

**To: Agriculture and Food Reference Group**

**From: an academic grain grower taking a breather from seeding operations.**

A few comments and suggestions for actions which may lead to the improvement of profitability and sustainability of the agriculture industry. A one-page summary is provided with more elaboration on subsequent pages, 6 pages total.

### **Summary.**

**1. Australia needs farmers.** Australia needs a diversity of farmers, big and small for the continued and improved success of the food production sector, for Australia's self-reliance and to ensure a supply of clean, healthy food. Smaller and new businesses in particular can find it difficult to survive in the current climate of reduced terms of trade and reducing social infrastructure in rural areas. Farmers are worth helping and basic support can be achieved simply without the need to adopt European type subsidies. These would genuinely help farmers without encouraging them to become slack! Proposals include:

- A tax-free allowance for debt repayment in case of drought/exceptional circumstances to replace or add to the current IED (Income Equalisation Deposit) system, as this would help new farmers as well as those which are longer established and more affluent.
- A guaranteed minimum price for basic commodities, as a fall-back to reduce risks and assist budgeting.
- Interest levels on farm properties reduced to the same rate as housing loans.
- Retain the diesel fuel rebate scheme.
- Support policies that maintain a reasonable level of services such as health, education and transport in rural areas.

**2. Environmental care is vital for the future of all Australians and farmers can help.**

Soil, water and air needs to be maintained in a healthy state for the benefit of all Australians and the continuation of a healthy food supply.

- Farmers are well placed to contribute by looking after the land they own, and their contribution could be acknowledged and assisted by a government 'environment care retainer fee' which is paid to landowners who in return undertake certain activities and return a simple annual report. The fee would help farmers spend more time on their farms doing environmental work rather than going off farm to work to raise basic living costs.
- Encourage the adoption of biological farming methods. Biological farming improves soil health so it can grow crops in poorer and more droughty conditions (think about climate change?). It is about the only activity that can enable farmers to ultimately increase outputs whilst reducing inputs, whilst improving the environment and possibly also the nutritional value of foodstuffs produced.

**3. Use of grains levies needs reviewing and improving upon.**

Grains levies for research and development is a cost which farmers are happy to pay if the money is used to the benefit of their industry. Currently the Grains Research and Development Corporation appears to be failing both farmers and researchers.

- Reduce the number of bureaucratic positions to release more funds to researchers.
- Use public funds for public research for which discoveries and outcomes are public and affordable to farmers. Putting public money into private research is not desirable
- Respond to direction from farmers and researchers.

## **General.**

As indicated in the discussion papers, the Australian farming scene is diverse and comprises small family farms to large corporate businesses. A current culture pervades the media (and I detect it in the issues paper also) that larger and corporate businesses should be preferred, (how many times have we heard the threat 'get big or get out'?) reasons not generally specified. Rather, I would suggest that small farming businesses are essential to the success of Australia's long term agricultural production capacity, and policy makers should attempt to amend policy so that these small businesses are not forced to close down at the expense of bigger companies. Most smaller and family farming businesses are extremely efficient, have a wealth of experience and knowledge of relevant practise, and are dedicated to making their business and land as sustainable as possible, so that they have a good resource to pass on their offspring. These small businesses are well placed to look after and improve the land on which they farm and live (with respect to soil health and biodiversity), for the benefit of Australians generally, and also supply 'young blood' or new farmers from their families. Another media quote we have recently seen is that 'marginal areas should not be farmed', but in fact figures show that farmers in the marginal areas have been surviving through the recent drought, as well as if not better than those in 'lusher areas'. It needs to be appreciated that the better farming land is increasingly used up for housing or hobby farming for those on city salaries (because farmers need to sell off land to provide for basic living costs, or local councils enact changes to preclude farming, for example). It is hard to see that this trend of urbanisation of farming land will change, so government policy and support needs to be allocated to assisting farmers so that they are able to make a reasonable living from what the city based Australian refers to as a 'marginal' area. Farmers also ensure that Australia has living rural areas and that Australia does not merely comprise cramped big cities surrounded by wasted land or land given over to overseas controlled corporate entities.

