³

While it is quite likely that productivity gains of recent decades may not be sustained, slower agricultural productivity growth is a problem shared by all/most developed countries, and may even result from explicit government policies regarding the level and direction of funding of agricultural research.²⁴ In the narrowly agricultural context, slower productivity growth may be both a problem of both “government policy settings” and level of government funding,²⁵ and

²² <https://www.business.unsw.edu.au/research-site/centreforappliedeconomicresearch-site/Documents/Y.%20Sheng.%20K.%20Nossal.%20A.%20Davidson%20-%20Comparing%20Agri%20TFP%20between%20Countries,%20the%20case%20of%20Australia,%20Canada%20and%20US.pdf>

²³ Of course, in the past, agriculture has survived – indeed prospered – despite all manner of calamities, including calamitous government policy such as protection all round. The Green Paper presents a good international comment on the impact of poor government policy on economic systems: Figure 20 Cost of land per tonne of wheat, 2010 (p.77). If countries are grouped into large land endowment countries (Australia, Canada, Argentina, USA, Brazil), those that financially support their agriculture more have higher land prices.

²⁴ "Investments in and the Economic Returns to Agricultural and Food R&D Worldwide", Philip G. Pardey, Connie Chan-Kang, Steven Dehmer, Jason M. Beddow, Terrance M. Hurley, Xudong Rao and Julian Alston, In *Encyclopedia of Agriculture and Food Systems*, ed. Neal K. Van Alfen, (Oxford, United Kingdom: Academic Press, 2014), vol. 4, pp. 78-97

²⁵ cf. Mullen, J. 2007, ‘Productivity growth and the returns from public investment in RD&E in Australian broadacre agriculture’, *Australian Journal of Agricultural and Resource Economics*, vol. 51, no. 4, pp.

quite unrelated to “unnecessary impediments and regulations”. Slowing productivity growth across the whole economy characterises many developed economies.²⁶ Observed productivity changes may be unique to agriculture, or shared with other sectors. Serious analysis is required of the key causal factors affecting productivity growth generally, and agriculture in particular, and not simple ideological nostrums like unnecessary impediments and regulations. Indeed there is no evidence provided in the Green Paper that “unnecessary impediments and regulations” have had any impact whatsoever on the level or trend of productivity growth in Australian agriculture.

The Green Paper asserts that “The public sector has traditionally been the main investor in agricultural RD&E” (p.85).²⁷ This assertion is only true for a narrow class of agricultural RD&E, i.e. primarily “disembodied” technologies. If a wider view is taken of new agricultural technologies – especially the “embodied” technologies of agricultural and veterinary chemicals, and farm machinery, but also more recently IT-related technology – then it is not at all clear that “The public sector has traditionally been the main investor in agricultural RD&E.” Because embodied R&D generally isn’t accounted for in productivity studies, and especially since much of embodied R&D is imported, the relative spend of public and private organisations is simply unknown for Australian agricultural RD&E. Further, much of the basic science underpinning agricultural RD&E is undertaken overseas.²⁸

p.xiii: “whereas Australia is at or near the agricultural productivity frontier on a global scale”

- what is the evidence for this assertion? and, more importantly, what are its implications for R,D&E?

And cf.:

“Brazil and Argentina have massive further potential in most of the agricultural products we specialise in. The agriculture sectors in all of these economies have much catching up to do, whereas Australia is at or near the agricultural productivity frontier on a global scale. It is harder to stay in the lead of the race than come from behind ...” (p. xiii)

But if Australia is “at or near the agricultural productivity frontier on a global scale”, what is the potential for improvement through R&D ?

There is possibly an inconsistency between Policy idea 20—Strengthening the RD&E system:

- e. decentralising Government agricultural research functions (such as RDCs and agencies of the Department of Agriculture) to regional areas, as appropriate; (p. xxxiii)

and

“The Government is interested in ways to promote better rural RD&E coordination, reduce duplication, and facilitate the development of private markets in extension services.”²⁹ (p. xxxii)

359-84. Figure 4: Real public expenditure and research intensity on agricultural R&D in Australia (in 2004 dollars): 1953–2003.

