

## The Agricultural Competitiveness Issues Paper Submission, April 2014.

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There are two major issues that the issues paper has not adequately addressed and which need to be further developed in the best interests of the farming industry and the nation as a whole.

- (1) **Diversification.** The issues paper focuses too much on increasing productivity, whereas improving the outlook for farmers will involve diversification with a focus on increasing overall profit to farmers.
- (2) **Environmental Sustainability.** Australian agriculture occupies over half of the continent's land area. Farmers are therefore the stewards of an enormous proportion of this country's natural heritage. Farmers rely on clean water, healthy soil, pollination and other natural services so it is in their interest for agriculture to be environmentally sustainable. The white paper must show real leadership by including environmentally sustainable agriculture as one of the key major issues. This means listing sustainable agriculture among the aims (Box 1, Table 2, of the issues paper), and by devoting a substantive chapter to this major challenge. It might be entitled: *Improving environmental sustainability of the agricultural sector, considering biodiversity, soils, water and air.*

Below I provide further details of how these two important omissions are evident throughout the topics canvassed by the issues paper.

### **Issues Paper Overview.**

Definition of competitiveness. Competitiveness is not completely defined (second paragraph, page 1). The definition should finish: ".....and growth in profit for our businesses, **without degrading Australia's natural heritage.**" It is anti-competitive to subsidise an industry by driving down natural capital.

### **Policy Context (pg3)**

I applaud moves to strengthen Australia's biosecurity and quarantine capacity, although it is not clear that a "flying squad" is the highest priority compared with, for example, expanding programs to eradicate invasive ants. I strongly recommend considering the likely return on investment when allocating biosecurity resources. Biosecurity needs to be expanded hand-in-hand with any changes in trade agreements; growth in imports needs to be matched by growth in biosecurity capacity. Risky imports should be identified and excluded from trade agreements because the long-term costs of cleaning up new invasive diseases, weeds and other pests can outweigh any possible short term benefits.

### **Issue 1. Ensuring food security in Australia and Globally**

The goal, "global food security" is unrealistic. Australia might export 60% of what we produce, but it will never be enough to feed the increasing global human population. We currently feed less than one percent of the global population. "Global food security" is not a plausible justification for increasing productivity. Addressing Australia's food security is a plausible goal, but global food security is beyond what we can reasonably achieve. The white paper should reflect this.

### **Issue 2. Farmer decisions for improving farm gate returns**

This section, like the rest of the issues paper, has a myopic focus on productivity growth, whereas improving the income of farmers might also be achieved with reduced costs of inputs. The white paper should reflect a range of realistic options for increasing the amount of cash in the pockets of farmers. Reduced inputs have a key role to play. Where savings from reduced inputs (and other co-benefits such as an improved environment) exceed any reduced income from lower production, farmers are better off using reduced input management.

The issues paper acknowledges that climate change is increasing the risks to farm production (p 12). Strong action to reduce greenhouse gas emissions is therefore an important part of ensuring that agriculture remains viable. Government-wide action to reduce greenhouse gas emissions would also reduce the risk of trade sanctions by other countries that are steaming ahead of Australia in addressing climate change. The Australian Government's limited action on climate-change places Australian agricultural production and exports at increasing risk.

An important contribution to support farmers through the likely increasing severity and frequency of drought may be environmental stewardship payments. Expanded programs are needed to enable farmers to fulfil their national stewardship role to look after Australia's natural heritage across 53% of the nation's land-mass. Stewardship payments provide incentives to retain native plant and animal communities, providing an alternative income stream in hard times, and maintaining options for diversification into ecotourism and farm stays.

#### **Issue 4. Increasing the competitiveness of the agriculture sector and its value chains**

The issues paper notes (pg 19) that for more expensive Australian products to compete internationally, we need to differentiate our products. Key ways that Australian products can differentiate themselves is by being environmentally sustainable, including being produced in a way that does not contaminate the environment with chemicals, and does not drive native species towards extinction. Environmentally sustainable marketing would enable Australian products to reach niche markets and demand higher prices. Incongruously, the issues paper goes on to emphasise productivity growth. Productivity growth is not going to deliver product differentiation.

#### **Issue 5. Enhancing agriculture's contribution to regional communities**

The issues paper correctly highlights the importance of diversification, including a role for 'tree changers'. Nature-based industries such as ecotourism, farm-stays, fishing and bird-watching, all depend on having a vibrant natural ecosystem. Environmentally sustainable agriculture is critical to maintaining diversification options for rural areas. Mechanisms to maintain and improve these diversification options should be a key focus of the white-paper, and will likely include strengthening environmental incentives, increased funding for environmental stewardship, funding for eco-tourism start-ups, and new initiatives to improve outcomes for threatened species.