Government policy should support a range of farming enterprises from those young and/or starting out, to those who have inherited a farm without significant debt. Having a range of farming businesses, with different capacities, gives the rural sector robustness and flexibility to respond successfully to the various changes we may need to adapt to in the future (climate change, war, pollution, pricing, new discoveries etc.).

Farmers should be able to make an adequate living producing the good, basic food products which all Australians need for good health and self-reliance (rather than dependence on other nations). Agricultural products also produce export income, not just currency circling within the nation, and offer productive employment for many. Farmers generally work very hard, with long hours and tight budgets, often with little recognition, but those who have the aptitude and interest in farming should be reasonably supported in order to have a fair living. Farming is very risky, with many factors outside the control of the farmer e.g. environment (rain, heat, fires, wind), pricing of their product and inputs. It is more expensive to live in rural areas than in cities, due to the increased costs of travel to obtain health, education and food. Farmers have a wealth of knowledge, adaptability, innovation and survival skills which may save our country in certain situations Australia may be faced with in the future.

### **1. Australia needs farmers. How do we stop losing them? How do we attract young ones?**

If this government is serious about supporting home-grown agriculture and a rural population, policies could be changed or enacted to make farming a more reliable, reasonable and attractive living, without having to resort to subsidies of the European type. Some basic suggestions for reducing risk for farmers, reducing farm debt, interest rates and improve the general living environment are listed below.

## Proposals:

1. Change the tax system regarding farm debts from drought/exceptional circumstance. Droughts cannot be predicted or planned for, but will happen from time to time. Good farming practise is to plan for a good season, but drought may occur resulting in the farmer incurring a loss in a drought season, in which case farmers have to borrow money to survive. Costs are involved in managing a drought, such as cost of moving stock, buying feed, seed for the next crop, and basic survival living. Currently the tax structure is set up so that if farmers pay back this debt in a good season, they incur a larger tax burden. This fact encourages farmers to use funds from a good season to put back into the farm, purchase new machinery etc, rather than paying back the debt, which of course puts them in even more debt and more likelihood of stress and farm failure. The current government facility of income equalisation deposits (IEDs) is of some use to the richer or well set-up farmers, who can spare funds from a good season, to put aside for a lean year. Thus IEDs actually help those who are technically not in need, a fact demonstrated by comparison of the debts incurred in the recent drought and the much lower value of funds put into IEDs. IEDs are of little or no assistance to young or new farmers who necessarily start their business with the relatively large debt required to purchase farming land and start-up equipment, and who do not have spare funds to put aside in a good year.

A more useful system would be to enable farmers incurring debt due to drought to have a reasonable level of debt (say, up to a limit of \$40,00 p.a.) to be allowed to be paid back, starting with the next good year, tax-free. Thus the debt is not written off, it still has to be paid, and is set at a reasonable level. This system would not be expected to apply when a farmer is in debt due to a rash business decision. This new system would encourage farm debt to reduce, increasing the likelihood of farming business being able to continue and make farming a more attractive career for young people to take up.

2. Provide a guaranteed minimum price for basic agricultural products such as wheat. Think of this as the farming equivalent of the guaranteed minimum wage for employed people. This would be a sensible price and one not so high that it fails, as the wool price did historically. The government may need to be prepared to underwrite the price. Some variation on the idea may be needed for perishable products. This 'safety net', which in fact would probably hardly ever be resorted to, would enable farmers to budget and supply a guaranteed figure to their bank.

3. Set interest rates on farming properties at the same rate as housing loans. Currently a farm loan attracts a higher interest rate. Government help as in points 1 & 2 should help reassure banks that farming is not more risky than basic living and thus not deserving of a higher interest rate. Currently bank interest rates support housing development over those trying to make a living farming.