²⁶ Christine Carmody (2013), “Slowing productivity growth – a developed economy comparison”, *Economic Roundup*, Issue 2, The Treasury, Canberra.

http://www.treasury.gov.au/~media/Treasury/Publications%20and%20Media/Publications/2013/Economic%20Roundup%20Issue%202/Downloads/PDF/Economic_Roundup_Issue%202_2013.ashx

²⁷ Regrettably, Chapter 10 on Research, Development and Extension is particularly unimaginative.

²⁸ some elements of these overseas contributions are known, for example the work of John Brennan and co-workers on the contribution of overseas germplasm in wheat (CIMMYT), rice (IRRI) and ICARDA-mandated crops (barley, durum wheat, chickpeas, faba beans and lentils).

²⁹ there are many private consultants in agriculture, and privatisation of previously public-funded extension has recently been undertaken by the NSW Government through creation of the Local Land Services (LLS) <http://www.lls.nsw.gov.au/>

“Australia can only be a major global player in agriculture if we are at the forefront of technology and productivity. Our farmers face stiff competition from countries with lower costs or substantial subsidies. Research and development (R&D) means access to modern technologies, such as plant and animal genetics, which will take agriculture forward. This R&D must be turned into practical, on-the-ground solutions. Extension is about getting new technology and information out to those needing it.” (p. xxxii)

4. Detail

p.ix: “our capacity for both robust and environmentally sustainable development is greater than ever before. But to take advantage of this capacity, we need to ensure environmental regulations and processes affecting new development are based on science and not emotion.” [emphasis added]

This assertion is richly ironic when the current Government lacks a science minister, has ignored credible, environmental science evidence on climate change, and whose leader has previously referred to the “so called settled science of climate change” as “absolute crap”.³⁰

p.1: what is the evidence for “our high-cost structure” ?

p.2: “When Lachlan Macquarie became Governor of the colony of New South Wales in 1810 he found a settlement threatened by famine (McLachlan 1967). He prevented starvation by importing grain from India (NSW Migration Heritage Centre 2010), increasing agricultural production and livestock, and opening new tracts of farm land (McLachlan 1967).”

- this comment infers that food wasn’t imported before Macquarie, but clearly it was.

p.10: “Stakeholders also raised the need for private investment to play a greater role in infrastructure funding.”

- Like, no doubt, the financially outstandingly-successful Sydney airport rail line, and the Cross City and Lane Cove tunnels in Sydney.

p.11: “The majority of road infrastructure in remote and regional Australia is provided as a community service obligation, to maintain an acceptable level of access by communities and industry to the road transport network.”

- the opportunity cost of this CSO is the lower levels of infrastructure elsewhere in Australia

p.21: “Some stakeholders suggested that farmers get a return from mining activities on their land, through a share of royalties.”

- is “get[ting] a return from mining activities on their land, through a share of royalties” a general principle that should be adopted for all landholders, or is it just specific to farmers? And, if so, why?

p.22: “b. Providing opportunities for farmers to convert leasehold land into freehold— Stakeholders expressed concerns about their level of rights as landowners. Some stakeholders felt that there was adequate incentive in the ownership of land to ensure that farmers took appropriate steps to look after it and maintain its value. It was also felt that the States and Territories could provide opportunities for farmers to convert leasehold land into freehold.”

³⁰ <http://www.abc.net.au/7.30/content/2010/s2808321.htm>

- if farmers are leaseholders they're not landowners

p.22: “b. Subsidising farm energy audits”

- why should farm (energy) audits be subsidised?

pp.22-23: “c. Streamlining development application processes—Stakeholders, such as the Victorian Farmers Federation (submission IP546), raised concerns about the complexity and time taken to approve changes to land use. Application processes that involve different areas of government and different application processes can be frustrating for applicants. The submission from Primary Industries and Regions SA (submission IP535) noted that they have appointed some ‘senior level case managers to support businesses undertaking significant and complex projects ... as the single point of contact for each project’. This approach benefits a farm business by providing a single government official to assist the business with navigating through the different pieces of regulation involved in a development application. Such an approach could be considered by other States and Territories.”

Of course, farmers could also contract the private sector to be their point of contact with government agencies; why should the State bear this cost? Unless, of course, such support would be provided to all parties, both individuals and firms, who have to deal with government on any issue.

p.23: “Stakeholders suggested, and the Australian Government encourages, that States and Territories strengthen their laws to stop trespass on farms and to meet the challenges of new invasive technology including surveillance devices.”

