

Agricultural Competitiveness White Paper

Submission by

Richard Stayner¹

Institute for Rural Futures

University of New England

Armidale, NSW 2351

¹ A brief cv is available at <http://www.une.edu.au/staff-profiles/rstayner>

In this submission I address two matters raised by the Issues paper.

1. Development water resource infrastructure, especially in northern Australia.

The Issues Paper states (pp. 8-9):

“Agricultural production could increase through (*inter alia*)

- *transitioning to more intensive production systems in existing areas, including through additional water supplies and new dam and irrigation infrastructure; and*
- *converting previously undeveloped sites to agriculture, particularly in northern Australia, through development of water and other infrastructure.”*

Any plans for the further development of water resources, especially in previously undeveloped regions, must pay careful heed to the chequered history of water development in Australia, which has generated chronic economic adjustment problems for irrigators and their communities, policy dilemmas for governments, and environmental impacts such as salinity with significant economic costs. Ward (2009) provides a cautionary summary of this history.²

It is also crucial that policy and planning for further development in northern Australia be based on thorough scientific and economic assessment of the capacity of land and water resources to support sustainable agriculture, taking into account already evident shifts in climatic patterns. The reports of the Northern Australia Land and Water Taskforce (2010)³ provide a comprehensive, science-based assessment of the potential for further development. The sober tone of these reports contrasts with the fanciful visions that have triggered previous attempts at agricultural expansion in northern Australia, such as the Ord River scheme.⁴

Policy and planning for further development of water resources should also draw on the valuable work of the National Water Commission, and be consistent with the principles enunciated in its Position Statement on Water management in northern Australia (2012)⁵.

There will be no excuse if the development of water resources in northern Australia repeats the mistakes and entrenches the same inflexibilities of land settlement and infrastructure that have made adjustment to economic and environmental change so difficult in the Murray Darling Basin.

² Ward, J. (2009) ‘Palisades and pathways: Historical lessons from Australian water reform’. Ch. 14, *Northern Australia Land and Water Science Review, full report*.

³ <http://www.regional.gov.au/regional/ona/nalwt.aspx>

⁴ For further historical perspective, see: Australian Science and Technology Council (1993) *Research and technology in tropical Australia and their application to the development of the region*. Draft report. AGPS.

⁵ http://www.nwc.gov.au/_data/assets/pdf_file/0020/22097/Northern-Australian-Position-Statement-May-2012.pdf

2. Enhancing agriculture's contribution to regional communities

The issues paper poses four questions for consideration. I will comment on three.

- (i) What impact does the growth of populations in regional centres and the decline in more rural or remote townships have on farming businesses and the agriculture sector?

This question was broadly the focus of research carried out by the author in the mid-1990s⁶ ⁷. In brief, we found that most farmers did not have strong negative reactions to the changing mix and spatial distribution of services and functions in rural towns, and that the economic and technological conditions of the specific agricultural industry at a particular time were a more important influence on their sense of well-being and capacity to respond effectively to adjustment stress than changes in the economic structure of local towns.

- (ii) How can the agriculture sector best contribute to growth in jobs and boost investment in regional communities, including indigenous communities?

A fundamental obstacle to the potential for agriculture to make a significant contribution to the growth of jobs in regional communities is that the predominant means by which the Australian farm sector has adjusted to competitive pressures over its history has been by the substitution of capital for labour. It is hard to see how this trend might be reversed in the future. Agriculture is therefore unlikely to be the source of significant direct employment growth in the future. Where on-farm labour demand is high, it tends to be seasonal, and this increases the leakage of spending from the local economy. The on-farm substitution of capital for labour also has knock-on impacts on the viability of other businesses and services in local communities.

While some communities closely associated with irrigated agriculture have tended to have higher levels of local spending and more diverse business mixes, changing climatic patterns are likely to affect irrigated agriculture in several regions, adding to the uncertainty faced by firms and households in those regions.

As well, the potential for local value adding to farm commodities (irrigated or dry land) is constrained by a number of factors that do not necessarily favour rural locations, including:

- the need to source supply from a range of regions over a full year;
- the need to blend supplies of raw materials from a range of regions due to seasonality of production and the variability of commodity characteristics

⁶ Stayner, R.A. (1997). 'The effects of changing rural communities on farming and farm families.' Paper presented at the Conference *Rural Australia: Toward 2000*. Charles Sturt University, Wagga Wagga, 2 July 1997.

⁷ Stayner, R.A. (1998). *The role of the regional economy in farm adjustment*. Publication No. 98/21. RIRDC, Barton, ACT.

- in many farm industries; and
- the relatively low density of production per unit area in broadacre farming and grazing industries.

These factors confer no special advantages on dispersed regional locations, so the prospects for value adding to agricultural commodities to be the source of regional jobs growth are likely to be limited.⁸

- (iii) What community and policy responses are needed in rural and regional communities to adapt and change to new pressures and opportunities in the agriculture sector?

While this is more properly the focus of regional development policy than specifically farm policy, one issue worthy of mention is the difficulty that businesses in rural towns have in retaining key and skilled staff during droughts and similar periods of periodic downturn. My fieldwork for research in many rural regions during droughts over the past 20 years indicates that employers are keenly aware of the critical importance of retaining such staff, and often go to great lengths to do so in order to be able to respond to the needs of customers and clients when conditions change. A case might be made, on the grounds of both community resilience and economic efficiency, for some form of assistance to such businesses during these periods.

⁸ Stayner, R. and Doyle, B. (2004). *Adding value: The critical factors for farmers*. RIRDC Publication No. 04/047, Rural Industries Research & Development Corporation, Barton, ACT.