4. The diesel fuel rebate should be retained for on-farm primary production and transport of primary products.

4. Support rural and regional communities. Reducing terms of trade for farmers and reducing social infrastructure and services in rural areas, while city dwellers are offered an increasingly better life count against expanding our food production capacity. Depression and suicide are increasingly common among farmers. This trend can be arrested and reversed by paying attention to policies retaining and supporting services (e.g. health, childcare and education), improving transport facilities and so on, as listed in the discussion paper. Ask local

communities what they need and get them to help come up with reasonable, workable solutions to their problems.

## **2. Australia needs to maintain a healthy environment. Farmers can contribute.**

Farming businesses are best placed to look after the major part of our rural environment. Most farmers want to do this and should have adequate support and recognition for the valuable contribution that they make. An 'environment care retainer fee' (ECRF) provided by government to farmers would better enable farmers to have the time to devote to such practises as fencing and weeding bush, using less toxic chemicals and fertilisers, installing water saving measures, controlling feral animals, trialing and using measures which are suggested to improve, rather than destruct the environment. If farmers are kept very income poor and are expected to work off the farm as well as on the farm to meet basic living costs, they will not have time or money to devote to extra environmental care. The 'environment care retainer fee' also has the benefit of helping farmers financially in respect to their general viability, as referred to in the above section. Local councils would probably be best placed to administer/monitor this in the first instance, with funds supplied from general revenue. It should be able to be arranged that the bureaucracy is not too onerous. Direction should come from the Federal Government to local councils. Local councils could supply farmers with newsletters/instruction regarding suitable environmental practises (as my own council area, Coorong District Council does) and farmers could have the responsibility of an annual report (one sheet) of the measures they are undertaking. Reporting between the local council and Federal Government would provide information to the appropriate Federal minister's office (environment), and the (environmentally beneficial) activities and progress achieved would help Australia's profile as an environmentally friendly one within the global community (perhaps even contribute towards carbon credits? and international respect). This exercise would create some productive employment and would generate information on suitable practises, which can be shared across all farming regions. An extension of the ECRF would be to offer incentives through local government e.g. cost contribution to specific environmental improvement projects, such as fencing bush and waterways off from stock. Local knowledge is vital and you will find that many farmers already have knowledge as to what really will improve the local environment, saving much expensive research. Farmers like sharing their experiences with other farmers, learning from another farmer's experience, and generally have no trouble adopting practises demonstrated by another farmer.

The absolute key to sustainability of continued agricultural production is the health of our soil, which has tended to become degraded by overuse of cultivation, chemical fertilisers, pesticides and herbicides, reducing the diversity and frequency of beneficial soil organisms. These are organisms which convert organic matter into more available nutrients for further plant growth, build up soil fertility, assist in water holding capacity, reduce compaction, and generally improve general plant health and nutritional status, basically for little or no cost! More encouragement and support should be given for farmers to reduce their use of cultivation passes and chemicals and bring in increasing amounts of 'biological farming' practices which can reverse the trend of soil organism decline and increase soil health. Those worried about climate change should note that the increase of mycorrhiza (a fungal association with plants) in the soil is needed to enable plants to grow in poor and dry conditions. The adoption of farming methods which encourage the development of mycorrhiza and other favourable soil organisms, will do more to help our sustainability, particularly in times of climate change, than new expensive plant varieties. There are experts in biological farming who are researchers, primary industries advisors, farmers and staff of companies supplying biological farming products, whom the Agfood reference group could talk with to inform themselves better about this. I suggest that Dr Maarten Stapper, of CSIRO, Canberra, should be consulted as a local and world expert in this area. It should be noted that some of the farming methods taken from overseas need to be applied with care to the Australian

