

Submission for Agricultural White Paper April 2014.

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Does Australia Want Agriculture?

Intro.

We operate a sheep & wool and cattle business in Central West Qld. We are members of Agforce and they have put a comprehensive submission in on behalf of their members. I would like to add my own comment on issues specific to our industries and region. There are many threats and challenges that face us, and I would like to cover just the ones that I think are the highest priority. Profitability, Debt, Drought, Kangaroos and Wild Dogs. One of the critical things we face is that we don't have enough young people entering agriculture, the average age of farmers is 60. There is a unique college in Longreach (Longreach Pastoral College) that is on the brink of closure because they can't get enough enrolments to be viable, it would be an absolute tragedy to lose this great facility, but this is the type of thing we are dealing with. **The key to getting more young entrants to agriculture is to address the five issues I have attempted to cover. If we get the settings right on these things, we will get our young people back.**

Profitability.

Sheep & wool are making reasonable margins at the moment, but costs are escalating and that margin will disappear unless we receive continual price increases.

Cattle margins have been very low over the recent few years, especially over 2013 when the after effects of the live trade ban and drought combined to cause a crash in prices.

Producers need to be able to make enough gross income that will allow them to pay their costs of production, fixed costs, basic living costs, allow for some landcare activity to maintain the environment in good health and to allow enough surplus to save for the drought periods we know we will endure. We are nowhere near this level of income and

for most sheep & cattle producers to balance the books they have to neglect some things. For most the things neglected are standard of living, including education, landcare and maintenance of buildings, fences etc. The end result of this is poor standard of living, no succession, loss of production and degraded landscape, and dying local towns.

Governments have been giving the regions a raw deal for many years. The majority of real production and wealth happens in regions, not in cities. And yet all that production and wealth is sucked back into the highly populated areas where the standard of living, services and facilities just get better and better, while at the same time the regions and their small towns wither and die. The mining boom has been a good example of this, huge incomes were made, but with the fly in fly out mode of operation, almost all the wealth created was transfused out of the regions. **Government should ensure that much more of that wealth is retained in rural and regional areas. Royalties for Regions is a good example of how this can be achieved and relocating government jobs out of cities and into the regions would be a big help. It's not hard to think of many ways of leaving some wealth in the rural and regional areas.**

With the cattle & sheep industries, governments continually make decisions that impact badly on profitability, for example the live trade ban, vegetation management legislation which was initiated/ negotiated by Federal Govt and passed down to the States, State land rent increases, stamp duties which were supposed to disappear with the introduction of GST. There is a very long list of things that governments have done that impact badly on our industries. **Government should give us a break and work towards lightening the load for us.**

I often suspect that there is a view within government departments that "graziers" are wealthy people who have plenty of resources to draw on for holidays and good living, don't have to do much work and can afford to pay more tax. That is certainly not the case now, and, in fact it is my observation that our standard of living has dropped gradually over time, to a level that is now much less than urban Australia. **Government should recognize this, and find ways to correct this inequity, for example, consider tax concessions to rural & remote people & businesses. Decentralize.**

There is also a commonly held view that very large farms are more viable, better managed operations than small family farm businesses. This is wrong, and the fact is that each has it's strengths and weaknesses. One very important difference between large and small is that the large corporate farms are now using very low levels of full time staff, and don't really need to use services in small towns, compared to smaller farms who have more people per hectare and do all their business in their local town. Therefore if we want healthy local towns, it is the small family farm that will support that. You only have to look at the NT where there are mostly company owned, large cattle

stations and very few towns as compared to Central West Qld where there are smaller family sheep & cattle places and plenty of good small towns (albeit under pressure). My point here is that for the sake of supporting local towns, we need to preserve the family farm. **The way to do this is to make sure the government's policy settings allow family farms to survive and thrive, and to be very careful about applying ruthless economic rationalism.**

Woolworths and Coles sell 80% of all foodstuffs sold in Australia. This is a duopoly that manipulates prices received by farmers. Their whole focus is selling cheap. The milk wars have put about two thirds of Australian Dairy farmers out of business, this should be a good case study on the results of allowing such a massive duopoly to develop. Woolworths and Coles used to source most of their produce from markets, now they set up direct contracts with producers, thus bypassing open competition. They have far too much power over the domestic market and are helping to drive farmers out of business. **Government needs to do something about this, a good place to start would be to get some formal dialogue going between Ag Industry Organizations, Woolworths and Coles, ACCC and Government, and find ways of getting fair competition back into the domestic market.**

Agriculture faces some unfair competition from imported food, eg China produces tomato paste with much lower food standards and much lower wages than Australia, they export it in bulk drums to New Zealand where it is canned, then re-exported to Australia as product of New Zealand at much lower prices than we can produce it for. We must be dumb to allow this to happen! **What about some decent labeling requirements, that highlight the lower food standards or higher health risks?**

Or labels that allow consumers to easily identify product of Australia, and some regulation that requires supermarkets to have specially designated isles for genuine product of Australia foodstuffs?

