



Our Australian Rice Industry

Growing Rice to Feed the World



29th July 2005

Mr Peter Corish
Chair
Australia Food and Policy Reference Group GPO
Box 858
CANBERRA ACT 2601

Dear Peter

The Ricegrowers' Association of Australia Inc (RGA) welcomes the opportunity to make a submission to the Agriculture and Food Policy Reference Group. We have based our comments on the Issues Paper, "Ensuring a competitive and sustainable agriculture and food sector in Australia", released in May 2005_

The rice industry encompasses the Murray Valley of NSW and Victoria and the Murrumbidgee Valley of NSW. Typically, around 150,000 - 160,000 hectares are sown to rice in October of each year across this region producing an average of around 1.2 million tonnes of rice annually. The industry has a farm gate value of around \$350 million and total value (export earnings, value-added) of over \$800 million. Including flow-on effects, it is estimated that the industry generates over \$4 billion annually to regional communities and the Australian economy_

Rice growers have individually invested over \$2.5 billion in land, water, plant and equipment and collectively invested around \$400 million in mill storage and infrastructure through the Ricegrowers' Cooperative Limited (SunRice) and the Rice Marketing Board of NSW (RMB). The industry is the backbone for our regional communities generating around 21% of total regional income and 18% of total regional employment'.

The rice industry has also invested significantly in environmental improvement and impact reduction as part of its efforts towards better natural resource management and environmental stewardship. The Rice Environmental Program's flagship is the Environmental Champions Program (ECP) which has received over \$1.8 M in funding from the Department of Agriculture, Fisheries & Forestry to implement a pilot program and roll out of the ECP.

The Ricegrowers' Association of Australia Inc (RGA) is the collective voice of rice growers in Australia. RGA represents over 1600 voluntary members in NSW and Victoria on a wide range of issues.

As much of the Riverina region has been built upon rice, and rice is still the mainstay of many towns today, it is important that RGA members have strong and effective representation. RGA fulfils this role by representing and leading growers on issues affecting the viability of their businesses and communities.

1, Markets for Agriculture and Food

International Markets

Rice is not just a commodity, but a staple food for over half the world's population, It therefore has an iconic place in public policy domain of many Asian countries, in particular, and as a result, is subject to high tariff protection in order to secure domestic food production. As a consequence, rice is the world's most heavily subsidised crop, with subsidies constituting 81% of

¹ Leslie, D.G., Keyworth, S.W., Lynn, F.L., Magill, A.F. 1992. Rice 2000 Project.

RICEGROWERS' ASSOCIATION OF AUSTRALIA INC

Yanco Avenue (PO Box 706) Leeton NSW 2705 Phone: (02) 6953 0433 Fax: (02) 6953 3823 www.rga.org.au

A Group of the Council of the National Farmers Federation

farm value- ² These figures extrapolate out to a US grower, for example, receiving subsidies to the value of A\$280 per tonne, an EU grower receiving A\$486 per tonne and a Japanese grower receiving A\$2,243 per tonne. Australian growers do not receive subsidies.

So when dealing with international trade issues, the rice industry is not only dealing with agriculture, a hard enough area to negotiate reform, but with the added sensitivity around rice.

The Australian crop is predominantly medium grain, which constitutes around 11% of the world market for rice and our share is about 23% of the world market. So while we export 80% of our crop, we are a small player in the international market with 3% of the market.

The Australian rice industry is unable to access many markets with a SunRice branded product, instead exporting rice for integration into local branded product.

2. Competitiveness of Australian Agriculture and Food businesses

The International Rice Research Institute acknowledges that Australians are the most efficient rice growers in the world. Australian growers have invested heavily in the infrastructure over the last 50 years which allows them to grow and market their own rice under the SunRice brand.

In May 2005, the CSIRO published incorrect figures about rice water usage as part of the promotion of their report "Balancing Act: A triple bottom line analysis of the Australian economy." The incorrect figure was picked up by a majority of metropolitan print³ and electronic media. While the CSIRO realised their mistake and issued a correction the same day the damage had been done, and a range of public comments started appearing in the media about the validity of growing rice in Australia. The dominant theme was around the perception of rice being a "low value" crop in comparison to citrus and wine.

While it is simple for scientists and metropolitan based media to say that we should be producing fruit and vegetables instead of rice, they fail to understand that many horticultural markets are already saturated with product. In fact, the NSW Irrigators Council has highlighted in the Sunraysia district on the Murray River this year, thousands of tonnes of wine and table grapes have been dumped on the ground, as there was no market for their product.