environment. Biological farming is relatively cheap, with a range of biological products added or substituted for some of the chemicals currently used. It is relevant to both small and big farming operations, and is already being used with successful outcomes for farm profit and environmental health benefits. It may be hard to see how farmers can keep reducing input costs and still increase outputs, but the adoption of biological farming practices should pretty well fit the bill. Present day biological farming is a mixture of older and new technology, and uses many materials that other sectors of our primary production produce (e.g. molasses, from the sugar industry). In addition, it helps farmers and general health bills by reducing the toxic chemicals farmers are exposed to, and where chemical use is reduced, food with greater health benefits may be produced. Thus, when pesticides are used on plants, production of their compounds which act as natural pesticides are suppressed. These natural pesticide compounds have health benefits when ingested within human food products (Dr Rosemary Stanton). Key performance indicators for soil health may be measured as number and type of soil biota and soil organic carbon, for example, which farmers could report back on. These are more realistic indicators of whether an agronomic practise is likely to be sustainable in the long term.

It is a false hope to simply expect that ‘technology will fix it’, or to impose ‘new technology’ willy-nilly (or in an attempt to help a specific manufacturing business or trading partner) on farmers. Some technologies will be worthwhile and some will cause problems and ultimately financial losses. The cost of some technologies may be out of the range of some farmers. Media has a lot to answer for. Farmers are currently bombarded with hype about new machinery and methods, which possibly mostly serve the purpose of a short-term boost to machinery manufacturers. Farmers aspiring to technology costing more than their means may unnecessarily kill their farming enterprise with debt. Although an option for some farmers, the adoption of new technology is probably fairly well down the list of actually increasing the profits and sustainability of farmers generally.

As it is listed in the discussion paper, I will make a comment on gmo crops. In the Australian environment it is quite unlikely that gmo crops will make much improvement to our food crop production. Bigger and more sustainable gains will come from altering agronomic practise (e.g. adopting biological methods, as previously referred to) and using the skills of the pragmatic base plant breeders within a publicly funded research system.

It is not possible to keep gmo and gmo-free commodities from cross contamination. Anyone who has worked at producing pure seed, particularly of canola, which electrostatically sticks everywhere despite all sorts of sophisticated cleaning equipment and hours of effort, will know that this is a pipe dream, and would cost our food industry more than it might be worth. While demand for non-gmo crops is there, Australia can be one of the few countries that can fill specific discerning markets. If we become the same as everyone else, then we will probably lose in trade competition. It might well be a saviour to be left behind regarding gmos! If gmos do come up with a proven winner, or proven winning way, we can afford to let other countries make the mistakes first and take up the products later. I wouldn't worry as much about biotech researchers going overseas to work as I have worried about our long term, experienced career plant breeders being reduced in the interests of privatisation.

- 3. Make alterations to funding bodies using grains research levies.** Grain growers supply levies for grains research and general revenue from taxes is added to this. This was a nice idea, but in recent years it seems that the Grains Research and Development Corporation (GRDC) has begun to fail the people it is supposed to support, namely the growers and the researchers. Farmers are becoming increasingly unhappy at how their contributed levies appear to be being spent. Research has always been a pretty hard career, with long hours, hard work and job insecurity, but recently disrespect and intimidation appears to have increased, with less flexibility allowed for research

minds to demonstrate innovation and individuality. It appears to many farmers that unnecessarily large amounts of the research funding go to support beaurocracy, promotional material, talkfests, self-gratification, and endless reviews, rather than going to research and development which helps farmers. Publicly raised funds should be primarily used within the public sector to produce public information and products which farmers can afford. The GRDC staff should be more in touch with farmers and researchers and be following the researchers and farmers' lead, rather than the other way around. The quest to make money from 'intellectual property' seems to ultimately cost more in terms of lawyers fees, limit access to findings or stifle research, while intellectual property from farmers contributory activities receive no recompense. Now is time for a review of the GRDC, so that it may be put back to its place of serving farmers and researchers.