The Federal Government have recently kicked some goals on free trade agreements, and that is great, however the gains are small at this stage and we need to achieve much more. Where possible we need to give ourselves an edge over imports. **This could and should be done through whatever means possible, we could go harder on imports by using biosecurity and quarantine, food standards, animal welfare standards etc that are below our standards, there are many tools available, use them!**

These few points I have made are the tip of the iceberg, however I think that they open discussion on the lack of profitability in Agriculture and the need for Government to look for ways to give Australian producers an edge and claw back some profitability.

Debt.

Although there has not been a debt survey for a while, we know that debt levels carried in the sheep and cattle industries is much higher than 10 years ago. There are many reasons, including lack of profitability, wild dogs and drought. An economic rationalist would say that this issue will resolve itself by producers going broke, selling their sheep and cattle properties at fire sale prices, and the buyers acquiring these properties cheap, and then being able to have a healthy financial position because of the low capital cost. This is happening a bit now, but,

Is it good for Australian agriculture in the long term? No, it's not!

There are a few big disadvantages in this scenario. The first is that this sector already has far too few people working in it, it is below critical mass. This in itself discourages new entrants into agriculture. As well as that, we are continually losing people with valuable knowledge and skills and people who have been bred into the harsh environment and the hard business of agriculture. The point should be made that the sheep and cattle producers whose businesses are going to the wall, are often very good operators, but have to try to operate on such low margins, that when a wild card comes along, like drought, they've got nothing to draw on. When a farm goes into receivership, the farmer is not just losing his farm business, but also his home and his bond with his land. He or she will often lose all their equity in the property. A producer can own a 5 million dollar farm, rack up a debt of 3 million, the bank appoints receivers, they sell down the assets often less than market value, charge huge fees, often mismanage the process and leave the farmer with nothing. **This is grossly unfair, and we need government to have a hard look at what is going on and put some guidelines in place that will preserve the farmers remaining equity, so that the poor buggers can at least walk away with something after a lifetime of dedicated service to agriculture.**

Most producers out here have to raise finance to buy a property, even if it is a family farm, there are very few who inherit their properties, debt free. In our case we borrowed money on a first farm scheme, which was scrapped after a couple of years, and we were then exposed to interest rates of up to 23%. This is the type of thing that happens, that is totally out of our control. I think it is desirable to have some stability in farm ownership, not absolute security but a reasonable level. What we deal with now is a very high level of financial insecurity. I can see an eventual scenario of people buying sheep and cattle properties, increasing debt to deal with poor margins, drought, live trade bans etc, losing the battle, sell to the next person who goes through the same process. While this happens there will be a move to much larger land holdings, much reduced staffing levels, much reduced production levels, increasing land degradation and many less people in country towns.

We need to find ways to solve this debt problem, because the consequences are horrific. Drought is probably the main cause of excessive debt in the livestock industries. People borrow lots of money to supplementary feed breeding stock through drought. This is done partly due to the much higher standards of animal welfare that we practice now, and that the Australian community expect of us. The Howard government introduced interest subsidy as part of Exceptional Circumstance provisions for coping with drought. The assistance was carefully targeted, and helped many producers survive periods of exceptional drought. This was scrapped by the previous government, whose stated intention was that it would be replaced by a self reliance package. This hasn't happened and we now have to survive drought with very little assistance and no time to prepare. The substantial amount of money that funded this scheme has been pulled out of the agricultural sector without being re-injected in any other way. I think this is very ordinary.

There are some innovative ideas out there on how to address the problem of debt in agriculture, and people have been trying hard to communicate these ideas to government. **Government should have a serious look at all options and ideas, and they should re-inject the money that was pulled out of the interest subsidy scheme, into some measures that alleviate the financial effects of extreme drought**

Drought.

This is one of the big ones! We know that mother nature is going to deal us up a very interesting package that includes fire, floods and drought, and those of us who've lived and worked in this game for a while, expect it, and can mentally and physically handle it to a large extent, but, some of these events are so powerful that it is beyond anyone's capacity to survive.