The Australian rice industry has a confirmed domestic and international market for our product and the marketing and trading infrastructure to ensure a profitable and competitive business for farmers. Any suggestion that ricegrowers will move rapidly to less water intense cropping systems is unlikely to happen. The corrupted markets available for the vast majority of these crops would lead to decreased profitability, particularly when subjected to the mercy of supermarket power.

3. Using and Managing Natural Resources

The role of farm businesses in environmental management

Australian farmers are managing a resource for the benefit of the country as well as providing a legacy for future generations. Most farmers are therefore active environmentalists, but again, public perceptions do not reflect this reality.

² OECD, 'Agricultural Policies in OECD Countries - Monitoring and Evaluation 2000

³ For example "Thirstiest clop", 21,000 litres to produce 1kg of rice" The Australian, 25 May 2005, pg1 ⁴ "Correction on water use figures assigned to the rice industry" CSIRO media release 25 May 2005

If communities want landholders to preserve natural resources, then it is our belief that the community must adopt some market mechanism to allow the landholder to do this. This is supported by the Productivity Commission review of native vegetation & biodiversity regulations which found that most of the land is owned by individuals and therefore manageable outcomes that leave a landholder with an economically viable property are required.

Currently, governments rely heavily on direct regulations to achieve environmental management objectives. While such regulations have, in some cases been effective in meeting objectives, they tend to be inflexible, complex and can impose high costs on the community. The use of market based instruments has the opportunity to achieve improved environmental outcomes where other methods have not been very effective.

Market Based Instruments have significant potential to achieve 'more from less', to drive innovation, place environmental considerations in the mainstream and give good economic incentive for good natural resource management. The success of market instruments will depend on attention to design features and their close targeting to clear policy objectives. On this latter point, there is a need for governments to clarify policy goals for natural resource management.

In the current environment of increasing environmental awareness and concern, the sole reliance on traditional policy approaches, such as direct 'command and control' regulation, education and persuasion may be insufficient to achieve desired natural resource management outcomes.

Water

Sufficient and timely water is the key to a dynamic and successful rice industry and reliable and modern infrastructure is vital to the delivery of this key input. In funding the replacement and refurbishment of infrastructure, there are a number of models which can be assessed from debt financing and recoupment of these costs from users through to community service obligations. Each infrastructure would first need to be assessed on its purpose. In NSW, State Water Corporation sets aside funds to fund replacement and refurbishment of major infrastructure. Likewise, irrigation corporations do the same. The disappointing thing is that the Governments, over time, have not allocated part of the funds collected from water users for this purpose.

There is also a line in the sand approach where the NSW Government is required to fund these costs for all rural water infrastructure at levels expected on 1 July 1997 - this should not be overturned as this recognises that the Government ran down the asset by not undertaking the required investment.

There is a role for Governments but only where they are still responsible for the structure or where there is a community service obligation (CSO).

All water is currently fully allocated so to meet future needs, alternate sources will need to be sourced. There is a conflict between developing further water sources (eg tropical northern rivers) and environmental sustainability of those "new" sources. This must be decided in the context of the future drivers, particularly for a population forecast to increase. Australia must be able to support increased populations and food production. Certainly we export food and from that perspective Australia is sustainable. However, the population will increase and significantly there will be a higher percentage concentration in the capital cities (64% now to 67% by 2051). This will undoubtedly create further pressure on urban water supplies which will focus their attention on rural water supplies as the (perceived?) cheaper option. This will have a flow on effect on the amount of water used to produce food (irrigated agriculture) possibly leading to a situation of more food utilised in Australia than exported.

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Australia's estimated resident population (ERP) at June 2002 of 19.7 million is projected to grow to between 23.0 million and 31.4 million in 2051, and to between 18.9 million and 37.7 million in 2101.

It is unlikely that market instruments for water will overcome supply issues in urban use but there may be a tendency to opt to the markets as an "easier" option. This gets around the political sensitivities of building more dams and the environmental issues for coastal areas. But this will result in a number of detrimental inland impacts, including reduced food production, environmental impacts on inland rivers etc.

Markets will resolve most of the issues for rural water supply but there will continue to be a debate about the balance between consumptive use and environmental benefit of our water resources, particularly if climate remains in the drier sequence.

4. Conclusion

In order to best equip the food industry to remain internationally competitive into the future, it is crucial that policy is aimed at supporting- that farms to be economically viable and that there is a distinct improvement in terms of trade (this includes world trade reforms). Only when farms are viable can they invest in both environmental sustainability, financial sustainability and put in place mechanisms for drought management, succession planning and retirement.

Representatives of the RGA are happy to meet with the Reference Group to discuss issues we raised in this paper. Please contact me on (02) 6953 0433 to discuss any aspects relating to this paper.

Yours sincerely



VICTORIA TAYLOR
EXECUTIVE DIRECTOR