

Submission

by the

Mullaley Gas and Pipeline Accord

in relation to the

Agricultural Competitiveness White Paper

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1. Introduction

This submission has been prepared on behalf of the Mullaley Gas & Pipeline Accord (MGPA). We make recommendations in relation to Agricultural Competitiveness White Paper as it relates to the nation's agricultural sector.

The MGPA is an incorporated entity that represents community concerns of approximately 100 residents and the businesses of Mullaley and its surrounding districts. All members of the MGPA are involved in primary production and associated industries.

2. Food Security

The nations food security is put at considerable risk with coal seam mining as identified by the Journal of Economic and Social Policy's article *The Economic Contest Between Coal Seam Gas Mining and Agriculture on Prime Farmland: It May be Closer Than we Thought*,

CSG mining on a large scale is a highly intrusive process entailing a considerable catalogue of potential environmental risks and land use conflicts- diminished water supply and quality, methane leakage into the atmosphere, disturbance of subsurface aquifers and geological structure, fragmentation of landscape, and disruption of agricultural production.(Chen and Randall, 2013)

3. Farm Debt

Most agricultural businesses operate using a significant overdraft facility due to the seasonal nature of income streams. Access to such overdraft facilities is dependent on the business operator's equity in the agricultural property, which has been adversely affected by the coal seam gas exploration. Properties have failed to attract bids, and where bidding does commence the highest bid is often significantly lower than the pre-auction valuation. Anecdotal evidence gathered through conversations with potential bidders indicates that coal seam gas (CSG) exploration is a factor in the prospective buyer's reluctance to commit to purchase locally.

In a submission to the *NSW Legislative Council inquiry into the management of the Murray-Darling Basin – impact of mining coal seam gas*, Rabobank, the world's leading specialist in food and agribusiness banking, expressed its concerns in regard to the coal seam gas industry,

In our view, the net impact of CSG mining activities on a banking relationship may include a diminished production base that reduces a borrower's ability to service debt, a diminished asset base (groundwater constraints) and diminished land value, which affects borrowing levels.

Further Rabobank states,

Should the trend toward concurrent CSG mining and agricultural activities continue on agricultural land ... problem loans or defaults will rise (Rabobank 2011).

The decreased land value resulting from CSG exploration and development is indisputable. The *Petroleum (Onshore) Act 1991* states,

The holder of a production lease has the exclusive right to conduct petroleum mining operations in and on the land included in the lease together with the right to construct and maintain on the land such works, buildings, plant, waterways, roads, pipelines, dams, reservoirs, tanks, pumping stations, tramways, railways, telephone lines, electric powerlines and other structures and equipment as are necessary for the full enjoyment of the lease or to fulfil the lessee's obligations under it. (section 41).

This has serious implications for superannuation of farming families. Farmers regard increases in property value as a superannuation nest egg. This is often the only superannuation in prospect and so these people are likely to be unable to support themselves in their later years. This is becoming an increasing problem given that the average age of farmers is now 57 (Cribb 2010).

4. Competitiveness through the Value Chain

CSG is a direct threat to the biosecurity of the agricultural sector and the country at large. Biosecurity works to ensure continued market access for our products; maintains our reputation for high standards of animal care and keeping; and reduces the risks that chemical contaminants pose to agricultural food production and the environment.

The construction stage of CSG, as well as the ongoing maintenance, is a direct threat to biosecurity as well as each and every individual living and working on farms (toxic spills, leaks, etc.)

As Bamberger and Oswald (2012) identify,

... basic knowledge, such as hold times for animals exposed to chemical contaminants a result of gas operations is lacking, and research in this area is desperately needed to maintain an adequate level of food safety in our country.