We all know that the Australian climate is a boom bust cycle and nature has evolved and adapted to it. When you observe our wildlife populations, in a good season they explode and in a drought they disappear ie die off. This is a big challenge to agriculture though, because we need to be able to maintain some production every year to keep our businesses alive. I think we, as sheep and cattle producers have made some big advances in doing this over the years, but I think it is government who has neglected the issue of drought. Governments seem to expect us to operate under the same financial and economic system that other businesses, not exposed to drought, operate under. A farmer has all the same challenges as most other businesses, but have drought on top. And drought is not a small problem, it is a monster. I acknowledge that Federal govt have introduced some improvements to Farm Household Support and that's better than it was. Out here in the sheep and cattle producing areas, the Farm Finance Package is as handy as tits on a bull! The interest rate is only a little better than

commercial interest and the 5 year term is useless. **One idea I have is that the Federal Govt introduce an Exceptional Circumstance scheme that includes a paddock spelling subsidy. This would be funded by re-injecting the money that was taken out when the interest subsidy was scrapped. Farmers going into drought could enter into a contract to destock or stop cropping a paddock and be paid a subsidy to allow them to do it. This would address the environmental concerns of running livestock or growing crops when the land is droughted, it would encourage earlier destocking leading to better land management, it would encourage better animal welfare management and it would inject some cash flow into the farm and on into the local communities. There would be some side issues that would need to be addressed such as controlling kangaroos in the spelled paddocks, weed control etc.**

Another idea that has been discussed in the past is a Hex type loan that is available to farmers experiencing exceptional drought. This would be administered along the same lines as the hex scheme available to uni students.

In many parts of Australia, the climate swings between wet and dry, so everyone expects to have their share of both. However, what can and does happen, is that certain areas can go many years (20 to 30 years) with below or above average seasons. Those producers who are under a "rain shadow" for extended periods are the ones who do it really tough. These people can be the best operators in the world, but through no fault of their own, are often considered non-viable. **I have no answer for this, except that this scenario should be acknowledged by banks and governments, and through acknowledgement, maybe some assistance in some form will eventuate.**

Accurate long term climate & weather forecasting seems to be still a long way off, although we seem to be making gains. If it were possible to have an accurate forecast a year in advance, it would help our management of drought immensely. Dr Roger Stone in early 2013 predicted that there was a very good chance of well above average rain for most of Qld, the opposite happened, and it was one of the driest years on record in many places. **There needs to be more gains achieved in climate research.**

Agriculture has made a lot of progress in managing for drought, a lot of it through technology and mechanization, ie sheep & cattle producers can rapidly relocate large numbers of stock via road transport to agistment or sale, they can bring in supplementary feeds to maintain stock condition through dry spells, stock water can be distributed through solar pumps and poly pipe, monitor waters using remote cameras, we've come a long way in the last 50 to 60 years. These are some of the ways we have adapted to our climate cycle. **We need to continue to find tools to help us produce in the boom & bust climate that we have. Some of these new tools will be found**

through research & innovation, and government can continue to play a role in promoting and facilitating this.

Kangaroos.

The kangaroo is one of the most efficient breeding animals in Australia, similar to mice, rats and rabbits. It is very well adapted to climate variability and it seems that their populations cope very well in drought conditions. It is widely believed that roo numbers are directly proportional to the number of stock watering facilities available. Originally it would have been 100's of kilometres between natural waters, now we have waters every 2 kilometres. Prior to development of man made waters, their numbers were severely limited. Roos in high populations have a very heavy impact on pasture and land condition. When sheep and cattlemen reduce stock numbers to preserve pasture, invariably roos move into those destocked or lighter stocked paddocks and completely negate the intended preservation of that paddock. One of the controls for roo numbers is commercial harvesting, however the roo industry is suffering a severe downturn due to loss of markets. **Governments should help the roo industry rebuild markets.**

The kangaroo industry has been a very good employer and economic stimulant for regional Australia, and the current downturn has been very hard on our rural communities. The kangaroo processing sector has adopted a policy of harvesting male roos only, their reason is to provide a more consistent carcass and to avoid bad media ie joeys from females being knocked on the head. Since the male only policy, roo numbers have really got out of hand and the impact on land condition, pasture and livestock production has been severe. The only control on roo numbers at the moment is culling, but this is wasting a resource and it is time consuming and expensive. If we don't find an answer to this, we face loss of production and land degradation. **Some ideas to resolve this problem are; Help landholders, through subsidies, to erect roo proof fences so they can manage roo numbers within the fenced areas. Research ways to exclude roos from man made waters while allowing access to livestock. Research ways to reduce fertility in roo populations. Assist the roo industry to repair markets. Require the roo industry to harvest females as well as males and also require them to harvest a range of weights, not just the heaviest. Allow landholders to manage their roo numbers without the requirement for permits, the permit system achieves nothing except time and expense for the landholder. We should be aiming to reduce roo numbers back to what they were prior to European settlement, so that our landscape is kept in good condition.**

Wild dogs.