#### **Issue 6. Improving the competitiveness of inputs to the supply chain.**

The issues paper acknowledges the critical stewardship role of farmers, given they manage over half of the continent (Pg 23). This is a stand-alone issue that needs to be comprehensively addressed in a separate section of the white paper. It is not a subsection of "improving competitiveness of inputs to the supply chain". The white paper needs to show leadership in this area.

The concept of "peak phosphorus" (Pg. 23-4) must be thoroughly addressed in the white-paper. The strong focus on increasing production and expanding agricultural exports seems a very risky investment strategy, given Australia's natural disadvantage of low P soils, and the certainty of escalating fertilizer costs as phosphorus sources become harder to get. This is a strong reason for limiting investment in expanding bulk production and instead focussing on niche markets that require low farm inputs.

Improving water use efficiency is critical and returning environmental flows is essential for maintaining functioning ecosystems on which agricultural production depends.

On page 24 there is the hint that chemical regulations may be limiting farm productivity. Lessons from use of chemicals like DDT are that environmental impacts and human health risks must be considered as a substantially higher priority than any possible gains in farm productivity. Many farm chemicals (fertilizers, pesticides, herbicides) degrade the environment and impact on human health. Poor regulation of farm chemicals will reduce options for nature-based diversification of farm incomes, reduce the amenity and productivity value of ecosystems on farms, reduce access to international niche markets, increase risks to human health, and degrade Australia's natural heritage. Australia already lags behind other countries, such as the USA, in regulating dangerous chemicals; regulation should be tightened to become world's best practice, ensuring access to markets in countries that care about health and environmental risks associate with farm chemicals.

Pages 24-5 in the issues paper highlight a major un-costed public subsidy to the agricultural industry. With no incentive to reduce greenhouse gas emissions, farm emissions may continue to grow. Increased climate change is not good for farm production, and it increases public costs in managing the many consequences of rapid climate change. Other countries are well ahead of Australia in reducing greenhouse gas emissions, and it is foreseeable that those countries may be unwilling to trade freely with Australia given the public subsidies that Australia provide to the agricultural industry with free licences to emit greenhouse gases. To stay competitive, Australia needs to have strong climate-change action that will reduce our greenhouse-gas emissions.

GM crops are discussed on page 26. GM crops have enormous potential to reduce farm inputs including chemical use. Strict government regulation, with advice taken from scientists who are independent of the GM industry, is essential to ensure Australia gets the best out of the GM revolution, without massive irreversible impacts on Australia's natural heritage. The issues paper implies that limits on using GM in some states are undesirable, but this fails to acknowledge the strengths that the Australian agriculture sector derives from diversification – for example Tasmania is able to access non-GM markets that other states cannot. A myopic focus on maximum productivity is a very risky strategy, taking away options for diversification and access to high-paying niche markets. Encouraging some GM-free regions in Australia would be a strategic approach to balancing our export options.

A newly emerging issue regarding inputs to agriculture are risks associated with new GM or conventionally bred pasture species. Currently, pasture species are specially bred to have characteristics that could also make them agricultural or environmental weeds. In many cases, species are used that are already well known to invade natural areas, threaten native species and increase costs of public land management. Industry does not pay for these costs. A good case in point is Gamba grass in northern Australia. Introduced for pasture, this species is now a costly headache for managers and government; the cost of fighting grass fires has increased by an order of

magnitude, and the intense fires transform natural ecosystems. Invasive pasture varieties are a major issue that warrant very careful consideration in the white paper. New government regulation is needed to reduce risks of making Australia's weed problem worse. This kind of regulation is not "green tape". Regulating to reduce the risk of invasive species will have an overall benefit for the nation.

### **Issue 7. Reducing ineffective regulations**

I agree that reducing ineffective regulation is desirable, and this could be best achieved by making existing regulations more effective, such as by increasing enforcement activity, and increasing education.

Australian State of Environment reports indicate that our natural heritage continues to decline suggesting that regulations aimed at protecting the environment are currently inadequate or ineffective. Environmental regulation needs to be strengthened and enforced, in conjunction with more extensive education regarding the benefits of environmental protection.

Environmental protection keeps open options for diversification, provides ecosystem services such as pest control and pollination, and has the potential to provide Australia with a major export marketing advantage. Reducing effective environmental regulation is not in the best interests of the agricultural sector or the public interest.

### **Issue 8. Enhancing agricultural exports**

The issues paper flags biosecurity as an important protection against risks associating with trade liberalisation. Biosecurity investments must increase in proportion to increases in trade so that border protection is able to keep up with the escalating risks that new diseases, weeds and pests will arrive in Australia and so that adequate resources are available to address these situations when new incidents occur.

## **SUMMARY**

In summary, the key changes that need to be incorporated into the white paper are:

- (1) a shift from the paper's current myopic focus on productivity growth towards diversification, niche markets and increasing farmer profits
- (2) directly address how to make Australian agriculture environmentally sustainable, ensuring the viability of our natural heritage across more than half of Australia's land area, natural heritage which underpins agricultural productivity and profitability through ecosystem services.