5. Regional Communities

The nation's goal to boost investment and jobs growth in the sector does not take into account the negative effects of coal seam gas. Achieving the nation's goal will require an experienced and well-educated agricultural workforce. The decreased value of property and the uncertainty created by the likely effects of coal seam gas exploration and development will affect succession planning on farms, making it less attractive for the next generation of agricultural workers. This will exacerbate the difficulties caused by decreased enrolments in agricultural studies as is discussed in *Rebuilding the Agricultural Workforce*:

Data from the Department of Education, Employment and Workplace Relations (DEEWR) specifically related to agriculture qualifications shows that over the last decade, enrolments in agriculture have declined from approximately 4,500 to below 2,500 students nationally. (Allen Consulting 2012)

6. Inputs Along the Supply Chain

The coal seam gas industry will adversely affect the number of skilled workers within the agricultural industry. As stated by Chen and Randall (2013),

It is a standard result in economics that, in an economy that was already close to full employment, expansion of a particular economic sector occurs mostly by reallocating resources otherwise employed elsewhere in the economy; and it is reasonable to apply that result to CSG extraction and processing.

Critical infrastructure in the agriculture value chain can only be negatively impacted as identified by Rabobank,

The infrastructure that is built on farm to develop a CSG mining operation also presents challenges to agricultural activities. Networks of interconnecting gravel roads, wellhead and connection pipes are just some of the impediments that farmers need to adapt to in their operations. Liability issues could also arise should agricultural activities interfere with mining infrastructure and vice versa. Above ground infrastructure associated with CSG mining activities also limits the agricultural operations that could be undertaken on a farm. Road and pipe networks can render many farms unsuitable for broad acre cropping activities. (Rabobank 2011)

7. Reducing Inefficient Regulation

Australian agriculture enjoys a high level of competitiveness and strong reputation in part because of the strict regulations by which we abide; however, the coal seam gas industry remains largely unregulated.

An example of this is the limited and costly use of water for farmers and irrigators versus the unlimited and free exploitation of this resource by CSG. Likewise the double standard for the disposal of brine, salt, chemicals and waste from coal seam gas industry.

The Australian Broadcasting Corporation reports cases where cognisant governments have permitted discharges into streams of coproduced water that, despite treatment, contains a variety of chemicals at concentration above guidelines of aquatic ecosystems and in some cases at toxic levels. Chen and Randall (2013).

It is not so much the effectiveness or ineffectiveness of regulations that will affect agriculture in so much as the dearth of regulations of the CSG industry which will jeopardize agricultural competition, investment and private sector led growth. The CSG industry poses considerable environmental risks by virtue of its use of toxic chemicals and drilling techniques. There is a very real risk of contamination of aquifers, and water may be lost altogether if the integrity of these poorly understood aquifers is breached by deep drilling. All coal seam gas projects must be required to test both water quality and quantity before and during any activity. The CSG industry has no satisfactory method of disposal of the vast quantities of toxic 'produced water'. No further progression of the CSG industry can be permitted until a satisfactory scientific solution is developed. The government would be irresponsible to allow it to go ahead.

8. Enhancing Agricultural Exports

In order to maintain our competitiveness for agricultural exports and new market access it is crucial that Australia maintain its "clean and green" image, impossible with the use of coal seam gas on food producing lands.

It is noted that no quality requirements are specified in relation to disposal of produced water from coal seam gas, although this is clearly a significant concern to all agricultural users of water, especially those now being offered treated produced water. There are currently no applicable produced water standards. To commence coal seam gas projects before any standards are developed would be irresponsible, leaving open the avenue for produced water contaminants entering the food chain; thereby compromising our agriculture exports and new markets access.

The most important impact on agriculture is diminished agricultural productivity, in the case of agriculture and coal seam gas coexistence. After the CSG has been depleted, the coexistence net benefits will always stay below the agriculture line as diminished agricultural production continues long into the future. Chen and Randall (2013)

9. Conclusion

The CSG industry represents a significant threat to the future of the agricultural industry in Australia. It cannot fail to significantly affect the asset base of families and consequently vital succession planning. It will exacerbate the loss of skilled agriculture workers at a time when the government recognizes the need for Australian agriculture industries to ramp up production to continue to make a significant contribution to feeding a burgeoning global population.

The MGPA oppose CSG extraction in all food producing areas of the nation, over all the Great Artesian Basin including recharge areas and any place that would result in the loss of native vegetation, threaten endangered species or fragment habitats.

10. References

- Allen Consulting Group Pty Ltd. 2012. *Rebuilding the Agricultural Workforce*. Report prepared for the Business-Higher Education Round Table.
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