

Understanding the Changing Economic Relationship Between Farm Enterprises and Regions.

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Introduction

As three experienced researchers in the field of agricultural and rural change, we welcome the opportunity to participate in the deliberations of the *Agriculture and Food Policy Reference Group*.

Although the breadth of the Issues Paper demands lengthy consideration, the focus of this submission relates to one particular critical aspect of this policy field. Specifically, we refer to the discussion in Part E of the Issues Paper which briefly considers the regional economic relationship between farming and rural communities. The Issues Paper correctly identifies a set of changing relationships here, and asks a series of relevant questions in the first box on page 20.

The key point we wish to make is that this relationship deserves very close consideration. At present, it is not understood to any significant degree. As the Issues Paper suggests, changes in the farming sector may have positive or negative implications for the regional economies in which farms are situated. For example, regional economies may be affected negatively by processes of farm consolidation and 'local town by-pass' as farm supplies are sourced from larger-scale providers located in the larger regional centres or the state capitals. On the other hand, regional economies may benefit from agricultural restructuring which sees a replacement of extensive for intensive farming activities (for instance, when horticulture expands into farm regions dominated previously by broad-acre cropping or livestock).

The failure to understand these relationships encourages excessively optimistic or pessimistic interpretations of change, to the detriment of evidence-based, balanced debate. Australia's agricultural policy-making bureaucracy at national and state levels has been dominated historically by agricultural economists well-trained for policy issues regarding market structures, but with a dearth of contribution by economic geographers and regional economists versed in the complexities of how economic systems are rooted in spatial forms. Flowing from this, Australian agricultural policy-making has been equipped to understand the national-scale dynamics of how policy changes (such as trade liberalisation) impact on GDP, but has been poorly equipped to appreciate the concrete dynamics of change in Australia's farming regions. We submit that this is a policy failure which has contributed to a disjunctive dialogue in agricultural policy whereby the agricultural policy mainstream has focused on the potentially large size of economic benefits flowing to farm regions from the embrace of open-market policies; but many people in farming regions have complained of regional decline, poor job prospects, and rural-urban inequality.

In other words, we identify a problem of scale in the more orthodox approaches to farm and rural policy in this country. There exists a reasonable understanding of the complex interrelationships between the macro-economics of, for example, international trade reform and the micro-economic responses to it, at a macro-level of analysis, but the flow-on effects of such industry-specific responses to individual farms and then onto regional economies and communities are much less well understood. This knowledge gap should be remedied as a matter of urgency not only for the sake of completeness but because it potentially disguises a number of potential 'market failures' which can be expected to dog key farming sectors for the foreseeable future.

For example, the increasing scale of farming operations in the major broadacre farming and intensive horticultural zones has led to ongoing structural problems in the seasonal farm labour market. This issue is alluded to in the Issues paper. While some innovative and potentially effective policy responses to this problem have been developed (e.g. promotion of fruit harvesting to international backpacker and domestic tourists) it seems to us that more carefully thought-through programmes and strategic alliances between relevant farming organisations, local and regional government, accommodation providers and welfare agencies are required. A good example of some of the social externalities, borne by regional communities, of poorly-co-ordinated seasonal labour recruitment can be seen in case of North-West New South Wales. Here, the expansion of cotton farming has triggered a reasonably reliable demand for seasonal 'cotton chipping' (manual weeding of cotton rows), attracting hundreds of university students, unemployed persons and others to the towns of this large region. However, due to a lack of co-ordination between the above organisations, substantial numbers of 'cotton chippers' end up without accommodation nor means of transport or sustenance. High levels of rural homelessness have thus ensued, placing considerable strain upon local welfare agencies. Our purpose in raising these issues to the Reference Group is to suggest the need for detailed examination of the farm-regional relationship. Through our previous research activities we are aware of the general outline of the issues at hand.