Why is private monitoring bad? The state encourages private monitoring in other areas such as flouting urban water use restrictions and “dobbing in” alleged criminals and terrorists. Why is private monitoring only bad when it comes to animal welfare? A case needs to be made that, in this instance, private monitoring is undesirable, not simply assume that it is. [see also: p.23: “Unnecessary or complex regulations were also strong themes in stakeholder feedback. Particular areas of concern were agricultural veterinary chemicals, transport regulations, animal welfare standards, and land planning and environmental requirements. (emphasis added)]

p.28: “Many stakeholders commented on the regulation of genetically modified (GM) organisms, with some advocating for GM technologies to facilitate higher productivity of Australian farms. Others pointed to the marketing advantage of GM-free status. Australia has a strong regulatory framework to manage any risks to human health and safety or the environment from GM technology. There continue to be limitations imposed by some States and Territories on growing GM crops for marketing reasons. Stakeholders noted the importance of national consistency. The Government believes that farmers should have the choice to adopt the approaches that best suit their business needs, including through the use of GM technologies.”

From this statement there are clearly situations where different groups of farmers have competing interests – e.g. where a GM technology imposes external costs on other farmers, the community generally, or the environment. The Green Paper ought to focus on how these potential external costs should be identified, evaluated and managed.

p.31: “The Government is interested in stakeholder views on whether there are new marketing systems or other tools or mechanisms that could restore the balance of power to producers.”

This comment harks back to a mythical past when producers allegedly had the “balance of power”. If it refers to the period of “organised” or statutory marketing, then the inefficiencies of “organised” or statutory marketing that were recognised – and formed the justification for the deregulation of this form of marketing – should also be acknowledged.

p.34: “Stakeholders raised a number of concerns about the taxes imposed on the agriculture sector by Commonwealth and State and Territory governments.”

More detail is desirable here. Are these taxes also incident on other industries/sectors? If so, why does agriculture merit special treatment?

p.39: “Small business operations tend to have simple management structures (usually with no specialised finance, personnel or regulatory/legal managers or systems); limited resources, including finance, staff and skills; and a focus on the local market or a single State or Territory (PC 2013). Limited resources, capability and time mean that most small business operators are often focused on day-to-day operations rather than on looking for opportunities to grow or improve performance.”

Small firms in other sectors also don't have in-house legal, accounting and IT resources, and contract out for these services – as do farmers for legal and accounting services. There is no reason that small firms can't contract out for specialised finance, marketing, personnel or regulatory/legal managers or systems. See also “a. Business advice” on p.47.

p.55: neither Yanco Agricultural High School nor Tocal College is private – cf. <http://www.yancoag-h.schools.nsw.edu.au/> and <http://www.tocal.nsw.edu.au/about-us>

p.77: “This reflects the relatively lower returns that can be earned from Australian land, in part due to our soils being ancient, fragile and relatively infertile ...”

- not all Australian soils are “ancient, fragile and relatively infertile” – it is inconsistent to argue that particular areas are “prime agricultural land”, say, the Liverpool Plains and should be quarantined from CSG because it is a highly fertile area, while at the same time asserting that Australian soils are “ancient, fragile and relatively infertile” (and see subsequently, p.78; but cf. p.79: “Australia’s soils are typically poor in nutrients (Wright, Reich & Westoby 2001), with more fertile districts used for intensive cropping.”)

and cf.

p.22: “Some stakeholders also suggested that measures be put in place to prevent mining on prime agricultural land. However, it can be difficult to determine what constitutes ‘prime’ agricultural land and the definition may change over time.” – but cf.

p.78: “The Australian Government is committed to protecting the rights of farmers and the integrity of prime agricultural land and water resources.”

i.e. consistency is highly desirable as to whether Australian soils are “ancient, fragile and relatively infertile” or whether there is indeed some “prime agricultural land”.

p.77: “There may be opportunities to improve the efficiency of the native title system and encourage greater economic development for Indigenous and non-Indigenous people. Stakeholders highlighted the complexity and uncertainty that native title processes can create and the time they can take to conclude.”