This is a big one! The sheep industry is being pushed out of the rangeland areas by an expansion of wild dog populations. It has come about as follows; in 1990 the sheep & wool industry suffered a severe market collapse which did not recover for well over a decade. During this time cattle were more profitable and a lot of sheep properties changed to cattle. A cattle operation can tolerate low numbers of wild dogs without affecting their production much. Sheep operations can not tolerate any dogs at all, without severe loss of production. So the new cattle operations weren't as conscientious about wild dog control and as a result they have bred up to a stage where it is uneconomic to run sheep. This is a big pity because sheep margins are now much better than cattle margins. The shearing industry has been a huge employer of people and it is rapidly disappearing from rural towns. In the 1990s, in Central West Qld, there were 24 shearing teams in Blackall, 22 in Longreach and 14 in Muttaborra, there are now none in Blackall, none in Muttaborra and 4 in Longreach, not to mention the other towns. This alone has severely reduced the populations of those small towns, and the whole region. It has negative social & economic implications, and means that the Central West has become a much less desirable & viable place to live.

There is still a viable sheep and wool industry remaining, but under the ever increasing pressure of dogs it is disappearing. It is very urgent that we save this remaining industry, because if we lose this, we will also lose our local towns and communities, and it will be very hard to rebuild. Cattle operations will not sustain towns and communities, because their need for staff, labour and services is much less.

What can we do? There is already a lot of work happening to co-ordinate and improve the effectiveness of the invisible barrier, 1080 baiting campaigns. The hurdle we don't seem to be able to overcome though, is non-participation by some landholders. These are usually cattle producers who don't consider dogs an immediate threat. This is a very shortsighted view though, because if dog numbers are uncontrolled, they have a big impact on cattle, especially breeding cattle. Some estimates put calf losses at 20% to 30%, this is a huge loss of production and would put small producers out of business. Are they going to let the dog numbers build up and then do something about it? **So if we are to stick with controlling wild dogs with 1080 baiting campaigns (and this would be the most cost effective), we have to work out how to bring the non-participants on board. We could try to achieve this through education, peer pressure and some tough compliance measures. In fact we are trying very hard to do more of this already, but unfortunately we are still losing the battle. Government needs to be prepared to help us do some very heavy lifting here especially with the compliance measures.**

There is a well thought through proposal to build a wild dog check fence around the remaining concentration of sheep producers in central west Qld, it has a well researched feasibility study that highly recommends the proposal and this feasibility has been submitted to all levels of government. **The funding currently sought is 1/3 Federal 1/3 State and 1/3 Sheep producers. Government should support this project.**

Another way of isolating sheep producers from dogs is “cluster fences”, where small groups of properties are fenced with dog proof fencing allowing eradication of dogs from within that area. Currently some of these “clusters” are receiving 50% funding through NRM groups. **Government could ensure this funding is available to all “cluster groups” who would like to do the same.**

A third fence option is for individual sheep producers to dog proof their boundaries. This is the most expensive option, but also the most simple option because there is no requirement for lengthy group negotiations, legal contracts, maintenance agreements etc that would be needed with the two previous options. It would mean that the sheep producer is responsible for his own maintenance and it would be easy to eradicate dogs from individual properties. It would be beyond most sheep producers to fund this without help. **Government should fund this option on a 50/50 basis with the landholder. Alternatively, government could make long term low interest loans available ie 20 years @ 3.5% or a combination of the two.**

Wrap Up.

People in agriculture do not seek to gain exclusive government assistance to the detriment of other Australians, but would like to get a fair go for a change. We also don't expect the government to do everything for us, and never have. It would be very good for all Australians if we had a healthy and vibrant agriculture sector. There is an enormous amount of work to be done on farms and too few people doing it, there is huge potential for new jobs in this sector if we can get things right. The flow on benefits of a healthy farm sector are enormous and well documented. Agriculture has it's good times and bad times, and it is necessary sometimes to help struggling industries for brief periods so that they are in a position to crank up and take advantage when things are good. We have had a period where there has been a lot of government neglect and inaction and misdirected policy that has been to the detriment of agriculture. There are many people in agriculture who have lost confidence in governments to get the settings right and eventually they will leave agriculture and will not be replaced, because at the moment we don't have the young people preparing to come into it. **This White Paper is a great opportunity to get things right. Does Australia want Agriculture?**

John Milne.