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WWF submission to the Agricultural Competitiveness Green Paper

Dear Sir or Madam,

WWF welcomes the opportunity to make a submission to the Agricultural Competitiveness Green Paper.

WWF believes agriculture is vitally important to Australia's economy and is integrally connected to the health of Australia's natural environment. This Green Paper and the actions that arise from it, have the potential to ensure that agriculture in Australia is more productive, that farmers have greater security, and that the natural resources which agricultural and the rest of society rely on, are sustainably managed.

A major focus of WWF's work in Australia is the health of the Great Barrier Reef. We work with farmers and agricultural organisations to advance farm practices which not only cut pollution travelling to the Reef but which also boost farm productivity. Our submission therefore focuses on options to boost agriculture in Queensland, noting that the information has wider application.

The Green Paper addresses a broad range of issues. This submission is not intended to be comprehensive, but rather takes its lead from the Minister for Agriculture and focuses on where investment might best be directed to benefit Australian agriculture and natural resources. We analyse two contrasting investment scenarios.

Investment Scenario 1: Dams and agricultural expansion
On the release of the Green Paper, the Minister highlighted the role of dams for Australian agriculture, and talked about the need to accelerate investment in new water infrastructure.

Our submission provides an analysis of the economic returns from select previous water infrastructure investments in Reef catchments, as well as the likely returns from some of the dams proposed in the Green Paper. The analysis shows investment in large dams to be clearly uneconomic.

This is not an unsupported view of an environment group, it is the view of a broad range of economists. Last month, the ANZ Bank published *Molehills to Mountains* which analysed the economics of expanding agriculture in Northern Australia. The study found that water was the key limiting factor. However, the prices of commodities were insufficient to pay for water from large irrigation schemes.

The private sector looks for returns on investment, so will not invest in large water infrastructure, unless such returns are forthcoming. If there were some significant additional benefits, then a case could be made for providing subsidies from the public purse, however rather than positives, there are many other downsides to large dams.

Dams do not just impact species such as the Boggomoss snail, but also impact economic assets and international environmental icons such as the Great Barrier Reef. Our attached Scenario 1 analysis highlights the impacts dams and associated broadscale agriculture would have on Reef health and associated economic activity such as tourism. Our finding suggest that investment in dams will not bring economic returns for agriculture and would likely also significantly damage other parts of the economy and the environment.

Investment in large water infrastructure becomes even less appealing when compared to other options for investment that would bring much greater benefit to Australian agriculture and farmers, and the economy more broadly.

Investment Scenario 2: Making existing farms more productive and profitable
The second part of our submission sets out an alternative investment strategy for agriculture using Queensland's reef catchments as an example. The Australian Government currently funds programs to assist farmers adopt new practices which not only makes them more productive but which also cuts pollution travelling to the Great Barrier Reef. The aim is to keep soil and chemicals on the farm, boosting productivity and not have the soil and chemicals end up as pollution on the Reef.

The program has achieved good uptake by farmers, but there are still many farmers who have not adopted more profitable pollution cutting practices. Expanding this program would benefit both the agricultural and tourism industries, as well as the Great Barrier Reef. We propose a much expanded program which includes:

- Extension support to fast track industry-wide uptake of proven profitable pollution cutting practices.
- Low interest loans to finance the transition to more productive practices.
- Outcome payments: incentives for key actions and pollution reductions.
- Research and development: proving up the next wave of profitable pollution cutting practices.
- Monitoring, auditing and reporting: To target investment better as well as demonstrate the productivity and pollution outcomes from the investment.

Scenario 2 focuses on options for government investment. Whilst budgets are currently constrained, the Queensland Government has identified a multi-billion dollar fund arising from asset leases to invest in economic development. With agriculture and tourism forming two of Queensland's four economic pillars, investment in this proposal would fit well with the government's objectives.

In many cases there is a match between actions which provide a good return on investment as well as cuts to pollution. One promising option is ethical super funds which are highly interested in identifying investments which can bring dividends to their members whilst also having good social and environmental outcomes. Thus the initial government funding could play a key role in proving up the economic case for significant further private sector investment.

Scenario 2 is a scoping and options document not a full cost-benefit study. However, even an initial analysis shows it to be a far more preferable use of government funds, than large dams and broadscale agricultural expansion.

The rest of our submission consists of the following documents:

- Investment Scenario 1: Cost-benefit analysis of current and proposed dams in GBR catchments
- Investment Scenario 2: Boosting production and profitability on-farm whilst cutting pollution
- The economics of new water supply infrastructure: Technical drafting notes for WWF prepared by MainStream Economics and Policy.
- Economics, agriculture and native vegetation in NSW, The Australia Institute.

The final document does have a different focus, native vegetation laws in NSW, but goes to a similar point – that the cost and benefits of regulation or investment should be looked at objectively not based on pre-conceived positions (e.g. 'Cutting red tape'). The paper shows that native vegetation laws have little impact on agricultural production and provide many broader community benefits.

We would welcome the opportunity to discuss our submission further.

Yours sincerely

Sean Hoobin
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