Rural and regional communities across Australia are changing as farming industries changes. The continuing agglomeration of farms into globally oriented, corporate run businesses with decision making beyond these communities is altering the relationship between traditionally family-based farming enterprises and their local and regional communities. While policy makers in government are aware of the issues relating to the change in farm ownership and the agglomeration of farm produce marketing, there is little information available on industry and region specific impacts. As rural and regional development researchers we are interested in these relationships and in our individual work have been following the impact of changes in Australian farming on the rural and regional communities in which they are located. There are, however, significant gaps in the knowledge base that need to be addressed.

We don't know, for example, what the impact of changing markets, technology and ownership is having on different agricultural industries. How does the different trade status impact different industries and the regions in which they are located? Does this impact other industries in the same region? If so, how? We suspect there are significant labour market issues across a number of agricultural industries in particular regions where one predominant industry is impacted by external, global factors; for example, sugar. Research on agricultural industry clustering in rural and regional Australia is non-existent, yet our anecdotal evidence is that demand for trade labour is high in these places. Should demand decrease in an already short supply this would further limit their availability.

Retail industry is a significant employer in rural and regional Australia supplying both farming and farm related industries. The economic success of the retail sector is tied

directly to the success of regional farming industries. In addition the retail choices made by farmers in an age of online shopping does impact the type of retail service provided.

Presently we are engaged in preliminary discussions with various stakeholders in regional Australia to develop a national research project which looks at these and other relationships impacting the success of Australian agriculture. Our aim is to understand the changing economic relationship between farm enterprises and their region. Working with regional economic development researchers in universities across Australia we will address these and other questions focussing on several ecological-agricultural zones to contrast the experiences in different regions.

We expect that the Department of Agriculture, Fisheries and Forestry will have base-line data on these regions which provides a starting point for more in-depth, qualitative research by our research team. They will meet with farmers, farmer industry association representatives, local and state government officials, agricultural industry manufacturers to build a more coherent picture of the issues and challenges facing agriculture in each region.

One of the major trends emergent across rural Australia is the development, and consolidation, of different developmental trajectories for different agricultural zones. We are seeing the incipient creation of zones of 'hyperproductivity' in which farms have attained optimal economies of scale, are at the leading edge of farming technology and are, to greater or lesser degrees, dependent upon farm-derived income. Good examples include many broadacre farming zones (such as that referred to above) and the dairy regions of Victoria recently favoured by the deregulation of the industry. On the other hand, 'amenity landscapes' (Holmes, 2003; Barr, 2000) are also increasingly visible, chiefly in coastal and selected riverine regions, peri-metropolitan fringe areas and scenically-attractive landscape regions with high accessibility to capital cities. In this latter regional type, sustained exurban in-migration has effectively displaced most viable farming enterprises via its sustained impact on local land prices and via the conflict that often emerges between new and established landowners over land use. In the absence of 'right-to-farm' legislation – which would give preference to the established farmer – many farmers are forced out of farming or out of the area. Overall, the nexus between local agriculture and local regional economies is increasingly tenuous.

Therefore, while the issues paper correctly, we think, identifies some of the important questions confronting agriculture and its links with rural economies and communities in the context of regional population decline, substantial challenges (and opportunities) face agriculture and rural society in regions of net population growth, specifically where driven by net migration gain. Some germane questions for farming-society links in the amenity zone are:

- How can economically-viable agriculture be maintained?
- How can conflicts between established agricultural land uses and new landowners be resolved and avoided?
- What local planning regulations are best suited in amenity landscapes (e.g. what maximum subdivision lot size is most appropriate)?

References

Barr, N. 2000, Structural change in Australian Agriculture: Implications for Natural Resource Management, Report from Theme 6, Project 3.4, Department of Natural Resources and Environment Victoria.

Holmes, J. 2003, 'Impulses towards a Multifunctional Transition in Rural Australia: Gaps in the Research Agenda', paper delivered to the Division of Geography and Planning, University of New England.