- did indigenous stakeholders concur with these assessments? Or, perhaps, agree with the assessment but for different reasons?

p.78: “Farmers are entitled to a fair return for access to their land.”

- what is a “fair return”?

p.78: “Sustainable local communities and a lasting positive legacy from resource extraction must be built.”

- there is economic theory supporting this assertion – the Hartwick rule. Ironically, however, this rule also supports the imposition of a Mineral Resources Rent Tax.

78: “Figure 21 Principles for coal seam gas”;

note source: Adapted from The Coalition 2013 – i.e. these are purely political assertions, not reasoned arguments nor supported by evidence in the Green Paper.

Principle 1. “Access to prime agricultural land should only be allowed with the farmer’s agreement and farmers must be entitled to financial compensation for access to any of their land.”

- if this principle is inconsistent with existing mining law, should farmers be required to purchase these rights from the State?

Principle 2. “There must be no long-term damage significant enough to impact surface or subsurface water resources which are utilised for agriculture or local communities.”

- but what if the damage caused could be rectified by the miner ?

Principle 3. “Prime agricultural land and quality water resources must not be compromised for future generations.”

- see previous comments on “Prime agricultural land”, the Hartwick rule, and the relative value of damage versus benefits.

p.79: “Farmers face significant incentives not to degrade the productive capacity of the land...”

- cf. “Land degradation makes topsoil vulnerable to water and wind erosion, which then leads to reduced effectiveness of fertiliser and irrigation and, in turn, production and income losses.” (p.79)

- both these assertions cannot be simultaneously true.

Similarly, also on p.79: “Under the Cleaner Environment Plan, NRM investments are also occurring in Reef 2050 and the Green Army. The objective is to preserve and improve the natural asset base and ecosystem services that underpin agriculture ...”³¹

- if farmers have “significant incentives” to protect the resource base, then these problems should not be occurring; their existence suggests that the incentives are not adequate, and government intervention – otherwise known as “red (or green) tape” is required.

p.80: “Emissions Reduction Fund: The Carbon Farming Initiative will be transitioned into the Emissions Reduction Fund. Administrative arrangements will be streamlined to ensure farmers have opportunities to participate in the fund. This includes additional opportunities for farm, forestry and livestock management.”

³¹ “Green Army: The Government will establish a ‘Green Army’, at a cost of \$525 million over four years. This will provide opportunities for young Australians aged 17 to 24 to gain training and experience in pest and weed management and environmental and heritage conservation. It will foster careers in conservation management while delivering projects for environmental benefit.” (p.80)

- why will there be an Emissions Reduction Fund when climate change is “absolute crap”.³²

p.83: “a. Amending the Environmental Protection and Biodiversity Conservation (EPBC) Act 1999—Stakeholders suggested that:

i. The EPBC Act be amended to remove onerous on-farm conditions, such as certain excessive flora and fauna caveats. Since the EPBC Act commenced in 1999, there have been 54 agriculture-related projects referred for assessment, of which eight projects have been subject to conditions. The Government is interested in hearing from stakeholders about specific examples where the Act imposes excessive conditions on farmers.”

- is this evidence of a significant problem? Why? What would not constitute a problem?
 - no referrals and/or no projects subject to conditions?

ii. The Act be amended to ensure that national transport and infrastructure goals/corridors have right of way. The Government is interested in hearing from stakeholders about specific examples where the Act impedes national transport and infrastructure objectives.”

- cf. “machinery carving out a nearby corridor for the Alice Springs-Darwin railway line mistakenly ploughed through an important feeding site” for rare Gouldian finches³³

p.106: “Some stakeholders suggested using surplus Australian produce to supplement international food aid.”

A fundamental question here is whether those in need of emergency food aid can or would consume products in which Australia has a surplus.

In the longer term, continuing food aid of this kind may exacerbate food insecurity. It has been known at least since Alan Matthews' *The common agricultural policy and the less developed countries* (Gill and Macmillan with Trócaire, 1985) that, except in the case of emergency food shortages, dumping food surpluses exacerbates rather than assists poor countries.

³² cf. the then Opposition Leader's subsequent qualification that “absolute crap” referred to the “so called settled science of climate change”, at <http://www.abc.net.au/7.30/content/2010/s2808321.htm>

³³ <http://www.abc.net.au/7.30/content/2004/s1229316.htm>